

What classification do my clients fall into?

Under MiFID, all of your clients will be classified under one of five categories. It is very important that you ensure you categorise your clients correctly, as permissions and protections vary between classifications. The Five possible classifications are:

- Retail clients.
- Elective Professional clients.
- Per Se Professional clients.
- Elective Eligible Counterparties.
- Per Se Eligible Counterparties.

In order to establish what classification each of your clients requires, follow the steps outlined below.

Per Se Professional client qualifications

Classification questions relating to Per Se Professional client status.	Yes	No
1. Is your client an entity required to be authorised or regulated to operate in the financial markets, which falls under one of the following categories: (a) a credit institution; (b) an investment firm; (c) any other authorised or regulated financial institution; (d) an insurance company; (e) a collective investment scheme or the management company of such a scheme; (f) a pension fund or the management company of a pension fund; (g) a commodity or commodity derivatives dealer; (h) a local; (i) any other institutional investor?		
2. In relation to MiFID or equivalent third country business, is your client a large undertaking meeting two of the following size requirements on a company basis: (a) balance sheet total of EUR 20,000,000; (b) net turnover of EUR 40,000,000; (c) own funds of EUR 2,000,000?		
3. In relation to business that is not MiFID or equivalent third country business, is your client a large undertaking meeting either of the following conditions: (a) a body corporate (including a limited liability partnership) which has (or any of whose holding companies or subsidiaries has) called up share capital of at least £5 million (or its equivalent in any other currency at the		

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relevant time)? Or (b) a large undertaking that meets (or any of whose holding companies or subsidiaries meets) two of the following tests: (i) a balance sheet total of EUR 12,500,000; (ii) a net turnover of EUR 25,000,000; (iii) an average number of employees during the year of 250?		
4. Is your client a national or regional government, a public body that manages public debt, a central bank, an international or supranational institution (such as the World Bank, the IMF, the ECP, the EIB) or another similar international organisation?		
5. Is your client any other institutional investor whose main activity is to invest in financial instruments (in relation to the firm's MiFID or equivalent third country business) or designated investments (in relation to the firm's other business)? This includes entities dedicated to the securitisation of assets or other financing transactions.		

If you answered yes to any of the above questions then you can classify your client as a Per Se Professional client, unless and to the extent that it is an eligible counterparty. If you would like to clarify whether your client is an Eligible Counterparty or not, answer the questions relating to Elective Eligible counterparty qualifications.

Elective Professional client qualifications

Classification questions relating to Elective Professional client status.	Yes	No
<p>1. Can you (The Firm) confirm that you have:</p> <p>* Undertaken an adequate assessment of the expertise, experience and knowledge of the client that gives reasonable assurance, in light of the nature of the transactions or services envisaged that the client is capable of making his own investment decisions and understanding the risks involved? (the “qualitative test”. If the client is an entity, the qualitative test should be performed in relation to the person authorised to carry out transactions on its behalf); and</p> <p>* Completed the following procedure: (a) Obtained in writing confirmation from the client that it wishes to be treated as a professional client either generally or in respect of a particular service or transaction or type of transaction or product; (b) Given the client a clear written warning of the protections and investor compensation rights the client may lose; and (c) Obtained in writing confirmation from the client, in a separate document from the contract, that it is aware of the consequences of losing such protections?</p> <p>Only when everything can be confirmed can the answer to this question be yes.</p>		
2. In relation to MiFID or equivalent third country business, in the course of the above assessment, at least two of the following criteria can be satisfied:		

<p>(a) You (the firm) has confirmed that the client has carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous four quarters;</p> <p>(b) You (the firm) has confirmed the size of the client’s financial instrument portfolio, defined as including cash deposits and financial instruments, exceeds EUR 500,000;</p> <p>(c) You (the firm) has confirmed that the client works or has worked in the financial sector for at least one year in a professional position, which requires knowledge of the transactions or services envisaged; (the “quantitative test”);</p>		
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There are a number of considerations you also need to take into account if you make this classification:

* Before deciding to accept a request for re-categorisation as an elective professional client, a firm must take all reasonable steps to ensure that the client requesting to be treated as an elective professional client satisfies the qualitative test and, where applicable (for MiFID business), the quantitative test.

* An Elective Professional client should not be presumed to possess market knowledge and experience comparable to a Per Se Professional client.

* Professional clients are responsible for keeping the firm informed about any change that could affect their current categorisation.

* If you (the firm) becomes aware that a client no longer fulfils the initial conditions that made it eligible for categorisation as an elective professional client, the firm must take the appropriate action.

When you are satisfied that you have taken all of these considerations into account:

For non MiFID business, if you answered yes to question one you can categorise your client as an Elective Professional client.

For MiFID business, only if you answered yes to questions one **and** two can you classify your client as an Elective Professional client.

Per Se Eligible Counterparties qualifications

Classification questions relating to Per Se Eligible Counterparties status.	Yes	No
<p>1. Is your client one of the following:</p> <p>(a) an investment firm;</p> <p>(b) a credit institution;</p> <p>(c) an insurance company;</p> <p>(d) a collective investment scheme authorised under the UCITS Directive or its management company;</p> <p>(e) a pension fund or its management company;</p> <p>(f) another financial institution authorised or regulated under European Community legislation or the national law of an EEA State;</p> <p>(g) an undertaking exempted from the application of MiFID under either Article 2(1)(k) (certain own account dealers in commodities or commodity</p>		

derivatives) or Article 2(1)(l) (locals) of that directive; (h) a national government or its corresponding office, including a public body that deals with the public debt; (i) a central bank; (j) a supranational organisation. (For the purpose of COBS 3.6.2R(6), a financial institution includes regulated institutions in the securities, banking and insurance sectors.)		
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Please now complete the table for Elective Eligible Counterparties to ensure that your classification will be correct. If the answer to the above question is yes, and you do not answer yes to any of the following table of questions, you can categorise your client as a Per Se Eligible Counterparty.

Elective Eligible Counterparties qualifications

Classification questions relating to Elective Eligible Counterparties status.	Yes	No
(1) Can you confirm your client is an undertaking, and: (a) is a per se professional client (except for a client that is only a per se professional client because it is an institutional investor under COBS 3.5.2R(5)); or (b) requests such categorisation and is an elective professional client, but only in respect of the services or transactions for which it could be treated as a professional client.		
2. the firm has, in relation to MiFID or equivalent third country business, obtained express confirmation from the prospective counterparty that it agrees to be treated as an eligible counterparty		

If you answered yes to question one A or B, **and** yes to question two, you can categorise your client as an Elective Eligible Counterparty. The categories of Elective Eligible Counterparties include an equivalent undertaking that is not from an EEA State provided the above conditions and requirements are satisfied.

A firm may obtain a prospective counterparty's confirmation that it agrees to be treated as an eligible counterparty either in the form of a general agreement or in respect of each individual transaction.

If you did not answer yes to **ANY** of the above questions in **ANY** of the tables (your client does not qualify as a Elective Professional client, Per Se Professional client, Elective Eligible Counterparty or Per Se Eligible Counterparty), then you can categorise your client as a **Retail client**. This category of client may be subject to all the protections under the FSA rules, FOS and the FSCS.

Client and firm located in different jurisdictions

In the case of MiFID or equivalent third country business, in the event of a transaction where the prospective counterparties are located in different EEA States, the firm shall defer to the status of the other undertaking as determined by the law or measures of the EEA State in which that undertaking is established

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