

## INFORMATION ON CLIENT CLASSIFICATION IN ACCORDANCE WITH MIFID II

SpareBank 1 Markets (“**SB1 Markets**”) have a cooperation (“**The Cooperation**”) with some owner banks for trading in interest- and currency derivatives and currency spot trading. The collaboration banks are:

- a) SpareBank 1 SMN
- b) SpareBank 1 Sør-Norge, and
- c) SpareBank 1 Nord-Norge

(“the **Collaboration Banks**”)

For trading in bonds and certificates SB1 Markets have a collaboration with SpareBank 1 SMN.

Clients trading in interest- and currency derivatives and currency spot have to enter into a contractual relationship with one of the Collaboration Banks (“**the Framework Agreement**”). This means that these Some clients will establish a client relationship with both SB1 Markets and the actual Collaboration Bank. Clients trading in bonds or certificates will by signing the Client and Settlement Agreement with SB1 Markets get a client relationship with both SpB1 Markets and SpareBank 1 SMN. The Collaboration Banks SMN and SB1 have therefore decided to work out common information on client classification. This information will therefore apply to clients that solely have a client relationship to SB1 Markets, as well as to clients that have client relationship to one or several Collaboration Banks.

### 1. Client Classification

SB1 Markets are, according to legislation, obliged to classify its clients into the following client categories: Non-Professional clients, Professional clients or Qualified counterparties. SB1 Markets will inform all clients about which category they are classified into.

Classification has significance to the scope of protection provided a client. In this document SB1 Markets will give information of the main characteristics of the investor protection in the different categories.

The regulations open for a certain possibility for a client to reclassify. The client has to forward a request to SB1 Markets for reclassification. Even if the formal conditions for reclassification is met, SB1 Markets may, in their sole decision, assess if such request should be met.

### 2. Non-Professional client

#### 2.1 Level of investor protection

Clients classed as Non-Professionals receive the highest level of investor protection. This imply that SM1 Markets in a higher degree than other client categories have to adjust the service level based on the client`s individual needs.

Before performing an investment advice or a trade SB1 Markets is obligated to obtain information on the Client in order to assess whether the service or financial instrument/product in question is suitable or appropriate for the Client. Investment advices will be based on a suitability test where the client inform SB1 Markets of the purpose of the investment, the financial solidity plus knowledge and experience of the service/product/transaction.

If a client wants to do a trade SB1 Markets does not find appropriate for the client, SB1 Markets will advice the client not to execute. The trade will be executed if the client, despite the advice not to, insist on doing the trade. SB1 Markets duty to assess the appropriateness for the client have several exceptions e.g. when trading execution only and online trading.

A Non-Professional investor will receive a high level of information from SB1 Markets e.g. information on; financial instruments and risk related to them, trade venues, cost and charges in order for the client to make informed investment decisions.

## **2.2 Reclassification**

Non-Professional clients may apply for being treated as Professionals if certain conditions are met. Such reclassification will result in a lower investor protection.

### **2.2.1 From Non-Professional to Professional**

#### **a) Absolute conditions:**

The client have to meet at least 2 of the following 3 criteria's:

1. The client has made transactions of considerable amounts on the relevant market 10 times per quarter in average the last 4 quarters.
2. The size of the clients financial portfolio (cash and financial instruments) exceeds an amount of € 500 000,-
3. The client works, or have worked, in a position the financial sector that require knowledge of relevant investment services and products for at least a year.

#### **b) Procedure:**

The client must inform SB1 Markets in written that he/she want to be treated as a professional and document that the criteria's above is met. The client will also have to declare in written that he/she is familiar with the consequences of the reduced investor protection a reclassification implies. SB1 Markets may be contacted for more information.

Based on the application SB1 Markets will do their own assessment based on the clients experience, expertise and the planned trades, if the client is capable of understanding the risk and make own investment decisions.

## **3. Professional clients**

### **3.1 Level of investor protection**

Professional clients are in a less degree than Non-Professionals protected by the regulations. Professional clients are assumed as capable to make their own assessments and investment decisions. As a result of this assumption, the services from SB1 Markets will be less focused on the clients' individual needs. The general rule of best practice will in general apply, but less extensive. Professional clients are in general assumed to have sufficient knowledge if a trade is suitable and appropriate. When giving investment advices SB1 Markets will focus on the client's investment strategy and not take into consideration the knowledge or experience of the client. SB1 Markets will not consider if a trade is suitable and will not have any obligation to advice against a trade.

Professional clients are considered to be able to on their own assess what information they need in order to take an investment decision. This imply that Professionals, to a larger extent than Non-Professionals, have to collect relevant information themselves. However, Professionals will receive important information related to best execution etc.

### **3.2 Reclassification**

Professional clients may apply for being treated as Non-Professional clients with a higher level of investor protection. Professional clients may also apply to be reclassified as an Eligible Counterparty with a lower level of investor protection. Professional clients are responsible to keep SB1 Markets of any changes that may have an effect on their classification.

### **3.2.1 From Professional to Non-Professional**

A Professional client is obliged to ask for a higher level of investor protection if the client is unable to conduct a correct risk assessment. Such reclassification will be documented by an agreement between the parties.

### **3.2.2 From Professional to Eligible Counterparty**

Clients defined as Professional clients according to the regulation may demand to be treated as an Eligible Counterparty. The client will have to declare in written that he/she is familiar with the consequences of the reduced investor protection a reclassification implies.

## **4. Eligible Counterparty**

### **4.1 Level of investor protection**

Eligible Counterparties have the lowest level of investor protection.

Eligible Counterparties have, as a start, the same level of investor protection as Professional clients, see clause 3 above. However, the investor protection is to a large degree reduced on the following investment services; reception and transmission of orders, execution of orders and dealing for own accounts. Performing these services SB1 Markets is not bound by the regulations relating to best practice, best execution and rules relating to handling orders.

The assessment of suitability and appropriateness is the same as for Professional clients.

The exception from the general rule of best practice means less information and reporting to the client. Even if the investment protection is low, SB1 Markets are obliged to conduct honest and correct towards the Eligible Counterparty.

### **4.2 Reclassification**

Eligible Counterparties may apply to be treated as Professional clients or Non-professional clients and receive a higher level of investor protection.

#### **4.2.1. From Eligible Counterparty to Professional client**

An Eligible Counterparty may ask for being treated as a Professional client if they want a higher degree of investor protection and fall within the general rule of best practice.

#### **4.2.2 From Eligible Counterparty to Non-Professional client**

An Eligible Counterparty may ask for being treated as a Non-Professional client if they want the highest degree of investor protection. Clause 3.2.1 will apply for such request.