



Approved by: Management Board of Luminor Bank AS

Approved on: 01.10.2017.

In force from: 01.10.2017.

Client Classification Policy

(for Transactions in Financial Instruments)

1. Objective

1.1. This Luminor Bank AS Client Classification Policy (for Transactions in Financial Instruments) (hereinafter – the **Policy**) stipulates the guidelines whereby Luminor Bank AS (hereinafter – the **Bank**) performs classification of clients, amendments to the Client's category and protection of Clients during provision of investment services and/or ancillary (non-core) investment services.

1.2. The Policy is implemented under the provisions of:

- The Markets in Financial Instruments Directive of European Parliament and Council No 2004/39/EK and implementation deeds thereof and
- the Financial Instruments Market Law.

2. General provisions

2.1. The person to whom the Bank will render / render investment services and/or ancillary investment services (previously and hereinafter referred to as the **Client**) may be classified as:

- Eligible Counterparty,
- Professional Client or
- Retail Client.

2.1. During provision of investment services and/or ancillary investment services the Bank is obligated to ensure an appropriate protection level for every Client according to their classification.

2.2. The Bank shall inform the Client on their classification prior to starting the provision of investment services and/or ancillary investment services.

2.3. The Client is entitled to request to change its status by submitting a written application to the Bank. The Client is entitled to request its status change either in respect to:

- all investment services and/or ancillary investment services in general or
- only a separate type of investment services, type of activity or a specific investment product.

3. Change of Client Status

3.1. If the Bank approves the request of a person classified as a Retail Client about change of its status to the status of a Professional Client, the Client and the Bank shall sign a written agreement on the status change. Prior to the change of status the Bank shall warn the Client in writing on the investor protection rights it is likely to lose while in the status of a Professional Client.

- 3.2. If the Bank accepts the request of a person classified as a Professional Client to change its status to the Retail Client status, the Client and the Bank shall sign a written agreement on the status change indicating the type of investment services, transactions or products in respect of which the Client is granted the new status.
- 3.3. If the Bank accepts the request of an Eligible Counterparty to change its status to the status of a Professional Client or Retail Client, the Bank informs the Client about the new status granted to it.
- 3.4. The Bank can apply the status of Eligible Counterparty to the persons mentioned in Clause 4.1.2 upon receipt of the consent of the respective person.
- 3.5. If the Bank from any reliable information resource receives information that the Client no longer complies with the requirements for being a Professional Client, the Bank can revoke its decision about this status and include this Client in the Retail Client group notifying in writing the respective Client.

4. Eligible Counterparty Status

4.1. The Bank **can apply** the status of an Eligible Counterparty:

4.1.1. without receipt of the Client's written consent to the:

- Investment brokerage companies;
- Credit institutions;
- Insurance companies;
- Asset management companies;
- Pension funds and pension fund management companies;
- Other financial institutions that have obtained licenses and operate by virtue of regulatory enactments of EU member countries applicable to financial services;
- Persons whose principal business profile is related to transactions with commodities or derivative commodity instruments at their own expense. This exception does not apply if persons that perform transactions with commodities or derivative commodity instruments at their own expense belong to a group of business entities whose principal business profile is related to provision of other investment services or financial services;
- Commercial companies that enter into transactions on the options, futures or derivative instruments markets or markets of underlying assets at their own expense with a sole purpose of hedging financial risk on derivative instruments market, or at expense of other market participants enter into transactions that are guaranteed and in which case the responsibility for performance of agreements signed by such entities assume the participants of the clearing system within the respective market;
- National governments;
- Transnational organizations;
- Central bank;

4.1.2. only subject to the Client's written consent with respect to the investment services in general, individual investment services or individual transactions to the:

- Commodities dealers;
- Business entities that enter into transactions on the options, futures or derivative instruments markets or markets of underlying assets at their own expense with a sole purpose of hedging financial risk on derivative instruments market, or at expense of other market participants enter into transactions or form prices that are guaranteed by the participants of the clearing system within the respective market, if in such case the responsibility for performance of agreements signed by such entities assume the participants of the clearing system within the respective market;
- Other commercial companies whose principal business profile is related to investments in financial instruments and that operate at large scale;
- Business entities that comply with at least two of the following three requirements:
 - a) equity – at least the equivalent of EUR 2 million,
 - b) net turnover – at least the equivalent of EUR 40 million,
 - c) book value – at least the equivalent of EUR 20 million;

- Countries and municipalities, state authorities that are in charge of the public debt, national central banks, the World Bank, International Monetary Fund, European Central Bank and other international financial institutions.
- 4.2. Eligible Counterparties have **basic protection level**. Transactions between the Bank and Eligible Counterparty shall be considered cooperation between equal parties.
- 4.3. When dealing with an Eligible Counterparty if the transaction refers to receipt and transmission for execution of the orders regarding transactions in financial instruments, execution of orders regarding transactions in financial instruments for the account of the Client or any third parties, execution of the transactions in financial instruments for the account of the Bank, the Bank is entitled not to apply the requirements of Articles 126, 126¹, 126², 128, 128¹, 128² and 128³ of the Financial Instruments Market Law.
- 4.4. Eligible Counterparties may request the Bank to change the status granted to them pursuant to the procedure stipulated in the Policy, thus increasing their protection level. Where the Eligible Counterparty has submitted the application for the status change without indicating directly whether it seeks the status of a Professional Client or of a Retail Client, the Bank shall grant it the status of a Professional Client.

5. Professional Clients

- 5.1. The Financial Instruments Market Law stipulates the range of persons who are classified as Professional Clients pursuant to the law. The Bank applies the status of Professional Client to the:
 - 5.1.1. following institutions that are licensed and supervised to operate on financial markets in the Republic of Latvia or another country:
 - Credit institutions;
 - Investment brokerage companies;
 - Other licensed or regulated financial institutions;
 - Investment funds and asset management companies;
 - Insurers;
 - Pension funds;
 - Commodities dealers;
 - Business entities that enter into transactions on the options, futures or derivative instruments markets or markets of underlying assets at their own expense with a sole purpose of hedging financial risk on derivative instruments market, or at expense of other market participants enter into transactions or form prices that are guaranteed by the participants of the clearing system within the respective market, if responsibility for performance of agreements signed by such entities assume the participants of the clearing system within the respective market;
 - Other business entities whose principal business profile is related to investments in financial instruments and which operate at large scale;
 - 5.1.2. Business entities that comply with at least two of the following three requirements:
 - equity – at least the equivalent of EUR 2 million;
 - net turnover – at least the equivalent of EUR 40 million;
 - book value – at least the equivalent of EUR 20 million;
 - 5.1.3. Countries and municipalities, state authorities that are in charge of the public debt, central banks, the World Bank, International Monetary Fund, European Central Bank and other international financial institutions;
 - 5.1.4. Other business entities whose principal business profile is investments in financial instruments and that operate at large scale;
 - 5.1.5. Persons that have been classified as Professional Clients in another country pursuant to a procedure that is equal to the Bank's procedure.
- 5.2. The Bank is entitled to classify as Professional Client any person not listed in Clause 5.1, which has made the respective request if:
 - 5.2.1. the Bank has assessed the Client's expertise and has ascertained that, in view of the specific nature of the respective transaction or service the person is able to take independent investment decisions and is aware of the related risks, and
 - 5.2.2. the person complies with at least two of the criteria as follows:

- the person has made transactions of a notable volume on the respective market - at least 10 transactions per quarter during the previous four quarters;
 - the value of the person's financial instruments portfolio, including financial assets and financial instruments, exceeds EUR 500,000;
 - the person has an experience in the financial sector of at least one year in a position requiring knowledge in respect of transactions and services that the person intends to make or receive as a Professional Client.
- 5.3. Persons classified as Professional Clients according to the procedure stipulated in Clause 5.2 hereof are obligated to provide the Bank with the information on changes occurred in their operational activities that may affect compliance of such persons with the requirements set out for the status of the Professional Client.
- 5.4. **Medium protection level** is applied to the Professional Client. The Bank is entitled to assume that a Professional Client has sufficient knowledge to assess appropriateness and suitability of the respective investment service, transaction or product to its interests. The Bank is entitled to assume that the Professional Client is able to independently obtain the information required to make the investment decisions.
- 5.5. In transactions with Professional Client the Bank shall apply the [Orders Execution Policy \(for Transactions in Financial Instruments\)](#) and the [Policy for Prevention of Interest Conflicts \(for Transactions in Financial Instruments\)](#). According to the provisions of Article 126² of the Financial Instruments Market Law, the Bank does not assess the suitability and appropriateness of an investment service and ancillary investment service to the Professional Client's interests .
- 5.6. Professional Clients may ask to change their status either to the Retail Client or Eligible Counterparty status pursuant to the procedure specified hereof, thus increasing or reducing their protection level.

6. Retail Clients

- 6.1. All Clients that do not comply with the criteria of either Eligible Counterparty or Professional Client shall be classified as Retail Clients.
- 6.2. The **highest protection level** is applied to Retail Clients.
- 6.3. In transactions with Retail Client the Bank shall apply the [Orders Execution Policy \(for Transactions in Financial Instruments\)](#) and the [Policy for Prevention of Conflict of Interest \(for Transactions in Financial Instruments\)](#), as well as other requirements stipulated by the Financial Instruments Market Law, including assessing suitability and appropriateness of an investment service and ancillary investment service to the Retail Client's interests .
- 6.4. Retail Clients may ask to change their status either to the Eligible Counterparty or Professional Client status pursuant to the procedure specified hereof, thus reducing their protection level. In order to obtain the status of Eligible Counterparty the Retail Client firstly must comply with the Professional Client status criteria listed in Clause 4.2 hereof.

7. Revision and Monitoring of the Policy

- 7.1. The Bank revises the Policy and the related organizational documents when there are any material circumstances arisen that may affect the Bank's ability to apply the Policy pursuant to the provisions of statutory and law requirements, yet at least once a year.
- 7.2. The Bank hereby informs the Clients on all material amendments to the Policy by publishing the updated version of the Policy on the Bank's website: www.luminor.lv and ensuring the availability of it in all places where the Bank provides investment services and ancillary investment services.