

Veritas Investment Partners (UK) Limited

Client Categorisation Policy

October 2023

This policy sets out the arrangements that Veritas Investment Partners (UK) Limited (“the firm”) has established to take sufficient steps to ensure that all clients are correctly categorised in accordance with the FCA rules both at account onboarding and on an ongoing basis.

Regulatory Requirements

Investment firms are required to provide clients with specified information concerning client categorisation prior to the provision of services.

Investment firms shall notify new clients, and existing clients that the investment firm has newly categorised as required by UK law on markets in financial instruments, of their categorisation as a retail client, a professional client, or an eligible counterparty.

Investment firms shall inform clients in a durable medium about any right that a client has to request a different categorisation and about any limitations to the level of client protection that a different categorisation would entail.

Veritas Approach

Clients are advised of their categorisation in the investment management agreement, and their right to request a different categorisation.

Most clients that the firm onboards will be categorised as retail. In general, where a client has agency custody with SEI, or is a bank custodian client with Pictet we expect to categorise them as retail. Retail clients are entitled to more protections than professional clients. Additional protections that retail clients are entitled to include access to the Financial Ombudsman Service, access to the Financial Services Compensation Scheme, greater disclosure of information by the firm, greater protection of client assets and greater protection of client money. Where a client is categorised as retail, suitability rules as detailed in the firm’s Client Suitability Policy must be followed.

Where a client has appointed a global custodian, we would generally expect these clients to be categorised as a per se professional. Suitability rules do not apply to professional clients.

In general, the firm does not have elective professional clients. If a prospective client does not meet the requirements of a per se professional as detailed in the definition of professional client in this policy, Compliance must be contacted before proceeding with account onboarding.

The firm does not have eligible counterparties as clients.

Definitions

The definitions below provide details of the types of clients that fall into each category as prescribed in the FCA rulebook.

Retail Clients

A retail client is a client who is not a professional client, or an eligible counterparty.

A firm must categorise a local public authority or municipality which (in either case) does not manage public debt as a retail client, unless it is permitted to treat such a person as an elective professional client in accordance with COBS 3 rules. As a result of COBS 3.5.2BR, a local public authority or municipality which (in either case) does not manage public debt should not be treated as a per se professional client.

Professional Clients

A professional client is a client that is either a per se professional client or an elective professional client.

Per se professional Clients

The VIP (UK) Ltd Board has overall responsibility for the implementation of this statement. All employees play a key role in our efforts to implement the elements of this statement. Depending on the criticality of the provider, we undertake risk-based due diligence on companies with whom we have relationships.

Each of the following is a per se professional client:

1. An entity required to be authorised or regulated to operate in the financial markets. The following list includes all authorised entities carrying out the characteristic activities of the entities mentioned, whether authorised in the UK or a third country:
 - a credit institution;
 - an investment firm;
 - any other authorised or regulated financial institution;
 - an insurance company;
 - a collective investment scheme or the management company of such a scheme;
 - a pension fund or the management company of a pension fund;
 - a commodity or commodity derivatives dealer;
 - a local authority;
 - 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:
 - balance sheet total of EUR 20,000,000;
 - net turnover of EUR 40,000,000;
 - own funds of EUR 2,000,000.
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:

- a balance sheet total of EUR 12,500,000;
- a net turnover of EUR 25,000,000;
- an average number of employees during the year of 250.

4. 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.

5. 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.

6. 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):

- at least 50 members; and
- assets under management of at least £10 million (or its equivalent in any other currency at the relevant time).

7. 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 (such as the World Bank, the IMF, the ECB, the EIB) or another similar international organization.

8. 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 Clients

A firm 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, where applicable, 2:

1. the firm undertakes 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");

2. in relation to MiFID or equivalent third country business in the course of that assessment, at least two of the following criteria are satisfied:
 - 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, defined as including cash deposits and financial instruments, 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;
 - d. (the "quantitative test"); and

3. the following procedure is followed:
 - a. the client must state in writing to the firm 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. the firm 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.

[Appendix 1](#) is the letter that the firm must use when it is treating a client as an Elective Professional.

If 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. Where the appropriate action involves re-categorising that client as a retail client, the firm must notify that client of its new categorisation.

Monitoring

Client categorisation is reviewed as part of the sample-based file reviews.

Policy Review

The Compliance Team has overall responsibility for the review and update of the requirements outlined within this policy. The policy is reviewed on an annual basis.

Record Keeping

The firm is required to make a record of the form of each notice provided and each agreement entered into. This record must be made at the time that standard form is first used and retained for the relevant period after the firm ceases to carry on business with clients who were provided with that form.

The firm must make a record in relation to each client of:

- a. the categorisation established for the client, including sufficient information to support that categorisation;
- b. evidence of dispatch to the client of any notice required and if such notice differs from the relevant standard form, a copy of the actual notice provided; and

- c. a copy of any agreement entered into with the client.

This record must be made at the time of categorisation and should be retained for the relevant period after the firm ceases to carry on business with or for that client.

If the firm provides the same form of notice to more than one client, it need not maintain a separate copy of it for each client, provided it keeps evidence of dispatch of the notice to each client.

All records described in this policy are retained for the appropriate period as per legal and regulatory guidelines. The specific retention periods are in the Firm's Data Asset Register.

Appendix 1

Request for Categorisation as an Elective Professional Client

Under the FCA Rules, we may treat you as an Elective Professional client if, after our assessment of your expertise, experience, and knowledge of you, we are reasonably assured that, in light of the nature of the discretionary investment service we will provide, you are capable of understanding the nature of the service and the risks involved. In making our assessment we may rely on information we already possess about you and/or request additional information from you, and/or call you to discuss your investment experience.

In addition, you must satisfy at least 2 of the following 3 criteria:

- a. You have carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous 4 quarters;
- b. The size of your financial instrument portfolio, defined as including cash deposits and financial instruments, exceeds EUR 500,000;
- c. You work or have worked in the financial sector for at least one year in a professional position, which requires knowledge of the transaction or services envisaged.

Therefore, by signing this letter you agree to the following:

- That you satisfy at least two of the three criteria listed above;
- You confirm that you wish to be treated as a Professional Client; and
- You have read and understood the **Warnings – Loss of Protections as a Professional Client** detailed below regarding the protections and compensation rights that you may lose and are aware of the consequences of losing such protections.

Client Name: _____

Client Signature: _____

Date: _____

Warnings – Loss of Protections as a Professional Client

Professional clients are entitled to fewer protections under the UK regulatory regime than is otherwise the case for Retail Clients. This document contains, for information purposes only, a summary of the protections that you will lose if you request and agree to be treated as a Professional Client.

1. Communicating with clients, including financial promotions

As a Professional Client the simplicity and frequency in which we communicate with you may be different to the way in which we would communicate with a Retail Client. We will ensure however that our communication remains fair, clear, and not misleading.

2. Information about the firm, its services and remuneration

The type of information that we provide to Retail Clients about us, our services and products and how we are remunerated differs to what the firm provides to Professional Clients. In particular:

- a. We are obliged to provide information on these areas to all clients but the granularity, medium and timing of such provision may be less specific for clients that are not Retail Clients; and
- b. the information which the firm provides in relation to costs and charges for its services and/or products may not be as comprehensive for Professional Clients as it would be for Retail Clients; and
- c. when handling orders on behalf of Retail Clients, the firm has an obligation to inform them about any material difficulties in carrying out the orders; this obligation may not apply in respect of Professional Clients.

3. Suitability

In the course of providing discretionary investment management services, when assessing suitability for Professional Clients, the firm is entitled to assume that in relation to the services for which you have been so classified, that you have the necessary level of experience and knowledge to understand the risks involved in the management of your investments. The firm will assess this information separately for Retail Clients and would be required to provide Retail Clients with a suitability report.

4. Appropriateness

For transactions where the firm does not provide you with discretionary management services (such as an execution-only trade), it may be required to assess whether the transaction is appropriate. In respect of a Retail Client, there is a specified test for ascertaining whether the client has the requisite investment knowledge and experience to understand the risks associated with the relevant transaction. However, in respect of a Professional Client, the firm is entitled to assume that they have the necessary level of experience, knowledge and expertise to understand the risks involved in a transaction in products and services for which they are classified as a Professional Client.

5. Dealing

A range of factors may be considered for Professional Clients in order to achieve best execution (price is an important factor but the relative importance of other different factors, such as speed, costs and fees may vary). In contrast, when undertaking transactions for Retail Clients, the total consideration, representing the price of the financial instrument and the costs relating to execution, must be the overriding factor in any execution.

6. Reporting information to clients

For transactions where the firm does not provide discretionary management services (such as an execution-only transactions), the timeframe for our providing confirmation that an order has been carried out is more rigorous for Retail Clients' orders than Professional Clients' orders.

7. Financial Ombudsman Service

The services of the Financial Ombudsman Service may not be available to you as a Professional Client.

8. Investor compensation

Eligibility for compensation from the Financial Services Compensation Scheme is not contingent on your categorisation but on client type. Hence, you may not have access to the Financial Services Compensation Scheme.

9. Exclusion of liability

The FCA rules restrict the firm's ability to exclude or restrict any duty of liability which the firm owes to Retail Clients more strictly than in respect of Professional Clients.

10. Trading obligation

In respect of shares admitted to trading on a regulated market or traded on a trading venue, the firm may, in relation to the investments of Retail Clients, only arrange for such trades to be carried out on a regulated market, a multilateral trading facility, a systematic internaliser or a third-country trading venue. This is a restriction which may not apply in respect of trading carried out for Professional Clients.

11. Client money

The requirements under the client money rules in the FCA Handbook (CASS) are more prescriptive and provide more protection in respect of Retail Clients than in respect of Professional Clients.

It should be noted that at all times you will have the right to request a different client categorisation and that you will be responsible for keeping us informed of any change that could affect your categorisation as a Professional Client.