



MEDIOBANCA
International (Luxembourg) S.A.

Client Classification

**Web version extracted from Mediobanca International (Luxembourg) S.A.'s Client
Classification Policy**

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Introduction and purpose of the document

Mediobanca International (Luxembourg) SA (hereinafter also referred to as "Mediobanca International" or the "Bank") is required to draw up a classification of its clients when providing investment services and ancillary services within the territory of Luxembourg or other member states of the European Union. Client categorization should reflect client's experience, knowledge and expertise to make his own investment decisions and ability to assess the risks that it incurs. The requirement to classify clients prior to provision of investment services or ancillary services are laid down by the directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments (hereinafter also referred to as the "**MiFID II**") and by the relevant delegated acts (e.g. Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive (hereinafter also referred to as the "**DR-MiFID II**").

Grand-ducal Regulation of 30 May 2018 transposed the MiFID II Delegated Directive (EU) 2017/593 into national Law (hereinafter also referred to as "**GDR**") and updated the Law from 5 April 1993 related to the financial sector (hereinafter as "**LFS**").

The Bank provides trading investment services (i.e. services of dealing on own account, execution of orders on behalf of clients and reception and transmission of orders) primarily to eligible counterparties. Other clients than eligible counterparties may not have an access to trading services or ancillary services.

1. Classification of clients

The **LFS**, in line with the MiFID II and DR-MiFID II provisions, provides for the categorization of Clients into the following three categories, each of which is granted a different level of protection which is reflected, in particular, in the obligations that any intermediary is required to observe:

◆ Retail Clients

These are all those Clients not categorized as eligible counterparties or professional clients; however, this category may also include professional clients and eligible counterparties who in general or in connection with specific services, transactions or financial instruments, have applied for and obtained a downgrade to retail clients. Retail Clients are granted the maximum protection with regard, in particular, to the scope of the information that the Bank has to provide, the performance of checks on the "suitability" and "appropriateness" of the services requested/provided and the transactions performed, and the execution of orders on financial instruments under the most favorable conditions (known as "best execution" principle).

◆ Professional Clients

According to Article 1 par. 7 of the GDR, a professional client is defined as a client who possesses the experience, knowledge and expertise to make his own investment decisions and properly assess the risks that it incurs. These clients have to meet the criteria laid down in the Annex III of the LFS.



It is possible to make a distinction between:

- i. clients who fall within the category of professional clients as defined by the Section A of the Annex III to the LFS (the "**Per Se Professional Clients**");
- ii. retail clients who requests to be classified as professional clients pursuant the Section B of the Annex III to the LFS (the "**Upgraded Retail Clients**" or "**Elective Professional Client**").

With reference to point (i), the following may be treated as Per Se Professional Clients:

- ◆ Parties (EU/non-EU) authorized or regulated to operate on financial markets:
 - a) Credit institutions;
 - b) Investment firms;
 - c) Other authorized or regulated financial institutions;
 - d) Insurance and reinsurance companies;
 - e) Undertakings for collective investment schemes and their management companies;
 - f) Pension funds and management companies of such funds;
 - g) Commodity and commodity derivatives dealers;
 - h) Local firms¹;
 - i) Other institutional investors.
- ◆ Large companies which comply, at the individual company level, with at least two of the following size criteria:
 - balance sheet total: €20,000,000;
 - net turnover: €40,000,000;
 - net equity: €2,000,000.
- ◆ National and regional governments, including public bodies that manage public debt at national or regional level, Central Banks, international and supranational institutions such as the World Bank, the International Monetary Fund, the European Central Bank, the European Investment Bank and other similar international organizations.
- ◆ Other institutional investors whose main activity is to invest in financial instruments, including entities dedicated to the securitization of assets or other financing transactions.

◆ **Eligible counterparties**

Eligible counterparties are a special category of professional clients as defined in art. 37-7 of the LSF.

In view of the above regulatory provisions, the following may be considered as eligible counterparties (upon discretion of the Bank):

- ◆ Entities which are required to be authorized or regulated to operate in the financial markets, such as:

¹ "Local firm" means a firm dealing for its own account on markets in financial futures or options or other derivatives and on cash markets for the sole purpose of hedging positions on derivatives markets, or dealing for the accounts of other members of those markets and being guaranteed by clearing members of the same markets, where responsibility for ensuring the performance of contracts entered into by such a firm is assumed by clearing members of the same markets.



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- a. investment firms;
 - b. credit institutions;
 - c. insurance companies;
 - d. UCITS and their management companies;
 - e. pension funds and their management companies;
 - f. other financial institutions authorized or regulated under Union law or under the national law of a Member State;
 - g. national governments and their corresponding offices including public bodies that deal with public debt at national level;
 - h. central banks; and
 - i. supranational organizations.
- ◆ Per Se Professional Clients, if they are legal persons, who are authorized or regulated to operate on financial markets; large companies which comply, at the individual company level, with at least two of the abovementioned size criteria; and national and regional governments, including public bodies that manage public debt at national or regional level, Central Banks, international and supranational institutions such as the World Bank, the International Monetary Fund, the European Central Bank, the European Investment Bank and other similar international organizations.
 - ◆ Upgraded Retail Clients (Elective Professional Clients) and Per Se Professional Clients who are other institutional investors whose main activity is to invest in financial instruments, including entities dedicated to the securitization of assets or other financing transactions, on their own request and if they are legal persons and undertakings.

2. Information on current classification and potential reclassification of clients

At the beginning of the business relationship, the Bank informs the client of the classification attributed. The Bank advises also of the right to request a change of categorization and of the impact this may have on the level of protection granted.

The categorization originally assigned to the client may be changed, either on the Bank's initiative (only to grant further protection) or upon request of the client, who may ask the Bank to be classified in a category offering more protection (e.g. from professional client to retail client) or in a category offering less protection (e.g. from retail client to professional client). In such event, the Bank assesses the client's competence, experience and knowledge in order to establish if it may accept his request or not. The Bank informs the client of the outcome of the assessment and, if positive, of the protections and rights to indemnity that he could lose.

It is up to the client to inform the Bank of any changes that might affect his categorization.