



## **MiFID general information document**

Document updated in December 2014



## **INTRODUCTION**

- I      Categorisation of clients and impact in terms of protection**
- II     Change of categorisation and its consequences**
- III    Assessment of clients investment expertise**
- IV    Conflict of interest management policy**
- V     Glossary**

## INTRODUCTION

The Markets in Financial Instruments Directive (or MiFID)<sup>1</sup>, which came into force in all countries of the European Economic Area (EEA) on 1 November 2007, changed the terms on which business is carried out by investment service companies, including those of Natixis<sup>2</sup>. The primary aims of MiFID are to increase competition between the various order execution venues whilst maintaining a high level of client protection. It also harmonises so-called rules of good conduct and the organisational rules of investment services firms across the EEA.

The purpose of this document is to set out the main features of MiFID. All terms shown in italics in the main text are defined in the glossary provided at the end of this document.

### **//// I - CATEGORISATION OF CLIENTS AND IMPACT IN TERMS OF PROTECTION**

Natixis is required to categorise the clients to whom it provides investment services in relation to financial instruments based on their knowledge and experience as investors. This categorisation, divided into three distinct groups, is based on criteria set out in the MiFID implementing legislation:

- Retail clients
- Professional clients
- Eligible counterparties.

Different levels of protection are afforded to each client categorisation group, and thus to the level of knowledge and sophistication.

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<sup>1</sup> Directive 2004/39/EC of the European Parliament of the Council of April 21, 2004, on markets in financial instruments; amendment of Directive 2004/39/EC of the European Parliament of the Council; Commission Directive 2006/73/EC of August 18, 2006, implementing Directive 2004/39/EC; Commission Regulation (EC) No 1287/2006 of August 10, 2006, implementing Directive 2004/39/EC.

<sup>2</sup> This document does not necessarily represent the views of Natixis subsidiaries. (3)

## **1) Retail clients**

- The retail client category receives the highest level of protection. A retail client is considered as one that is not in a position to correctly assess and manage the risks to which it may be exposed. For this reason, retail clients enjoy reinforced protections, most notably:
  - An assessment of their knowledge and experience in financial markets and products, of their financial situation and of their investment objectives. This evaluation is carried out to ensure that the service in question meets the client's needs prior to the provision of an investment service. This is discussed in more detail in section III below;
  - the provision of detailed information on investment services in relation to financial instruments, setting out information about their nature, associated risks, costs and fees;
  - receipt of information about the legal and regulatory framework setting out the rights and obligations of Natixis and the client in the form of a Financial Instruments Services Agreement and an order execution policy that sets out details of the manner in which transactions will be executed (this policy is updated annually).

## **2) Professional clients**

A professional client is considered to have the necessary experience, knowledge and competence to make its own investment decisions and properly assess the associated risks.

The following are considered professional clients:

- credit institutions;
- investment firms;
- other authorised or regulated financial institutions;
- insurance companies and reinsurance companies;
- collective investment schemes and their management companies;
- pension funds and their management companies;
- entities whose principal activity consists of trading for their account in commodities or derivatives on commodities;
- firms whose investment services consist exclusively of trading for their account on financial futures markets, or on spot markets solely in order to cover positions on derivatives markets;
- national & regional governments, public bodies that manage public debt, central banks and supranational institutions;
- major undertakings meeting two of the following criteria:
  - total assets of €20 million or more,

- turnover of €40 million or more,
- own funds of €2 million or more.

Professional clients receive lower levels of protection than retail clients. Because of their increased knowledge and experience of the markets and stronger financial situation, they benefit solely from:

- an assessment of their investment objectives when Natixis provides investment advice or portfolio management services. The purpose of this evaluation is to ensure that the service or advice is suitable for the client prior to the provision of such service or advice. This is discussed in more detail in section III below; and
- receipt of an order execution policy that sets out details of the manner in which transactions will be executed. This policy is updated annually.

### **3) Eligible counterparties**

Eligible counterparties are a sub-set of the professional client category. This category includes some, but not all, of the categories of clients that qualify as professional clients. However, they are considered as eligible counterparties only for the following investment services and activities:

- reception and transmission of orders,
- execution of orders for their own account,
- trading for their own account,
- any ancillary service directly related to a service or activity set out above.

Eligible counterparties are subject to reduced regulatory protection in relation to these services and activities, in view of their knowledge and competence and, also their financial situation. However, under MiFID they have a degree of regulatory protection, notably in relation to general principles relating to conduct of business. Natixis provides information to eligible counterparties on its execution policy for information purposes only.

## **II – CHANGE OF CATEGORISATION AND ITS CONSEQUENCES**

The client has a right to request a change of categorisation. The rules for changing category are illustrated in the diagram below and any re-categorisation is subject to Natixis' prior approval.

Thus, for example, a change in categorisation from retail client to professional client may only occur if the criteria listed below are met and a certain procedure is followed.

As a result, and given that Natixis' regulatory obligations will vary depending on the type of categorisation afforded, we would draw your attention to the consequences of making such requests as they will determine the regulatory requirements that Natixis will be subject to. A change in categorisation may also require contractual amendments between us.

**Diagram: Rules on changes of categorisation**



\*At least two of the following criteria must be met for changing from retail client to Professional client:

- 1) The **client's representative** the client has executed an average of 10 transactions of significant size per quarter over the previous four quarters on the market in question;
- 2) the value of the portfolio of **the client's representative** portfolio of financial instruments, defined as including bank deposits and financial instruments, is greater than €500,000;
- 3) **The client's representative** has held for at least a year, or has previously held for at least a year, a professional position in the financial sector, requiring knowledge of the proposed transactions or services.

Similarly, it is Professional Clients and Eligible Counterparties responsibility to inform Natixis of any change likely to affect its categorisation. Finally, if Natixis establishes that a Professional Client or Eligible Counterparty does not continue to meet the definitions of their categorisation, appropriate action will be taken.

### //// III – ASSESSMENT OF CLIENTS INVESTMENT EXPERTISE

Natixis is required to obtain certain information from its clients, with a view to assess their investment knowledge and objectives. The purpose of this evaluation is to allow Natixis to be satisfied that the investment services and activities and *financial instruments* offered to its client suit the client's needs. The regulations provide for distinct requirements depending on the type of *investment services and activities* offered.

## **1) Investment advice and portfolio management services: assessment of the suitability of the service to be provided**

Where it provides investment advice and portfolio management services to retail clients, Natixis is required to obtain from such clients detailed information regarding their experience, knowledge and expertise in investments and their *financial situation*. In addition, it must enquire of all clients as to their *investment objectives* in order to be able to give *investment advice* or provide portfolio management services suited to their needs.

In the event that Natixis fails to obtain the information required, it must refrain from providing investment advice or *portfolio management* services to such client as these might not be suited to the client's needs.

## **2) Other investment services and activities: evaluation of the appropriateness of the service to be provided**

This assessment is carried out only for retail clients, in order to evaluate whether or not they have the necessary experience, knowledge and expertise to assess the risks inherent in the proposed financial instrument or investment service. As part of this requirement, Natixis must gather information regarding its client's experience, knowledge and expertise in the relevant investment.

If Natixis does not obtain the necessary information or is of the opinion, on the basis of information supplied by the client, that a financial instrument, investment service/activity or ancillary service, is not appropriate, Natixis will warn the client prior to the provision of the service, that the financial instrument, investment service/activity, or ancillary service is not appropriate for them.

## **//// IV – CONFLICT OF INTEREST MANAGEMENT POLICY**

Natixis has written a policy intended to prevent, detect, and where necessary, manage in an equitable fashion, any conflicts of interest that may arise in relation to the provision by Natixis or its affiliates of investment services and activities and ancillary services (services intended to complement investment services). This policy also covers Natixis banking, insurance or mutual fund management activities. A conflict of interest may arise where the interests of Natixis and its affiliates and those of its clients or prospective clients may conflict or where the interests of two or more clients or prospective clients may conflict.

This policy is based in particular on the identification and monitoring of:

- a hierarchic, physical and logical segregation of activities where there may be a conflict of interests (for example, between a team which provides M&A advice to a client and another which is the arranger for the debt financing of a client competing for the acquisition of the same target) which aims at preventing any undue disclosure of confidential information;
- transparency with regard to the external activities (functions, corporate offices, interests) of employees considered as relevant persons within the meaning of the AMF General Regulation, as well as with regard to corporate offices held within Natixis Intégrée;
- an ethical code which includes an obligation of discretion and confidentiality with regard to any information related to clients, aimed at ensuring fair and equitable treatment of its clients;
- the supervision and control of payments received or made by Natixis with regard to transactions carried out with clients;
- the commitment of external service providers to monitor personal transactions of their employees when these service providers operate in sensitive domains;
- transparency with regard to gifts or benefits received or arising from professional activities;
- restrictions on inside information circulation using "watch lists" which inventory issuers on which Natixis holds potentially inside information;
- restrictions on proprietary trading activities and activities on account of third parties which appear on the restricted list;
- particular provisions governing transactions in securities carried out by employees whose positions or functions are considered sensitive;
- the effectiveness of the tool for detecting conflicts or potential conflicts of interest.

Natixis' conflict of interest management policy is available on the Natixis website or can be obtained on written request from the following address:

**Natixis**  
**Référentiels et Administration Clients**  
**2 impasse des Docks Rémois**  
**CS 10027**  
**51724 REIMS Cedex**  
**FRANCE**

## EXPERIENCE, KNOWLEDGE AND EXPERTISE

Details regarding the experience, knowledge and expertise of clients must include relevant information, notably on the degree of familiarity with the financial instruments concerned, the frequency and volume of transactions, and where relevant any professional activity conducted in the financial sector.

## FINANCIAL INSTRUMENTS

Financial instruments include financial instruments and financial contracts:

Financial instrument:

- Transferable securities (equities, bonds, etc.);
- Money-market instruments: the classes of instrument generally traded on the money market such as Treasury bills, certificates of deposit and commercial paper (excluding instruments of payment);
- Units in collective investment undertakings;

Financial contracts:

- Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivative instruments, financial indices or financial measures which may be settled physically or in cash;
- Options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event);
- Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market and/or an MTF;
- Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled and not being for commercial purposes, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are cleared and settled through recognised clearing houses or are subject to regular margin calls;
- Derivative instruments for the transfer of credit risk;
- Financial contracts for differences;
- Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, emission allowances, inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event), as well as any other

derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Section, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market or an MTF, are cleared and settled through recognised clearing houses or are subject to regular margin calls.

#### INVESTMENT OBJECTIVES

Under MiFID information regarding a client's investment objectives must include relevant information covering the period over which the client wishes to retain the investment, the client's preferences with regard to risk, their risk profile and the aim of the investment.

#### OPT IN

A change in categorisation of a client to a category affording greater protection than under their original categorisation (e.g. from professional client to retail client).

#### OPT OUT

A change in categorisation of a client to a category affording a lower level of protection than under their original categorisation (e.g. from retail client to professional client).

#### INVESTMENT SERVICES AND ACTIVITIES

The regulations distinguish between two types of service: investment services and activities and ancillary services.

##### **Investment services and activities:**

- Reception and transmission of orders: the reception and transmission of orders consists in receiving orders for financial instruments on behalf of a third party and transmitting them to an investment services provider or to an entity incorporated in a country that is not a member of the European Union and not a party to the European Economic Area and which has equivalent status.
- Order execution: order execution consists in acting to conclude agreements to buy or sell one or more financial instruments on behalf of a third party. However, the execution of orders as the result of investment decisions as part of a third-party portfolio management service or the management of a collective investment undertaking investing in financial instruments or a collective investment undertaking investing in real estate forms is considered to be third party portfolio management and not order execution.
- Dealing on own account: Dealing on own account consists in trading against proprietary capital resulting in the conclusion of transactions in one or more

financial instruments.

- Third-party portfolio management: Third-party portfolio management consists in the management on behalf of a third party and in accordance with a mandate given by that party of portfolios containing one or more financial instruments on a discretionary client-by-client basis.
- Investment advice: Investment advice consists in supplying personal recommendations to a third party, either upon its request or at the initiative of the service provider, concerning one or more transactions relating to financial instruments.
- Underwriting: Underwriting consists in subscribing to or acquiring directly from the issuer or vendor financial instruments with a view to their sale.
- Placing on a firm commitment basis: consists in finding subscribers or purchasers on behalf of an issuer or vendor of financial instruments to whom a guarantee is made regarding the minimum amount of subscriptions or purchases through an undertaking to subscribe for or purchase any unplaced financial instruments;
- Placing without a firm commitment: consists in finding subscribers or purchasers on behalf of an issuer or vendor of financial instruments without making a guarantee regarding the amount of subscription or purchase;
- Operation of a multilateral trading facility: Operation of a multilateral trading facility consists in managing one or more systems defined as a multilateral system operated by an investment firm or a market operator, which brings together multiple third-party buying and selling interests in financial instruments in the system.

### **Ancillary services**

- Safekeeping and administration of financial instruments for the account of third parties and related services, such as management of cash accounts relating to these financial instruments or the management of collateral;
- Granting credits or loans to an investor to allow him to carry out a transaction in a financial instrument, where the firm granting the credit or loan is involved in the transaction;
- Advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings;
- Investment research and financial analysis or other forms of general recommendation relating to transactions in financial instruments;
- Services related to underwriting;
- Foreign exchange services where these are connected to the provision of investment services;
- Investment services and activities as well as ancillary services related to the underlying of the derivatives listed in the regulations, where these are connected to the provision of investment or ancillary services.



- Credit rating service<sup>3</sup>.

#### FINANCIAL SITUATION

Information concerning the financial situation of a client must include relevant information covering the source and amount of regular income, assets, including liquid assets, investments and property assets and regular financial commitments.

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<sup>3</sup> Since the coming into force of Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies