

Information about customer categorisation and the procedural requirements

Categorisation

Credit institutions and investment firms are required to inform their customers about their categorisation into non-professional customers, professional customers or eligible counterparties. Customers are classified as provided in the local legislation, which contains detailed provisions of factors, which have an impact on the categorisation. Customer categorisation affects the extent of investor protection and application of the code of conduct. The impact on the investor protection differs due to local legislation.

A detailed list of the categorisation criteria is enclosed as an **appendix**.

Professional customers are required to inform their service provider about any changes that may have an impact on the categorisation.

Re-categorisation

A customer may apply for another client category. Application should be made in writing. Nordea considers the applications individually in order to decide whether to accept or reject the application as the new customer categorisation may result in the client having less investor protection

A professional customer is obliged to ask for treatment as a non-professional customer, if the customer considers not having adequate experience and knowledge to estimate or manage the risks involved in a particular transaction.

How the categorisation impacts the application of code of conduct

Non-professional customers

Prior to conclusion of any written contract, non-professional customers are to be given the terms and conditions of the contract and adequate information on both the service provider and the service provided.

Any material changes in the information provided must also be reported. The information is to be provided in a durable medium to enable the customer to print or record. The information may also be given on the Nordea website if the customer has agreed to such an arrangement.

Assessment of appropriateness

When providing the service of transmission of orders to a non-professional customer Nordea is required to ask the customer for information on the customer's investment experience and knowledge of the financial instrument concerned or of the investment service concerned in order to be able to assess whether the financial instrument or service is appropriate for the customer. Nordea is entitled to rely on the information provided by the customer.

If Nordea considers that any financial instrument or service is not appropriate for the customer, the Nordea informs the customer accordingly. Nordea is also required to inform the customer if it is unable to assess the appropriateness of the financial instrument or service because the customer has failed to give the

information necessary for making the assessment. No assessment need to be made for the purpose of executing or transmitting an order initiated by the customer for a non-complex instrument of the kind referred to in the local law.

Assessment of suitability

Prior to providing investment advice and discretionary portfolio management Nordea is required to obtain adequate information on the customer's financial position, risk tolerance, experience and knowledge of the investment service or financial instrument concerned and on the customer's investment objectives in order to be able to recommend financial instruments or services suitable for the customer. Nordea is entitled to rely on the information provided by the customer.

On basis of the above information obtained, the Nordea estimates whether the advice to be given or service to be provided meets the customer's investment objectives, whether the customer is financially able to carry the risk and whether the customer has the necessary investment experience and knowledge to understand the risks involved in the recommended measures.

If it fails to get adequate information, Nordea may not recommend the investment service or financial instrument to the customer.

Professional customers

Professional customers are to be given a general description of the nature of the financial instruments that are the subject of the service and of the risks typically involved in them, if necessary in view of the customer's investment experience.

Assessment of suitability

Prior to providing investment advice Nordea is required to obtain adequate information on the customer's risk tolerance and investment objectives in order to be able to recommend financial instruments or services suitable for the customer. If the customer has applied for being treated as a professional customer Nordea needs to

assess whether the customer is able financially to bear any related investment risks consistent with the investment objectives. Nordea is entitled to rely on the information provided by the customer.

Prior to providing discretionary portfolio management Nordea are required to obtain adequate information on the customer's risk tolerance, investment objectives and whether the customer is able financially to bear any related investment risks consistent with the investment objectives in order to be able to recommend financial instruments or services suitable for the customer.

Assessment of appropriateness

When providing the service of transmission of orders to a professional customer Nordea may assume that the customer has the relevant experience and knowledge of the financial instrument concerned.

On basis of the above information obtained, Nordea estimates whether the advice to be given or service to be provided meets the customer's investment objectives.

If Nordea fails to get adequate information, we may not recommend the investment service or financial instrument to the customer.

Eligible counterparties

An eligible counterparty may request Nordea in writing that the rules of procedure designed for the protection of investors shall be applied to all or individual transactions entered into with the eligible counterparty concerned. Nordea considers case by case whether to agree to the request. In no other cases do either the rules of procedure or investor protection apply to eligible counterparties.

Customer categorisation criteria

Appendix to the 'Information about customer categorisation and the procedural requirements' document

A. Non-professional customers

Customers other than professional customers or eligible counterparties.

B. Professional customers

The following should all be regarded as professionals in all investment services and activities and financial instruments for the purposes of the Directive.

(1) Entities which are required to be authorised or regulated to operate in the financial markets. The list below should be understood as including all authorised entities carrying out the characteristic activities of the entities mentioned: entities authorised by a Member State under a Directive, entities authorised or regulated by a Member State without reference to a Directive, and entities authorised or regulated by a third country:

- (a) credit institutions;
- (b) investment firms;
- (c) other authorised or regulated financial institutions (e.g. stock exchanges, clearing and settlement houses, central securities depositories);
- (d) insurance companies;
- (e) collective investment schemes and management companies of such schemes;
- (f) pension funds and management companies of such funds;
- (g) commodity and commodity derivatives dealers;
- (h) locals;
- (i) other institutional investors.

(2) Large undertakings meeting two of the following size requirements on a company basis:

- Balance sheet total: at least EUR 20,000,000;

- Net turnover: at least EUR 40,000,000;
- Own funds: at least EUR 2,000,000.

(3) National and regional governments, public bodies that manage public debt, Central Banks, international and supranational institutions such as the World Bank, the IMF, the ECB, the EIB and other similar international organisations.

(4) Other institutional investors whose main activity is to invest in financial instruments, including entities dedicated to the securitisation of assets or other financing transactions.

Customers who may be treated as professional customers on request

The customer applies in writing; and the customer meets at least two of the three following requirements:

- the customer has carried out transactions significant in size in the markets involved at an average frequency of ten times per quarter over the previous four quarters;
- the size of the customer's investment portfolio exceeds EUR 500,000;
- the customer works or has worked in the financial sector in a professional position for at least one year.

Furthermore, an adequate assessment of the expertise, experience and knowledge of the person authorised to carry out transactions on behalf of the entity.

If Nordea estimates that the customer is capable of both making independent investment decisions and understanding the risks involved in them, Nordea accepts the customer's application; and

Nordea informs the customer in writing that the customer may lose the protection afforded by either the conduct of business rules or the financial protection by any local compensation schemes; and

the customer confirms in writing about being aware of the loss of protection provided by the conduct of business rules and the financial protection by any local compensation schemes. Nordea may, either on own initiative or at the request of the customer concerned treat a customer in the following manner: a non-professional customer where that customer is considered as a professional customer pursuant to MiFID II Section I of Annex II.

C. Eligible counterparties

1. Member States shall recognise as eligible counterparties for the purposes of this Article investment firms, credit institutions, insurance companies, UCITS and their management companies, pension funds and their management companies, other financial institutions authorised or regulated under Union law or the national law of a Member State, national governments and their corresponding offices including public bodies that deal with public debt, central banks and supranational organisations.
2. Member States may also recognise as eligible counterparties other undertakings meeting pre-determined proportionate requirements, including quantitative thresholds. In the event of a transaction where the prospective counterparties are located in different jurisdictions, the investment firm shall defer to the status of the other undertaking as determined by the law or measures of the Member State in which that undertaking is established.
3. Member States shall ensure that the investment firm, when it enters into transactions in accordance with paragraph 1 with such undertakings, obtains the express confirmation from the prospective counterparty that it agrees to be treated as an eligible counterparty. Member States shall allow the investment firm to obtain this confirmation either in the form of a general agreement or in respect of each individual transaction.
4. Member States may recognise as eligible counterparties third country entities equivalent to those categories of entities referred to in paragraph 1.

5. Member states may also recognise as eligible counterparties third country undertakings such as those referred to in paragraph 2 on the same conditions and subject to the same requirements as those laid down in paragraph 2.

Customers classified as eligible counterparties applying for treatment as professional clients

Nordea may, either on own initiative or at the request of the customer concerned treat a customer in the following manner: as a professional or non-professional customer where that customer might otherwise be classified as an eligible counterparty pursuant to MiFID II Article 30(2).

Customers classified as eligible counterparties applying for treatment as non-professional customer

An eligible counterparty of the kind referred to in section 1 above applies in writing for application of the code of conduct rules to transactions to be concluded with the customer in general or in respect of an individual transaction; and

Nordea accepts the customer's application; and

A written agreement is concluded to the effect that the customer will be treated as a non-professional customer in respect of one or several services or transactions or in respect of one or several types of securities or transactions.