

**PUTNAM INVESTMENTS LIMITED**

**CLIENT CATEGORISATION STATEMENT**

**Effective 3<sup>rd</sup> January 2018**

## **INTRODUCTION**

Putnam Investments Limited (“PIL”, “PIL UK”, the “Company”) is an Investment firm registered in the UK and regulated by the Financial Conduct Authority (the “FCA”). Under COBS 3 of the FCA rules, PIL is required to notify new clients, and existing clients that it has newly categorised, of their categorisation as a retail client, a professional client or an eligible counterparty in accordance with Directive 2014/65/EU (“MiFID II”). The extent to which the client is protected by legislation depends on the client category.

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

## **CRITERIA FOR CLIENT CATEGORISATION**

In order to provide different types of clients with the appropriate level of investor protection, MIFID II distinguishes between three categories:

1. Retail clients;
2. Professional clients
3. Eligible counterparties (ECP)

PIL is authorised by the FCA to undertake Regulated Activities with or for Professional Clients and Eligible Counterparties only. PIL does not have the regulatory permissions to deal with retail clients. PIL will automatically categorise clients as per se professional clients (excluding a local authority or municipality that does not manage debt) and all relevant regulatory protections associated with that categorisation will be afforded to clients. Clients are entitled to request a different client categorisation, but it is not our policy to accept any requests to be treated as a retail client.

**The categorisation criteria set by the relevant legislation for clients are as follows:**

### **1. RETAIL CLIENT**

A ‘Retail Client’ is a client who is not a professional client by default, as defined below, or an eligible counterparty. Retail Clients are afforded with the highest level of protection.

### **2. PROFESSIONAL CLIENT**

A ‘Professional Client’ is a client that is either a **per se professional client** or an **elective professional client**. A professional client is a client who possesses the experience, knowledge and expertise to make his own investment decisions and properly assess the risks that he incurs.

#### **PER SE PROFESSIONAL CLIENT**

**Certain clients automatically fall within the definition of Professional (“per se” Professional Clients) unless and to the extent that they are eligible counterparties (carrying out eligible counterparty business). The categories of clients who are considered to be professionals per se are as follows:**

(1) An entity which is required to be authorized or regulated to operate in financial markets. Examples of entities carrying out the characteristic activities are:

- a) Credit institutions
- b) Investment firms
- c) Other authorized or regulated financial institutions
- 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) Locals: 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.
- i) Other institutional services (either authorised or regulated)

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

- a) balance sheet total at least EUR 20,000,000
- b) net turnover at least EUR 40,000,000
- c) own funds at least EUR 2,000,000

(3) In relation to business that is not MiFID or equivalent third country business you are a large undertaking meeting any of the following conditions:

- a) 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 (such as the World Bank, the IMF, the ECB, the EIB) or another similar international organisation;

(5) Other institutional investors whose main activity is to invest in financial instruments, including entities dedicated to the securitization of assets or other financing transactions.

## **ELECTIVE PROFESSIONAL CLIENT (excluding Local Authorities or Municipality)**

### **Elective professional clients**

PIL may treat a client as an **elective professional client** if the following process is followed:

- a) PIL 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”). If the client is an entity, the test should be performed in relation to the person authorised to carry out transactions on its behalf.
- b) 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 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 (“the quantitative test”); and
- c) 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. PIL 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 document separate from the contract, that it is aware of the consequences of losing such protections.

### **Local Public Authorities and Municipalities opt up to Elective Professional**

As a result of MiFID II, and a desire to provide greater protection to municipalities and local public authorities, local authorities are automatically Retail Clients to ensure they benefit from the highest level of investor protection (this includes local government pension schemes who may be investors in a Collective Investment Scheme/Undertaking or Treasury activities at Local Authority level). However, Local Authorities may be, at their request, opted-up to Elective Professional Client status if they satisfy certain criteria.

PIL must categorise a Local Public Authority or Municipality which (in either case) does not manage public debt as a Retail Client (see COBS 3.5.2B and 3.5.2C), unless it is permitted to treat such a person as an Elective Professional Client in accordance with COBS 3.5.3A.

Under MiFID II, PIL cannot opt such clients to elective professional status unless they meet the requirements set out below:

- The municipality / local authority client satisfies the requirement in (1), AND one of the requirements under (2)(a)-(c) below:
  1. the size of the client’s financial instrument portfolio, defined as including cash deposits and financial instruments, exceeds € 10,000,000; AND
  2. Either:
    - 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; or

- b. the client works or has worked in the financial sector for at least one year in a professional position, which requires knowledge of the provision of services envisaged; or
- c. the client is an ‘administering authority’ of the Local Government Pension Scheme within the meaning of Schedule 3 of The Local Government Pension Scheme Regulations 2013 (SI/2356) or, (in relation to Scotland) within the meaning of Schedule 3 of The Local Government Pension Scheme (Scotland) Regulations 2014 in force at 1 January 2018, and is acting in that capacity.

For non-UK based prospective clients that are local authorities or municipalities, PIL will confirm that the prospective client satisfies the requirements in (1) or (2) below:

- 1. where the local public authority or municipality is established in an EEA State and the EEA State has adopted alternative or additional criteria to those listed in (2) below, the client satisfies those criteria as set out in the law of that EEA State; or
- 2. in any other case, the client satisfies at least two of the following criteria:
  - 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 € 500,000; or
  - 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.

## **ELIGIBLE COUNTERPARTY (ECP)**

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:

### **PER SE ELIGIBLE COUNTERPARTY**

The following is a per se eligible counterparty:

- 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) an undertaking exempted from the application of MiFID
- 8) a national government or its corresponding office, including a public body that deals with the public debt
- 9) a central bank
- 10) a supranational organisation

For the purposes of the above, a financial institution includes regulated institutions in the securities, banking and insurance sectors.

### **ELECTIVE ELIGIBLE COUNTERPARTY**

PIL may treat a client as an elective eligible counterparty if:

- 1) the client is an undertaking and:
  - (a) is a per se professional client, and:
    - (i) is a body corporate which has called up a share capital of at least £10 million; or
    - (ii) meets the criteria in the rule on meeting two quantitative tests; 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; and
- 2) PIL has, 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 CATEGORISATION**

The client categorisation rules allow for both opting up and opting down. Professional Clients and Eligible Counterparties therefore have the right to request re-categorisation as a client that benefits from a higher degree of protection. It is the responsibility of the client to ask for a higher level of protection; however PIL reserves the right to cease business with the client if a different client categorisation is requested.

As set out in the criteria for client categorisation, PIL's policy is not to transact business with retail clients as the Company does not have the regulatory permission to do so and consequently, PIL cannot accept a request to be treated as a retail client.

## **OPTING DOWN**

A Client who has been categorised as an Eligible Counterparty may, at any time, request to be treated as a Professional Client. If PIL accepts such a request, the Client shall enter into a written agreement with PIL. The agreement will specify the particular services or transactions, or the types of products or transactions to which the opt-down applies.

Please note that any re-categorisation from a professional client to an eligible counterparty for business covered by this category would reduce the level of client protection to which the client is entitled under MiFID II and the FCA Rules. In practice, as the Eligible Counterparty classification is not relevant for portfolio management, PIL does not anticipate this classification being relevant to its client business.

## **OPTING UP**

Where PIL has initially categorised a client as a professional client, we may seek to re-categorise the client as an eligible counterparty for business covered by this client category. Before doing so, PIL must satisfy various requirements set out in the FCA Rules, including a requirement to obtain express confirmation from the client that they agree to be treated as an eligible counterparty.

## **ONGOING REQUIREMENTS**

PIL will re-assess a client's categorisation where we become aware of any change that might affect a client's categorisation. PIL may choose to cease to act for a client who no longer fulfils the initial conditions that made it eligible for categorisation and where PIL does not want to deal with the client as a retail client.

Should a client have any questions regarding their client categorisation, or the protections afforded to them under MiFID II and the FCA Rules by virtue of such categorisation, the client should contact their client relationship manager.

## APPENDIX A – CLIENT CATEGORISATION FORM – PER SE PROFESSIONAL CLIENT

### PUTNAM INVESTMENTS LIMITED CLIENT CATEGORISATION FORM – Per Se Professional Client

#### Introduction

In accordance with the (recast) Markets in Financial Instruments Directive 2014/65/EU (“MiFID II”) as implemented in the UK and the rules of the UK Financial Conduct Authority (the “FCA”), Putnam Investments Limited (“PIL”, “PIL UK”, the “Company”) is required to categorise and notify you of your client categorisation accordingly. Your client categorisation determines the level of protection you are to be afforded under the FCA rules.

#### Your Client Categorisation

A Professional Client is a client who possesses the experience, knowledge and expertise to make their own investment decisions and properly assess the risks that they incur. Certain clients automatically fall within the definition of Professional (“per se” Professional Clients) unless and to the extent that they are eligible counterparties (carrying out eligible counterparty business).

PIL UK proposes to categorise you as a Per Se Professional Client with regard to the discretionary investment management services provided. This is because we understand that you are one of the following:

- a credit institution;
- an investment firm;
- an authorised or regulated financial institution (other than a credit institution or investment firm);
- an insurance company;
- a collective investment scheme or the management company of a collective investment scheme;
- a pension fund or the management company of a pension fund;
- a commodity or a commodity derivatives dealer;
- a local;
- other institutional investor;
- a large undertaking meeting two of the following criteria on a company basis:
  - balance sheet total: €20,000,000
  - net turnover: €40,000,000
  - own funds: €2,000,000;
- 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 organisation);
- an institutional investor whose main activity is to invest in financial instruments (including entities dedicated to the securitisation of assets or other financing transactions); or
- in relation to non-MiFID business that we may undertake with you, you fulfil relevant criteria or thresholds under the FCA rules.

The above shall include entities authorised or regulated by a third country.

All relevant regulatory protections associated with that categorisation will be afforded to you. You are entitled to request a different client categorisation, but it is not our policy to accept any requests to be treated as a retail client. Please note that PIL UK does not have the regulatory permissions needed to deal with retail clients.

PIL UK reserves the right, at any time, to require additional evidence to be provided.

## Client Categorisation Form – Per Se Professional Client

Please complete as follows:

**(1) You are an entity authorised or regulated to operate in the financial markets. The list below includes all authorised entities carrying out the characteristic activities of the entities mentioned, whether authorised by an *EEA State* or a third country and whether or not authorised by reference to a directive:**

| <b>You are:</b>  | <b>Please select (as appropriate)</b> |
|--|---------------------------------------|
| (a) credit institution <sup>1</sup>  | Yes / No                              |
| (b) an investment firm <sup>1</sup>  | Yes / No                              |
| (c) other authorised or regulated financial institution  | Yes / No                              |
| (d) an insurance undertaking   | Yes / No                              |
| (e) a collective investment scheme or the management company of a collective investment scheme | Yes / No                              |
| (f) a pension fund and management company of a pension fund                                    | Yes / No                              |
| (g) a commodity and commodity derivatives dealers  | Yes / No                              |
| (h) a local  | Yes / No                              |
| (i) any other institutional investor   | Yes / No                              |

**(2) If you have selected ‘No’ to all of the entity types listed in (1) above, please confirm in relation to MiFID business or equivalent third country business you are a large undertaking meeting any two of the following (along with requisite evidence).**

| <b>Size requirements</b>                    | <b>Please select (as appropriate)</b> |
|---|---------------------------------------|
| i. balance sheet of at least EUR 20,000,000 | Yes / No                              |
| ii. net turnover of at least EUR 40,000,000 | Yes / No                              |
| iii. own funds of at least EUR 2,000,000    | Yes / No                              |

**(3) If you have selected ‘No’ to all of the entity types in (1) and ‘No’ to more than one requirement in (2) please confirm if you meet any one of the following (along with requisite evidence):**

| <b>Type of organisation:</b>   | <b>Please select (as appropriate)</b> |
|--|---------------------------------------|
| (a) national or regional government  | Yes / No                              |
| (b) public body that manages public debt   | Yes / No                              |
| (c) central bank   | Yes / No                              |
| (d) international or supranational institution or another similar international organisation (such as the World Bank, the IMF, the ECP, the EIB) | Yes / No                              |
| (e) another institutional investor whose main activity is to invest in financial instruments   | Yes / No                              |

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<sup>1</sup> Definitions can be found in the FCA Handbook – <https://handbook.fca.org.uk/handbook/glossary>

**(4) If you have selected ‘No’ to all entity types in (1) and ‘No’ to (2) and (3) please confirm in relation to business that is not MiFID or equivalent third country business you are a large undertaking meeting any of the following conditions**

| <b>You are:</b>   | <b>Please select (as appropriate)</b> |
|---|---------------------------------------|
| (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);   | Yes / No                              |
| (b) an undertaking that meets (or any of whose holdings companies or subsidiaries meets) two of the following tests:<br>i. a balance sheet total of EUR 12,500,000;<br>ii. a net turnover of EUR 25,000,000;<br>iii. an average number of employees during the year of 250;   | Yes / No                              |
| (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;   | Yes / No                              |
| (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; | Yes / No                              |
| (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):<br>i. at least 50 members; and<br>ii. assets under management of at least £10 million (or its equivalent in any other currency at the relevant time);   | Yes / No                              |

**(5) If you have selected ‘No’ to all of the entity types in (1) and ‘No’ to more than one requirement in (2) and ‘No’ to all of the options in (3), please confirm if you meet any two of the following (along with requisite evidence):**

| <b>You are:</b>   | <b>Please select (as appropriate)</b> |
|---|---------------------------------------|
| Other institutional investors whose main activity is to invest in financial instruments, including dedicated entities to the securitization of asset or other financing transactions. | Yes / No                              |

By signing this document, the signatory is indicating that they have been duly authorised to sign for, and on behalf of, the organisation whose name appears below:

Signed: .....

Print Name: .....

For and on behalf of: .....

Date: .....

**APPENDIX B – PER SE PROTECTION RIGHTS NOTICE**  
**Protection Rights: Per se Professional Client**

**Putnam Investments Limited** (“the Firm”) have classified you as a **Per se Professional Client**. As a Per se Professional Client we will provide you with the regulatory protections that are available to a Professional Client. Professional Clients are entitled to fewer protections under the UK and EU regulatory regimes than is otherwise the case for Retail Clients. Therefore, it is important that you are aware that the protections available to you differ depending on your classification and that you are also aware of the limitations of the protections of this classification.

This document summarises the protections you will lose as a professional client:

**Communicating with you**

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. Our communications will always remain fair, clear and not misleading.

The type of information that we will provide, including information about our services and products and how we are remunerated differs to what it provides to Retail Clients. In particular:

1. The detail, medium and timing of such information may be less specific for clients that are not Retail Clients;
2. The information in relation to costs and charges for our services and/or products will not be as comprehensive (for example we would not provide additional information on the risks and components of a product); and
3. We are not obliged to inform you about any material difficulties in carrying out your orders.

**Appropriateness**

Where we act for you on a non-advised sale and are required to assess the appropriateness of a transaction (and issue a risk warning if not appropriate), we would be able to assume that you have the necessary level of experience and knowledge to understand the risks involved in such an investment, service, product of transactions;

**Suitability**

In relation to our assessment of the suitability of a particular product or service, where providing advice or discretionary management services, we would be able to assume that you had the necessary knowledge and experience to understand the risks involved and we would be able to assume that you are financially able to bear any investment risks consistent with your investment objectives; Firms cannot make such an assumption in the case of Retail Clients and must assess this information separately. Firms would be required to provide Retail Clients with a suitability report, where they provide investment advice.

**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 determining best execution.

**Reporting information to clients**

For transactions where a firm does not provide portfolio management services (such as an execution-only transaction), for Retail Clients’ an order confirmation must be provided no later than the first business day following that execution. This does not apply to Professional Clients’ orders.

### **Client Reporting**

Firms that manage a retail portfolio that includes positions in leveraged financial instrument or contingent liability transactions shall inform the Retail Client, where the initial value of each instrument depreciates by 10% and thereafter at multiples of 10%. These reports do not have to be produced for Professional Clients.

### **Client Money**

As a professional client, the client money rules in the FCA Handbook (CASS) are more prescriptive and provide more protection in respect of retail clients. For example, as a professional client we would not be required to notify you of whether interest is payable and monies could be transferred to a third party (including a third-party custodian), without notifying you and explaining the respective responsibilities of those parties, particularly if that third party becomes insolvent;

### **Communicating 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, because as a professional client it is reasonable for us to assume you may not need to include the same information, or for information to be presented in the same way as a communication addressed to a retail client. It is generally not permitted for firms to market alternative investment funds (AIFs) to investors who are Retail Clients (although there are certain limited exceptions to this rule).

### **Financial Ombudsman Service**

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

### **Investor compensation**

Eligibility for compensation from the Financial Services Compensation Scheme is not contingent on your categorisation but on how your organisation is constituted. Your rights (if any) to make a claim under the Financial Services Compensation Scheme in the UK will not be affected by being categorised as a Professional Client.

### **Exclusion of liability**

A firms' ability to exclude or restrict any duty of liability owed to clients is narrower under the FCA rules in the case of Retail Clients than in respect of Professional Clients.

### **Trading obligation**

In respect of shares admitted to trading on a regulated market or traded on a trading venue, a 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.

### **Transfer of financial collateral arrangements**

As a Professional Client, we may conclude title transfer financial collateral arrangements for securing or covering your present or future, actual or contingent or prospective obligations, which would not be possible for retail clients.

You have the right to request a different classification. If you wish to request a different classification, please do so in writing. On receipt of such a request the Firm will consider the request and inform you if it is able to accommodate this request.