

Clients Classification Policy

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Table of contents

1. INTRODUCTION	3
2. SCOPE OF APPLICATION	3
3. PROCEDURE	3
3.1. Client's initial categorization	3
3.2. Change the client category	5
3.2.1. Changes of category that carry a minor protection	6
3.2.2. Changes of category that carry a major protection	7
3.2.3. Documentary support of the change of category	8
3.3. Monitoring of the classification of the client	8
3.3.1. Review of the compliance with the Policy	8
3.3.2. Annual communication of the clients classification	8
4. TRANSACTIONS AND PROCEDURE TO CATEGORIZE A CLIENT	9
5. LIABILITY, UPDATE AND CONTROL OF THE POLICY	9
ANNEX I	11
ANNEX II	15
ANNEX III	19

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1. INTRODUCTION

Banque de Patrimoines Privés, S.A. (Hereinafter, "**Banque de Patrimoines Privés**" or the "**Bank**") has developed its best practices in order to meet the requirements established by the Market in Financial Instrument Directive 2014/65/UE of the European Parliament and of the Council of 15 May 2014 (hereinafter "MiFID II Directive").

MiFID II Directive develops the conditions applicable to client's categorization or classification in order to provide especial protect to retail clients. In the elaboration of this Clients Classification Policy (hereinafter the "**Policy**") the following normative sources have been considered:

- MiFID II Directive.
- Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU ("Delegated Regulation").
- Commission Delegated Directive (EU) 2017/593 of 7 April 2016 supplementing Directive 2014/65/EU ("Delegated Directive").
- MiFID II Law XXXXXX

The above regulations are collectively referred as the "**Applicable Regulation**".

Hereby, in the frame of the provision of investment services to clients, Banque de Patrimoines Privés classifies each of their clients, assigning to a certain classification that will determine the protection level that is applicable to the client.

Considering the above, the present Policy develops: (i) the processes of clients classification; (ii) the changes of clients category and (iii) the review of the Policy.

2. SCOPE OF APPLICATION

The present Policy shall apply to all investment products and services subject to MiFID II as well as to the rest of Applicable Regulations indicated in the first section.

3. PROCEDURE

The present procedure develops the general criteria and description of the tasks and necessary activities to assure Compliance Department regarding, the obligations of the client category assignments and the information to be provided to every client according to their assigned category, with a description of the fields and validations of each one of the activities inherent in the procedure.

3.1. Client's initial categorization

To provide a protection level and information to the client which is adapted to his knowledge, experience on financial markets and qualification, the applicable regulations previously exposed require that the Bank, while provides investment services, classifies its clients under one of the following categories:

- **Retail Client:** It is the higher level of protection applicable to the clients of any MiFID investment service. They are considered to be retail clients all those that have not been classified as neither professional clients or eligible counterparties.
- **Professional Client:** They will have the consideration of Professional Clients *per se*, the following ones:
 - (i) Entities that are authorized to operate on the financial markets (e.g. credit institutions, companies of investment services, insurance companies, institutions of collective investment and its managing companies, pension funds and its managing companies, funds of securitization and its managing, active companies of raw commodities and its derivatives).
 - (ii) National and regional Governments, included the public organisms that manage the national debt on a national scale and regionally, central banks, international and supranational organizations, as the World Bank, the International Monetary Fund, the European Central Bank, the European Bank of Investments and other international similar organizations.
 - (iii) Businessmen/companies who individually assemble, at least, two of the following conditions:
 - a. That the total of the asset items is equal or superior to 20 million Euros;
 - b. That the amount of its annual turnover of business is equal or superior to 40 million Euros; and
 - c. That its own resources are equal or superior to 2 million Euros;
 - (iv) Other institutional investors whose activity like company is to invest in financial instruments, included the entities dedicated to the assets securitization or other transactions of financing.
- **Eligible Counterparty:** The Bank will be able to grant the clients who by their characteristics are catalogued as professionals, the category of Eligible Counterparty. In such a case, the Bank shall obtain the authorization express and signed of the above mentioned clients to formalize the change of category, although for the same one a decrease of the protection level takes place as investing in products and investment services.

The category assigned by the Bank to its clients operates with respect of the totality of the products and services that the Bank could provide and offer, not being possible, therefore, that a client has more than one classification depending on the product or service that is going to be provided.

In general, all the clients will be classified initially as Retail Clients as it is the maximum level of protection that can be granted to the client, and with such category the Client will be recorded in the Bank's system. Nevertheless, in case that as a result from the Client assessment, the Client should be considered in another classification, their classification can change.

As soon as the Bank has assigned a category to the clients, the Bank will communicate to the Client their category through the "**Initial Communication of MiFID Client Classification**" which standard format is included as Annex I.A to this Policy. In the above mentioned communication, the Bank reveals to the client that considering the information provided, the client has been assigned to one of the three categories. In addition, upon request, also it will

inform to clients the possibility to request a change of classification, which will modify the protection level granted.

The following graphic shows the existing association between each of the client's categories that the Bank can assign and the level of protection corresponding to every category recognized under this Policy:



3.2. Change the client category

As it informs in the Communication of Classification sent by the Bank to its clients, the clients are entitled to request a different classification from the assigned one for the Bank, across the form of "**Request of the Client of Change of Category**" that meet the standard model included in the Annex II.A to this Policy.

The following graphic illustrates the possibilities on the change of category that the clients arrange in order to modify their classification and, in consequence, the effects that the above mentioned change will suppose in their treatment as clients in terms of major or minor protection on the part of the Bank:



The possible changes of category that can take place and the processes associated for the accomplishment of the above mentioned changes of clients categorization are those that are described in the following sections

3.2.1. Changes of category that carry a minor protection

❖ Retail Client to Professional Client

- 1) A Retail Client will be able to request the change of category to Professional Client, resigning explicitly to the corresponding protection. In these cases the Bank shall check that the Client fulfills, at least, two of the following requirements:
 - That the client has performed transactions of significant volume on the stock market, with an average frequency of more than ten for quarter during the last year.
 - That the value of the cash and securities deposited by the client is over 500.000 Euros.
 - That the client occupies or has occupied for at least one year a professional position in the financial sector that needs knowledge about the products or given services.

- 2) A client who according to defined in the point 3.1 of this Policy will be able to request the change of category Professional Client in case that fulfills, at least, two of the following requirements:
 - That the total of the assets item is equal or superior to 20 million Euros.
 - That the amount of his annual turnover is equal or superior to 40 million Euros.
 - That his own resources are equal or superior to 2 million Euros.

In this sense, the client will have to deliver to the Bank, the form "**Request of the Client of Change of Category**" (Annex II.A), by means of which the client resigns the initial classification as Retail Client and requests the categorization as Professional Client, indicating the legal reasons that sustain the above mentioned request.

In case the Bank, once checked the compliance with the legal necessary requirements, accepts the above mentioned request, it will communicate to the client the accomplishment of the change of category, across the form "**Communication of acceptance of the Request**" that will answer to the model included in the [Annex III.A](#) to this Policy. Otherwise, if the Bank does not accept the change of category requested by the client, for understanding that the legally established requirements are not fulfilled, the Bank will communicate it to the client across the form "**Communication of refusal of the Request**" that will answer to the model included in the [Annex III.B](#).

❖ Professional Client to Eligible Counterparty

As stated above, the Bank will be able to decide to grant the clients the category of Eligible Counterparty to those who by their characteristics would be catalogued as professionals *per se*.

In such a case, the Bank shall obtain the explicitly and signed authorization of the Client to formalize the change of category, due to the lower protection granted to this type of clients.

In the change of category, which represents for the client the minor degree of protection, the Bank, before deciding if they accept the request of re-assignment, will be forced to adopt all the reasonable measures to ensure that the client who asks to be treated as client Eligible Counterparty fulfills the requirements demanded by the regulation of application.

In this sense, the client must remit to the Bank the form "**Request of the Client of Change of Category**" that will answer to the standard model included in the [Annex II.A](#) to this Policy, by means of which the client resigns the initial classification as Professional Client and request the categorization as Eligible Counterparty, indicating the reasons that sustain the above mentioned request..

In case the Bank, once checked the compliance with the legal necessary requirements, accepts the above mentioned request, it will communicate to the client the accomplishment of the change of category, across the form "**Communication of acceptance of the Request**" that will answer to the model included in the [Annex III.A](#) to this Policy. Otherwise, if the Bank does not accept the change of category requested by the client, for understanding that the legally established requirements are not fulfilled, the Bank will communicate it to the client through the form "**Communication of refusal of the Request**" that will answer to the model included in the [Annex III.B](#).

3.2.2. Changes of category that carry a major protection

❖ Professional Client to Retail Client

All those clients categorized like professional will be able to request a not professional treatment, increasing the degree of protection, when they understand that they are not in conditions to value or manage correctly the risks which they are exposed to in their relation with the Bank.

The Bank, once validated the compliance with the applicable requirements, will communicate the change of category to the clients by means of the form "**Communication of the acceptance of the Request**" that will answer to the model included in the [Annex III.A](#).

❖ **Eligible Counterparty to Professional Client or Retail Client**

There exists the possibility that an Eligible Counterparty requests to be treated as Professional Client or as Retail Client.

In case that the Eligible Counterparty, in the request of change of category, does not request expressly the consideration as Retail Client, the Bank will assume with the above mentioned Eligible Counterparty automatically a treatment as Professional Client.

The Bank, once validated the compliance with the applicable requirements, will communicate the change of category to the clients by means of the form "**Communication of the acceptance of the Request**" that will answer to the model included in the Annex III.A.

3.2.3. Documentary support of the change of category

The Bank must preserve the whole documentation regarding to the management of the changes of category requested by their clients.

All the mentioned documents gather the different possibilities that the clients of the Bank have to request change of category, as well that suppose levels of higher protection as levels of lower protection.

The Bank shall obtain copy of the forms signed by the client, which will have to be integrated to the documentary file of the client, for the purpose of safeguarding of documentation and appropriate record keeping.

3.3. Monitoring of the classification of the client

3.3.1. Review of the compliance with the Policy

Compliance Department will perform a review of fulfillment of the procedure of classification and evaluation of client's re-classification in accordance with the terms of this Policy.

The above mentioned review will imply (i) an evaluation of the level of adequacy of the Policy of Clients Classification with the Luxembourgish applicable regulation and (ii) a review based on sampling process of new and existing clients of representative character, which allows to check that the requirements of clients classification, communication to the clientele and reclassification contained in this Policy, have been fulfilled and have been registered adequately.

3.3.2. Annual communication of the clients classification

On an annual basis, the Bank will communicate to the clients (through a written form) confirming classification assigned in the previous natural year in conformity with the premise of which there have not been alterations in the circumstances that imply a modification of the assigned category, and the clients right to request a change, in case of fulfilling the lawful and regulation conditions established to the effect.

The above mentioned annual Communication of the assigned category will answer to the standard model of "**Annual Communication of Review of MiFID Clients Category**" who is included in the Annex I.B of this Policy.

Nevertheless, if the Bank has detected changes during the previous natural year that imply a modification in the category previously assigned to the client, it will send on their behalf the "**Communication of Reclassification of MiFID Clients Category**", included in the Annex I.C of this Policy.

The above mentioned communications will be able to be delivered individually or jointly with the Annual Report of Costs and Charges.

4. TRANSACTIONS AND PROCEDURE TO CATEGORIZE A CLIENT

Along the existence of a client in the Bank, it is possible to raise a change in their categorization. These modifications, as well as the categorization of those clients who at the date of approval of the present Policy have not been categorized, must be classified through the transactional platform of the Bank, in accordance with the following indications:

1. When a client gives of discharge in the system, automatically there is assigned the category Retail MIFID.
2. When a client have contracted an account or service, the communication with the client MiFID categorization is deliver to the client, in those cases where the office has not previously printed the document of categorization through the correspondent platform.
3. When a client have arranged an account or service, the system will check if the personal banker has communicated their MiFID category or if has not done to him the delivery of the precontractual MiFID information.
 - a. In the event that has not been communicated to the client his MiFID category, there will be delivered the MiFID categorization as Retail Client and the "MiFID Prospectus". The client will have to sign the correspondent acknowledgement who accredit the delivery of the previous documentation and of the above mentioned categorization.
 - b. In case that the Bank has communicated to the Client his MiFID category, it will deliver or send by e-mail the "MiFID Prospectus". The client will have to sign the Receipt of the delivery of the above mentioned information.
4. The client will be able to request the change of category. The modification of category change will be performed by the Compliance Department.

5. LIABILITY, UPDATE AND CONTROL OF THE POLICY

Compliance Department will be responsible for the present Policy. It will take charge of its diffusion to the persons and commercial areas and coordinating the pertinent formation inside the same one.

At least annually, Compliance Department will proceed to realize an integral review of the content and scope of the present Policy and will include the adjustments that considers necessary as consequence of normative changes that affect directly or indirectly to its content, as well as consequence of the adoption of other internal policies.

The Bank will re-examine and evaluate regularly, at least once a year, the present Policy and will adopt all the opportune measures to correct any detected fault. Compliance Department will be the responsible for controlling the correct fulfillment of the present Policy, as it is exposed in the paragraph 3.3.1.

ANNEX I

Communications to Clients on their MiFID Client Category

Annex I.A. Initial communication of MiFID Client Category

Luxembourg, on [] [] [].

Dear Client,

Banque de Patrimoines Privés S.A. (hereinafter, “Banque de Patrimoines Privés”), hereby notifies you that, in order to ensure compliance with the new requirements introduced by the Directive 2014/65/UE of 15 May on Markets in Financial Instruments (better known as “MiFID II”), which increase investor`s protection, we must assign and report a MiFID client category for all the investment services delivery about MiFID financial instruments, as well as to carry out an annual review of the assigned category.

In this context and on the basis of the available information provided and registered at Banque de Patrimoines Privés, we are pleased to inform you that you have obtained the following MiFID classification:

[Retail Client / Professional Client / Eligible Counterparty]

Such classification applies with respect to all services and transactions on MiFID financial instruments traded with Banque de Patrimoines Privés.

Please let us know as early as possible if there is any information that we should consider for the purposes of this classification as investment services client.

We hope that you will find this information useful.

We are entirely at your service to answer any questions related to the above.

Kind regards,

[Signature]

Annex I.B. Annual communication of review of MiFID Client Category

Luxembourg, on [●] [●] [●].

Dear Client,

Banque de Patrimoines Privés S.A. (hereinafter, “Banque de Patrimoines Privés”), hereby notifies you that, in order to ensure compliance with the new requirements introduced by the Directive 2014/65/UE of 15 May on Markets in Financial Instruments (better known as “MiFID II”), which increase investor’s protection, we must assign and report a MiFID client category for all the investment services delivery about MiFID financial instruments, as well as to carry out an annual review of the assigned category.

In accordance with the available information provided and registered at Banque de Patrimoines Privés, during the last year have been no significant changes which forced us to review your categorization for the foregoing purposes, we are pleased to confirm you that Banque de Patrimoines Privés will continue classifying you like:

[Retail Client / Professional Client / Eligible Counterparty]

Such classification applies with respect to all services and transactions on MiFID financial instruments traded with Banque de Patrimoines Privés.

Please let us know as early as possible if there is information that we must consider for the purposes of this classification as investment services client.

We hope that you will find this information useful.

We are entirely at your service to answer any questions related to the above.

Kind regards,

[Signature]

Annex I.C. Communication of reclassification of MiFID Client Category

Luxembourg, on [●] [●] [●].

Dear Client,

Banque de Patrimoines Privés S.A. (hereinafter, “Banque de Patrimoines Privés”), hereby notifies you that, in order to ensure compliance with the new requirements introduced by the Directive 2014/65/UE of 15 May on Markets in Financial Instruments (better known as “MiFID II”), which increase investor`s protection, we must assign and report a MiFID client category for all the investment services delivery about MiFID financial instruments, as well as to carry out an annual review of the assigned category.

In accordance with the available information provided and registered at Banque de Patrimoines Privés, during the last year have been significant changes which made us review your categorization for the foregoing purposes. In this regard, we are pleased to confirm that Banque de Patrimoines Privés has modified your MiFID classification and you have been assigned the following category:

[Retail Client / Professional Client / Eligible Counterparty]

[Exclusive paragraph for the reclassification into Professional Client]: This new consideration as a **Professional Client** allow us to assume that you have the necessary experience and knowledge regarding the investment products, transactions and services provided by Banque de Patrimoines Privés. Likewise, such consideration could involve limitations in respect of the protection level of the investor, whether in relation to the information deliver by the Entity, in relation to the investor protective rights and the investment services offered by the Entity.

[Exclusive paragraph for the reclassification into Eligible Counterparty]: This new consideration as an **Eligible Counterparty** allow us to apply the exemption to the compliance with best execution duties and orders management, some obligations regarding client’s information and the obligation of suitability and appropriateness assessment. For this purpose, it is necessary that you accept such reclassification from Professional Client to Eligible Counterparty. Please contact your Personal Baker in order to process such acceptance.

Such classification applies with respect to all services and transactions on MiFID financial instruments traded with Banque de Patrimoines Privés.

Please let us know as early as possible if there is any information that we must consider for the purposes of this classification as investment services client.

We hope that you will find this information useful.

We are entirely at your service to answer any questions related to the above.

Regards,

[Signature]

ANNEX II

Request of the Client of Change of Category

Annex II.A. Form of Request of the Client of Change of Category

Date: [●]

Identificación del cliente		
<input type="checkbox"/> Natural Person	Full Name:	
	Id. Number:	
<input type="checkbox"/> Legal Person	Business Name:	
	Tax Number:	
	Representative:	
	Id. Number:	

In accordance with the applicable regulations to the provision of financial services, having received of Banque de Patrimoines Privés (hereinafter the "**Bank**") and in advance sufficiently information and in an understandable way, the Client's Classification that has been assigned to me and the consequences of the classification for the investment transactions and investment services, as well as the right to request a different classification and the implications that the reclassification has in the applicable rights of protection, of that I am fully conscious:

I REQUEST the change of the classification that has been communicated to me in the terms and conditions established in the present form regarding all the investment services and ancillary services that the Bank may provide me about any type of financial instrument, and

I ASSURE the veracity and accuracy of the contributed documents and of the declarations realized to justify the present request.

Actual classification	Request classification
<input type="checkbox"/> Retail Client	<input type="checkbox"/> Retail Client
<input type="checkbox"/> Professional Client	<input type="checkbox"/> Professional Client
<input type="checkbox"/> Eligible Counterparty	<input type="checkbox"/> Eligible Counterparty

Exclusive for change of classification from Retail Client to Professional Client

It is required the compliance with, at least two of three following criteria on the part of the client:

- In the last four quarters I have performed operations of significant volume on the stock markets with an average frequency superior to 10 operations for quarter.
- I have a heritage in securities deposited in financial institutions and in cash which current value is superior to 500.000 Euros.
- I occupy nowadays or have occupied in the past for at least 1 year a professional position in the financial sector that needs knowledge on the investment services and ancillary services and financial instruments to which there refers the communication of the classification that I have received of the Bank.

Evaluation of the competences, experience and knowledge:

1. Of your experience as investor, with what services, operations and instruments there are you acquainted?
 - a. Savings accounts and investment.
 - b. IFs of revenue fixes / repos / products of the monetary market.
 - c. IFs of variable revenue / mixed
 - d. Intermediation in variable revenue / intermediation in fixed revenue / management of portfolios
 - e. Products considered complex
2. For how many years have you arranged financial investments, on your own or advised?
 - a. Never.
 - b. Less than one year.
 - c. Between one and five years.
 - d. More than five years.
3. Bearing your professional experience in mind and as investor, how do you assess your knowledge and experience on the functioning and the risks associated with the purchase of financial products?
 - a. Void or scanty.
 - b. Knowledge and experience of basic level, having operated sporadically with financial products.
 - c. Knowledge and experience of advanced level, since I perform operations with financial products in a habitual way.
4. Which is the approximate amount of the transactions that are reflected in the previous point?
 - a. Less than 30,000 €
 - b. Between 30,000 and 60,000 €
 - c. Between 60,000 and 100,000 €
 - d. Between 100,000 and 250,000 €
 - e. More than 250,000 €

I DECLARE that I have been warned by the Bank of that this change of category supposes a lower level of reported information, in the appropriateness assessment of the investment products and, in general, of the protection of the rights they might correspond to me as a

retail client.

Therefore, **I RESIGN** expressly the protection and **DECLARE** to be conscious from the consequences of the resignation to the above mentioned protection.

Exclusive for change of classification from Professional Client to Eligible Counterparty

It is required that the client is one of the following entities:

- Financial institution authorized by regulatory organisms to operate on financial markets.
- One of the following organisms: national or regional governments, public organisms that there manage national debt, central banks, international or supranational organizations as the World Bank, the IMF, the ECB, the BEI, or other similar organizations.
- Other institutional investors dedicated to investing in financial instruments, as funds of securitization or entities of risk capital.

I DECLARE that I have been warned by the Bank of that this change of category supposes a lower level of reported information, in appropriateness assessment and, in general, of the protection offered.

Therefore, **I RESIGN** expressly the protection and **DECLARE** to be conscious of the consequences of the resignation to the above mentioned protection.

I ADMIT that by means of the signature of the present document I have received of the Bank sufficient information that allows me to know the consequences of my new classification.

I DECLARE the veracity and accuracy of the contributed documents and of the declarations realized to justify the present request.

Client Signature:

CONDITIONS OF THE REQUEST GIVE CHANGE OF THE CLASSIFICATION OF THE CLIENT

1. The present form of request, once approved, constitutes the communication of the Bank the client of the new assigned category.
2. The change of classification that the client requests is effective from the date indicated in the top left part of the form, this one is the date into which the Bank admits, into its case, the change of classification requested.
3. In case the solicitor of the change of classification is a legal person, the person that completes the form in name of the Bank has to possess power enough to represent the same one; in opposite case, the request will be denied.
4. The Bank only will admit the changes of client's classification that they present in the following attached scheme:



* *Previous declaration for the client of the fulfillment of two of three necessary requirements in order that the Bank admits the change of classification, as is reflected in the form, and contribution for the same one, in its case, of supporting documentation of this fulfillment.*

5. In relation to the voluntary change of Retail Client to Professional Client, the declaration signed by the client of which compliance with the requirements for the mentioned change of category will be sufficient in case the Bank could not directly confirm the declarations affirmed by the client with the information that in the Bank's internal databases.
6. In case the information facilitated by the client to justify the change of classification requested is incorrect or are falsified, the Bank will remain exempted from any responsibility for the adjustment of the protection measures established by the regulation to the new classification obtained based on the incorrect or false contributed information.
7. The references realized to the communication of the classification assigned by the Bank to its clients, as well as of the rights of reclassification that they attend them and of its implications in the protection procedure that they are going to be applicable depending on the mentioned classification, they have to understand each other regarding the information that in the moment of the communication the Bank delivers to the Client and that is equally available in the Internet page of the Bank.

ANNEX III

Communications of response at the Request of Change of Category

Annex III.A. Communication of acceptance of the Request

Luxembourg, on [●] [●] [●]

Dear Client,

We refer to your request of date [●] by virtue of which you requested a change in your current consideration as Retail Client for that of Professional Client, to the effects of the applicable Policy to the provision of investment services for Banque de Patrimoines Privés. In response to your request and taking the available information as a base in the Bank that you have facilitated to us of conformity with our Policy, we are pleased to confirm you that we have accepted the above mentioned request, in consequence your new classification will be:

[Retail Client/ Professional Client / Eligible Counterparty]

[Exclusive paragraph for the reclassification into Professional Client]: This new consideration as a **Professional Client** allow us to assume that you have the necessary experience and knowledge regarding the investment products, transactions and services provided by Banque de Patrimoines Privés. Likewise, such consideration could involve limitations in respect of the protection level of the investor, whether in relation to the information deliver by the Bank, in relation to the investor protective rights and the investment services offered by the Bank.

[Exclusive paragraph for the reclassification into Eligible Counterparty]: This new consideration as an **Eligible Counterparty** allow us to apply the exemption to the compliance with best execution duties and orders management, some obligations regarding client's information and the obligation of suitability and appropriateness assessment. For this purpose, it is necessary that you accept such reclassification from Professional Client to Eligible Counterparty. Please contact your Personal Baker for process such acceptance.

Such classification applies since **[include exactly date]** regarding all services and transactions on MiFID financial instruments traded with Banque de Patrimoines Privés.

Please let us know as early as possible if there is information that we must consider for the purposes of this classification as investment services client.
We hope that you will find this information useful.

As always, we are entirely at your service to answer your questions with respect to the above.

Kind regards,

[Signature]

Annex III.B. Communication of refusal of the Request

Luxembourg, on [●] [●] [●]

Dear Client,

We inform you that, once analyzed your request of treatment as [**Retail Client / Professional Client /Eligible Counterparty**] with base in the Clients Classification Policy adopted by Banque de Patrimoines Privés that establishes the objective criteria legally and in due form established, the Bank has decided to refuse your request for the motives that are exposed later:

[Complete in every case with the reasons of request refusal].

Those are the reasons why Banque de Patrimoines Privés will continue classifying you like:

[**Retail Client / Professional Client /Eligible Counterparty**]

Such classification applies regarding all services and transactions on MiFID financial instruments traded with Banque de Patrimoines Privés.

As always, we are entirely at your service to answer your questions with respect to the above.

Kind regards,

[Signature]