

ING Client Classification Policy

1. Introduction

This Client Classification Policy (**Policy**) applies to all entities of ING Bank N.V. (**ING Bank**), (including ING Bank N.V. Hungary Branch based in the European Economic Area¹ (**EEA**) that provide **MiFID** investment services and/or ancillary services², as specified by the **MiFID** regulations and by the local Hungarian Act No 138 on Investment Services, the **Bszt**.

The objective of this Policy is to ensure that client classification is determined and that the client is informed of the outcome by means of the ING MiFID (Bszt) client classification letter. The relevant processes or systems of ING Bank Hungary Branch should prevent the provision of investment services and activities and/or ancillary services to our clients if a client classification is not in place.

2. Scope

Determining factor as to whether a MiFID (Bszt) client classification is required is dependent on the location where The MiFID (Bszt) service is provided:

Client Location	MiFID (Bszt) Service by ING Bank Hungary Branch	MiFID (Bszt) requirements applicable
EEA	EEA (by ING Bank Hungary Branch)	YES
Non-EEA	EEA (by ING Bank Hungary Branch)	YES

3.1 Criteria for Client Classification

In order to provide different types of clients with the appropriate level of investor protection, MiFID II and the Bszt distinguish three client categories (jointly referred to as **Client** or **Clients**):

- retail clients;
- professional clients; or
- eligible counterparties (**ECP**).

The category of retail clients captures every client that is not a professional client or ECP.

Different levels of regulatory protection are attached to each category, and hence to the Clients within each category:

- retail clients are afforded the most regulatory protection;
- professional clients are considered to be more experienced, knowledgeable and sophisticated as well as able to assess their own risk and make their own investment decisions so they are afforded less regulatory protection;
- eligible counterparties are for example investment firms, credit institutions, insurance companies, UCITS and their management companies, other regulated financial institutions and in certain cases, other undertakings. They are considered to be the most sophisticated investors or capital markets participants.

3.1.1 Professional Clients

Professional clients are considered to have the experience and knowledge to make their own investment decisions and that they are able to properly assess the risks that they incur. With the exemption of corporates, the below entities are considered to be professional based on the information available to ING Bank Hungary Branch. With respect to corporates ING BANK Hungary Branch must assess the balance sheet, net turn over and own funds in order to establish the client classification.

A professional client belongs to one of the type of counterparties listed below (for more information, refer to **Annex 2** of this Policy):

- entities which are authorized or regulated to operate in the financial markets (e.g. Banks or Brokers);
- institutional investors whose main activity is to invest in financial instruments, (e.g. regulated hedge funds or money-market brokers), including entities dedicated to the securitization of assets or other financing transactions, e.g. a special purpose vehicle;

¹ The EEA is an area of free trade and free movement of peoples comprising the member states of the European Union, in addition to Norway, Iceland and Liechtenstein

² Please refer to Annex 1 for a list of investment services and ancillary services.

- national and regional governments, public bodies, central banks, international and supranational institutions (e.g. the World Bank and the ECB);
- large undertakings meeting at least two of the following size requirements with regard to the following criteria:
 - balance sheet³ total of € 20 million;
 - net turnover of € 40 million;
 - own funds of € 2 million.

The appropriateness test is not required for such professional clients.

3.1.2 Eligible Counterparties

The types of undertakings which could be classified as professional and ECP largely coincide. However, the main difference is that ECPs must act in one of the following capacities:

- they execute orders on behalf of customers;
- they are dealing on own account;
- they are receiving and transmitting orders.

Since ING Bank Hungary Branch is not providing investment advice or performing portfolio management on behalf of the undertakings which could be classified as ECP, it is our policy to classify our Clients as ECP as much as possible. If Clients would like to be treated as professional clients, they can request an **“opt-down”** in accordance with paragraph 4 of this Policy below.

Please note that EEA member states may also recognise in local laws as eligible counterparties other undertakings meeting pre-determined proportionate requirements, including quantitative thresholds. In the event of a transaction where the prospective counterparty is located in different jurisdictions, ING Bank Hungary Branch shall apply the law or measures of the member state in which that prospective counterparty is established to determine its categorisation. When a member state has set quantitative thresholds and the prospective counterparty meets these thresholds, ING Bank Hungary Branch will only qualify this prospective counterparty as ECP where we have obtained the express confirmation from the prospective counterparty that it agrees to be treated as an ECP. Please refer to **Annex 3** of this Policy for an overview of possible ECP's.

The appropriateness test and the MiFID (Bszt) best execution obligations are not required for ECPs.

3.1.3 Retail Clients

The category of retail clients captures every Client that is not a professional client or ECP. According to MiFID (Bszt), retail clients are afforded with the greatest possible protection regarding their investment possibilities and the information provided to them. This means, amongst other factors, that certain financial instruments, investment services or trading strategies in financial markets may not be suitable for or consistent with a retail client's profile and therefore, it may not be possible for ING Bank Hungary Branch to carry out all possible transactions with a retail client. A MiFID (Bszt) retail client can be a private individual or a business (legal entity). As per MiFID II, public sector bodies, municipalities and local public authorities are to be classified as retail clients.

3.2 MiFID (Bszt) Classification Process

The MiFID (Bszt) classification must be executed and finalised prior to the provision of any investment or ancillary services listed in **Annex 1** of this Policy. If it is not possible to undertake a classification assessment, the default classification of Retail should be given.

Wholesale Banking FM, WB FM Client Control, is responsible for deciding on the Client's MiFID (Bszt) classification and for sending the relevant MiFID (Bszt) client classification package to the Client, supplemented with the specific CPAC appropriateness questionnaires and other relevant documents, unless a specific waiver exists at a local level.

Before offering MiFID (Bszt) services to a Client, ING Bank Hungary Branch is obliged to classify and inform their clients on their MiFID (Bszt) classification. ING should offer Clients the possibility to react on their classification as this forms the basis of our relationship and does determine the level of protection we provide to our Clients.

³ Unconsolidated figures.

3.3 Exemptions

As a general rule, the person / legal entity to which ING Bank Hungary Branch provides the investment services should be classified as Client. In case the investment service is being provided to multiple persons / legal entities, each of these persons / legal entities should be classified as Client. However, there are specific situations where it is more difficult to establish which person / legal entity should be classified, e.g. alternative investment fund (AIF) and its manager (AIFM). In the table below we clarify some frequent occurring examples:

Relevant entity	Who should be classified?
AIF	The AIFM, or in case the AIF is self-managed, the AIF fund itself
Undertaking for Collective Investments in Transferable Securities (UCITS)	The UCITS Manager, or in case the UCITS is self-managed, the UCITS itself
Hedge fund	The manager of the hedge fund
Group treasurer	The group treasury itself
SPV ⁴	The SPV itself

4 Opting up and opting down

Generally, ING Bank Hungary Branch is not required to obtain the Client's explicit consent regarding their categorisation if the Client falls within the professional client, ECP or the retail client classification.

Once a MiFID (Bszt) Classification is assigned and communicated, a different classification can be requested by the Client to seek less or more protection. Opt-down refers to where a Client chooses to be categorised in a classification category which affords them with a higher level of protection e.g. from professional client to retail client.

ING Bank Hungary Branch is under no obligation to adhere to any such request and accordingly ING Bank Hungary Branch may in its sole discretion decide whether or not to accept any such request. As a matter of policy ING Bank Hungary Branch will only accommodate a request for opting-down in exceptional cases.

In cases where the protection is lowered (opting up), an assessment is performed by management involving a sign off by their (local) compliance department. As a matter of policy ING Bank Hungary Branch is willing to cooperate with an opt-up request.

4.1 Opting up (lower client protection)

From Retail to Professional

As a minimum, two out of the following three quantitative criteria should be satisfied before an opting up request to a classification as professional client can be approved:

- the client has carried out transactions, in significant size, on relevant markets at an average frequency of 10 per quarter over the previous 4 quarters;
- the size of its portfolio (including cash deposits) exceeds €500.000,-;
- the client works or has worked in the financial sector for at least one year in a position which requires knowledge of the transactions or services envisaged.

Please note that opting up entails a risk and needs a regular follow-up to verify if the counterparty continues to meet the criteria to remain opted up. In addition to the quantitative criteria, ING Bank Hungary Branch must as a firm being confident that the client is able to be treated as a professional (qualitative test) and must monitor whether opted-up clients keep meeting these quantitative and qualitative criteria. Clients who request to be opted-up may waive the benefit of the detailed rules of conduct only when:

1. they state in writing to ING Bank Hungary Branch that they wish to be treated as a professional client, either generally or in respect of a particular investment service or transaction, or type of transaction or product.
2. ING Bank Hungary Branch must give them a clear written warning of the protections and investor compensation rights they may lose and the clients must state in writing, in a separate document from the contract, that they are aware of the consequences of losing such protections.

⁴ SPV refers to a (professional) investor whose main activity is to invest in financial instruments, including entities dedicated to the securitisation of assets or other financing transactions, as referred to in Annex 2, under 4.

3. The Client confirms in writing in a separate document that the client is aware of the consequences of the loss of protection as a result of the opting-up.

From Professional to ECP

Clients, initially classified as professional, are allowed to request an ECP classification. After receiving such a request ING Bank Hungary Branch must provide the professional client with a clear written warning of the consequences of such a request and the protections the Client may lose. The client shall confirm in writing the request to be treated as an ECP either generally or in respect of one or more investment services or a transaction or type of transaction and that the Client is aware of the consequences of the protection they may lose as a result of the request.

A retail client and an “elective” Professional Client (means a retail client which has opted-up to professional status) may never be classified as ECP.

4.2 Opting down (higher client protection)

ING Bank Hungary Branch is obliged to notify professional clients and eligible counterparties that they are entitled to request a higher level of protection. ING Bank Hungary Branch may also, on its own initiative, increase the protection afforded to a client; however, ING Bank Hungary Branch should notify the Client of their new category, whether this occurs at the beginning of, or during the relationship on a general basis for all services and products or with respect to certain products and services.

A client categorised by ING Bank Hungary Branch as a professional client or ECP is entitled to request a higher level of protection if the client considers that it is not in a position to assess or soundly manage the risks to which they are exposed.

5 Record Keeping

ING Bank Hungary Branch must maintain a record in relation to each client including:

- the categorisation established for the client, including information to support that categorisation;
- evidence of informing the client of its Client Classification category; and if applicable
- a copy of any agreement entered into with the client, relating to the classification.

Annex 1

MiFID (Bszt.) investment services and/or ancillary services

Investment services and activities

- (1) Reception and transmission of orders in relation to one or more financial instruments;
- (2) Execution of orders on behalf of clients;
- (3) Dealing on own account;
- (4) Portfolio management;
- (5) Investment advice;
- (6) Underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis;
- (7) Placing of financial instruments without a firm commitment basis;
- (8) Operation of an MTF;
- (9) Operation of an OTF.

Ancillary services

- (1) Safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management and excluding maintaining securities accounts at the top tier level;
- (2) Granting credits or loans to an investor to allow him to carry out a transaction in one or more financial instruments, where the firm granting the credit or loan is involved in the transaction;
- (3) Advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings;
- (4) Foreign exchange services where these are connected to the provision of investment services;
- (5) Investment research and financial analysis or other forms of general recommendation relating to transactions in financial instruments;
- (6) Services related to underwriting.
- (7) Investment services and activities as well as ancillary services of the type included under Section A or B of Annex 1 related to the underlying of the derivatives included under points (5), (6), (7) and (10) of Section C where these are connected to the provision of investment or ancillary services.

Annex 2

MiFID (Bszt) definition of Professional Client

The following shall 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 shall 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 institutions⁵;
- (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) Locals⁶;
- (i) Other institutional investors⁷;

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

- balance sheet total: EUR 20 000 000
- net turnover: EUR 40 000 000
- own funds: EUR 2 000 000

(3) National and regional governments, including public bodies that manage public debt at national or regional level, 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.

⁵ CESR concludes that the category “other authorised or regulated financial institutions”, should be interpreted by reference to the definition of a “financial institution” in the Capital Requirements Directive 2006/48/EC (the “CRD”) as “an undertaking other than a credit institution, the principal activity of which is to acquire holdings or to carry on one or more of the activities listed in points 2 to 12 of Annex I”, so as to include entities not covered by the CRD or MiFID who meet this definition, e.g. non-EEA regulated banking and investment entities;

⁶ ‘Locals’ is a term that is not defined in MiFID, as including regulated/authorised persons within article 2(1)(l) of MiFID. CESR is proposing that locals be defined in MiFID with reference to the language in this article: “firms which provide investment services and/or perform investment activities consisting exclusively in dealing on own account on markets in financial futures or options or other derivatives and on cash markets for the sole purpose of hedging positions on derivatives markets or which deal for the accounts of other members of those markets or make prices for them and which are guaranteed by clearing members of the same markets, where responsibility for ensuring the performance of contracts entered into by such firms is assumed by clearing members of the same markets”

⁷ CESR concludes that “other institutional investors” should cover entities whose main activity is investing in financial instruments.

Annex 3

Eligible Counterparties

The classification of ECP can be used in case of executing orders on behalf of counterparties dealing on own account or receiving and transmitting orders. This is applicable for:

- Investment firms;
- Credit institutions;
- Insurance companies;
- UCITS and their management companies;
- Pensions funds and their management companies;
- National governments and their corresponding offices including bodies that deal with public debt;
- Central banks and supranational organisations;
- Other financial institutions authorized or regulated under EU-legislation or the national law of a Member State.