

# Korea Development Bank London Branch

## Client Categorisation Policy

### Overview

The Korea Development Bank London Branch (“KDB London”, “us” or “we”) is an Investment Firm registered in the UK is authorised by the Prudential Regulation Authority (“PRA”), and regulated by the Financial Conduct Authority (“FCA”). Under the Conduct of Business Sourcebook (“COBS”) of the FCA rules (“FCA Rules”), we are required to notify existing and potential clients of their client categorisation in accordance with the Markets in Financial Instruments Directive II (“MiFID II”).

We shall inform our clients in a durable medium about of their right to request a different categorisation and about any limitations to the level of client protection that a different categorisation would entail. This information will be provided to clients prior to any provision of services.

### Client Categories

KDB London Branch is authorised to provide investment services to Professional Clients and Eligible Counterparties only.

### Professional Client

A Professional Client is a client that is either a Per Se Professional Client or an Elective Professional Client. Generally, a Professional Client is considered to have the experience, knowledge and expertise to make their own investment decisions and properly assess the risks incurred.

#### Per Se Professional Client

Each of the following is a Per Se Professional Client, unless they are an Eligible Counterparty.

- (1) An entity which is required to be authorised or regulated to operate in financial markets. Examples of entities carrying out the characteristic activities are:
  - (a) a credit institution;
  - (b) an investment firm;
  - (c) any other authorised or regulated financial institution;
  - (d) an insurance company;
  - (e) a collective investment schemes or the management company of such a scheme;
  - (f) a pension fund or the management company of a pension fund;
  - (g) a commodity and commodity derivatives dealer;
  - (h) a local;
  - (i) any other institutional investor;
- (2) In relation to MiFID or equivalent third country business, a large undertaking meeting two of the following size requirements on a company basis:
  - (a) balance sheet total of EUR 20,000,000 or more;
  - (b) net turnover of EUR 40,000,000 or more;
  - (c) own funds of EUR 2,000,000 or more;
- (3) In relation to business that is not MiFID or equivalent third country business, a large undertaking meeting any of the following conditions:
  - (a) a body corporate (including a limited liability partnership) which has (or any of whose holding companies or subsidiaries has) (or has had at any time during the previous two years) called up share capital or net assets of at least £ 5 million (or its equivalent in any other currency at the relevant time);
  - (b) an 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;
- (c) a partnership or unincorporated association which has (or has had at any time during the previous two years) net assets of at least £ 5 million (or its equivalent in any other currency at the relevant time) and calculated in the case of a limited partnership without deducting loans owing to any of the partners;
- (d) a trustee of a trust (other than an occupational pension scheme, SSAS, personal pension scheme or stakeholder pension scheme) which has (or has had at any time during the previous two years) assets of at least £ 10 million (or its equivalent in any other currency at the relevant time) calculated by aggregating the value of the cash and designated investments forming part of the trust's assets, but before deducting its liabilities;
- (e) a trustee of an occupational pension scheme or SSAS, or a trustee or operator of a personal pension scheme or stakeholder pension scheme where the scheme has (or has had at any time during the previous two years):
  - i. at least 50 members; and
  - ii. assets under management of at least £ 10 million (or its equivalent in any other currency at the relevant time);
- (4) A national or regional government, including a public body that manages public debt at national or regional level, a central bank, an international or supranational institution or another similar international organisation;
- (5) Another 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.

### **Elective Professional Client**

We may treat a client, other than a local public authority or municipality, as an Elective Professional Client if it complies with (1) and (3) and, MiFID business, (2):

- (1) We undertake 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/her own investment decisions and understanding the risks involved (the "qualitative test"). If the client is an entity, the test should be performed in relation to the person authorised to carry out transactions on its behalf.
- (2) At least two of the following criteria are satisfied (the "quantitative test") (In relation to MiFID or equivalent third country business):
  - (a) 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;
  - (b) The size of the client's financial instrument portfolio exceeds EUR 500,000;
  - (c) 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; and
- (3) The following procedure is followed:
  - (a) The client must state in writing to us 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) We must give the client a clear written warning of the protections and investor compensation rights the client may lose; and
  - (c) The client must state in writing, in a separate document from the contract, that it is aware of the consequences of losing such protections.

Before deciding to accept any request for a Retail Client to be opted up to an Elective Professional Client, we will take all reasonable steps to ensure that the client requesting to be treated as an Elective Professional Client satisfies the relevant criteria. Professional Clients are responsible for keeping us informed about any change which could affect their current categorisation. If we become aware that the client no longer fulfils the initial conditions which made him/her eligible for treatment as a Professional Client, we will take appropriate action. An Elective Professional Client cannot opt up to Eligible Counterparty.

### Eligible Counterparty

An Eligible Counterparty is a client that is either a Per Se Eligible Counterparty or an Elective Eligible Counterparty. We will only categorise you as an Eligible Counterparty in relation to eligible counterparty business.

#### Per Se Eligible Counterparty

Each of the following is a Per Se Eligible Counterparty (including an entity that is not from an EEA State that is equivalent to any of the following):

- (1) An investment firm;
- (2) A credit institution;
- (3) An insurance company;
- (4) A collective investment scheme authorised under the UCITS Directive or its management company;
- (5) A pension fund or its management company;
- (6) Another financial institution authorised or regulated under EU legislation or the national law of an EEA State;
- (7) A national government or its corresponding office, including a public body that deals with public debt at national level;
- (8) A central bank;
- (9) A supranational organisation.

#### Elective Eligible Counterparty

We may treat a client as an Elective Eligible Counterparty in relation to business other than MiFID or equivalent third country business if:

- (1) The client is an undertaking and;
  - a) is a Per Se Professional Client (except for a client that is only a Per Se Professional Client), and;
    - i. is a body corporate (including a limited liability partnership) which has (or any of whose holding companies or subsidiaries has) called up a share capital of at least £10 million (or its equivalent in any other currency at the relevant time); or
    - ii. meets the criteria in the rule on meeting two quantitative tests; and
  - 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; and
- (2) We have, in relation to MiFID business, obtained express confirmation from the prospective counterparty that it agrees to be treated as an Eligible Counterparty.

#### Request for Different Client Categorisation

- (1) A Professional Client has the right to request re-categorisation as a Retail Client that benefits from a higher degree of protection or an Eligible Counterparty which would result in a lower level of protection.
- (2) An Eligible Counterparty has the right to request re-categorisation as either a Professional Client or Retail Client in order to obtain a higher level of protection.

It is the responsibility of a Professional Client or an Eligible Counterparty to ask for a higher level of protection when the client deems that it is unable to properly assess or manage the risks involved.

We reserve the right to cease business with the client if different client categorisation is requested. If a new client category is applied by us, a new written client categorisation letter will be issued. We have the right to decline any of the above requests for different categorisation. Please note that it is our company policy not to onboard or deal with Retail Clients.

For more information on the KDB London policy for opting up and opting down and consequences of changing the category, or to request opting up or down, please refer to your usual KDB London contact.

## Summary of Lost Protections – summary of notices to be provided to clients

### Consequences of Categorisation as a Professional Client

Where we treat you as a Professional Client, you will be entitled to a limited number of protections under the FCA Rules than you would be entitled as a Retail Client.

- (1) Information to Clients:
  - a) Communication with Clients: We must ensure that the firm communicates with all its clients in a fair, clear and not misleading way in the relationship with any of its clients-
  - b) Information about financial instruments, and costs and associated charges: In accordance with Commission Delegated Regulation (EU) 2017/565, Article 50, we will be bound to provide you with a breakdown of costs and charges in a limited number of circumstances only.
  - c) When we assess the appropriateness of a non-advised service for a Professional Client, we are entitled to assume that they have the necessary experience and knowledge to understand the risk relating to a particular product or service and they are able to bear any related investment risk for such a product or service.
- (2) Best Execution:
  - a) Ordinarily we presume that a Professional Client does not place legitimate reliance on us in executing an order on their behalf, and is hence not entitled to best execution as defined. Whether or not a professional client places legitimate reliance on us, is determined by the application of a cumulative test on our part. This is known as the 4 Fold Test under the MiFID Regulations, we are required to take all sufficient steps to obtain the best possible result in terms of total consideration which takes into account the price of the financial instrument, costs relating to execution, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order. Contrary to the protection of Retail Clients, different execution factors are prioritised and taken into account for best execution of orders of Professional Clients. We are not required to prioritise the overall costs of the transaction as being the most important factor in achieving best execution. The relative importance of each of the execution factors must be determined and designed to obtain the best possible result for the execution of orders of Professional Clients.
- (3) Best Execution Policy Summary:
  - a) A firm must provide a Retail Client with a summary of the order handling and execution policy, focused on the total costs incurred by the client which also includes a link to the most recent execution quality data for each execution venue listed in the policy. We are not obliged to provide a summary that complies with these specific requirements to Professional Clients.
- (4) Order Handling:
  - a) In relation to order execution, a firm must provide additional information to Retail Clients about any material difficulty relevant to the proper carrying out of orders promptly on becoming aware of the difficulty. This is not required in respect of Professional Clients.
- (5) Reporting:
  - a) When providing trade confirmation information and periodic statements to Retail Clients, they are provided in an extensive manner. Should we provide Professional Clients with trade confirmation information and periodic statements, we are not required to provide them as frequently or as detailed as it would for Retail Clients.
  - b) For Retail Client accounts that includes positions in leveraged financial instruments or contingent liability transactions must inform the Retail Client, where the initial value of each instrument depreciates by 10% and thereafter at multiples of 10%. These requirements do not apply in respect of Professional Clients.

- (6) Compensation:
  - a) As a Professional Client, you may not be entitled to compensation (or the same level of compensation) under any relevant investor compensation scheme, any relevant deposit scheme and/or any other relevant compensation scheme of a similar type.
- (7) The Financial Services Ombudsman:
  - a) The services of the Financial Ombudsman Service in the UK may not be available to Professional Clients, unless they are, for example, consumers, small businesses or individuals acting outside of their trade, business, craft or profession.

### **Consequences of Categorisation as an Eligible Counterparty**

Where we treat you as an Eligible Counterparty, you will be entitled to fewer protections under the FCA Rules than you would be entitled to as a Professional Client.

- (1) Client Agreement:
  - a) When providing investment and ancillary services to its Retail and Professional Clients, the firm is obliged to enter into a written agreement on paper or another durable medium which sets out the essential rights and obligations of the firm and the client. These requirements do not apply when dealing with an Eligible Counterparty.
  - b) The firm undertakes to act in accordance with the best interest of its Retail and Professional Clients. These requirements do not apply when dealing with an Eligible Counterparty.
- (2) Appropriateness:
  - a) The firm is required to test the knowledge and experience of its Retail Clients to assess the appropriateness of services or products provided or made available. We are not required to assess the appropriateness of a product of service for an Eligible Counterparty and can assume the client has the expertise to choose the most appropriate product or service.
- (3) Best Execution:
  - a) Where the firm executes an order for a Professional Client, the firm is obliged to take all sufficient steps for obtaining the best possible result for the execution of the Professional Client's order. These obligations are not applicable when dealing with an Eligible Counterparty.
- (4) Order Handling:
  - a) For Professional Clients, the firm ensures the application of the relevant policies and procedures which guarantee the timely and fair execution of our clients' orders in relation to other client orders or in relation to our own trading positions. For Eligible Counterparties, our order handling policy and related order handling protections may not be applicable.
- (5) Reporting:
  - a) For Eligible Counterparties, the regulatory obligation on firms to provide clients with trade confirmation information and periodic statements may have a limited application.
- (6) Product Compatibility:
  - a) The firm is obliged to ensure that financial instruments which are offered or recommended to Professional Clients, meets their needs and is in the clients' interest. These protections will not be applicable for Eligible Counterparties.
- (7) Communication with Clients and Disclosures:
  - a) The firm must provide Professional Clients with certain disclosures which include a general description of nature and risks of relevant financial instruments. The firm should also disclose and restrict the giving and receiving of any fee, commission or non-monetary benefit in connection with provision of any investment services or ancillary services. As an Eligible Counterparty, the information provided to you may not be as comprehensive as it would be for a Professional Client. Furthermore, the firm will not be restricted or be required to disclose any payment or receipt of any fee, commission or non-monetary benefit to an Eligible Counterparty.
- (8) Packaged Products:
  - For Professional Clients, when a service is offered together with another service or product as part of a package or

as a condition for the same agreement or package, the firm must inform the Professional Client whether it is possible to buy the different components separately. For Eligible Counterparties, these obligations will not be applicable.

