

Approach Investment Profile and Product Knowledge and Experience Test



Background

When providing investment advice, KBC Bank is required to assess whether the client belongs to the targetmarket of the investment product in which they wish to invest and whether this product is suitable for them. The latter is the 'suitability assessment'. It is important to establish whether the client possesses sufficient financial capacity, knowledge and experience, and what their attitude to risk and return is.

First of all, and before it may provide any investment advice, KBC Bank will draw up an investment profile (formerly 'risk profile') together with the client. A product knowledge and experience^(*) test will then be carried out to gauge whether the client has sufficient knowledge of the investment product in which they wish to invest.

If the client wishes to purchase a 'complex' financial instrument on their own initiative and for their own account, KBC Bank is required to carry out an 'appropriateness test' when receiving and executing the order. KBC Bank will assess whether the client has sufficient knowledge and experience of the investment product based on the product knowledge and experience test.

It is important that KBC conducts out the suitability assessment and appropriateness test based on accurate, complete and up-to-date client information. It is therefore in the client's interest to provide accurate and complete answers when completing the investment profile and product knowledge test. There may be situations where an appropriateness test is not conducted. This can happen, for example, when the client does not provide the requested information or this information is not sufficient to conduct the appropriateness test, or when clients purchase 'non-complex' financial instruments on their own initiative. If KBC does not have enough information to perform the suitability test or if that information shows that the investment product is not suitable for the client, the client can still have orders executed on their own initiative. In such cases, KBC will send the client a warning message.

KBC Bank is required to establish a policy on the following aspects:

- Who must be included in the suitability assessment and the product knowledge and experience test;
- Whether there is a contract with the client;
- How the suitability test is carried out in practice;
- What impact this could have on the clients concerned.

This policy has been formulated in accordance with the EU MiFID II Directive.

The KBC rules followed in this regard are set out below.

The investment profile

General rule

KBC Bank determines the investment profile of the individual who owns the assets on which the bank is providing advice. KBC Bank assumes that the assets belong to the holder of the account or the portfolio. The holder is the person in whose name the account or portfolio is recorded at KBC Bank.

The holder may only have their investment profile determined by another party by means of a notarial power of attorney.

KBC Bank always uses the holder's investment profile for the suitability assessment of all advised investment transactions. This also applies if the investment order is not executed by the holder themselves but by another person, for example a representative or agent holding power of attorney.

Clients who explicitly refuse to fully complete or sign an investment profile, or to have one calculated, may not receive investment advice. KBC Bank can therefore not advise on any investment orders they wish to place.

For more information on KBC Bank's advisory approach, please refer to the information document '[Advisory Approach to Investments](#)', which may be downloaded from www.kbc.be/legal-information/documentation < Saving & Investing < Investment advisory approach or obtained from any KBC branch.

Entities with joint ownership of property, partnerships, unincorporated associations and partnerships without legal personality

In the case of an entity with joint ownership of property, unincorporated association or partnership without legal personality, all holders or partners must in principle act in unison. In that case they must **designate one person from among them** with whom KBC Bank will determine the investment profile of the entity with joint ownership of property, partnership, unincorporated association or partnership without legal personality. In answering the questions, the designated person must take into account the situation of the entity with joint ownership of property, partnership, unincorporated association or partnership without legal personality.

The same applies if the articles of association or internal rules of the entity with joint ownership of property, partnership, unincorporated association or partnership without legal personality appoint a representative.

If there is **no agreement regarding the person** whose answers will be used to determine the investment profile, the profile must be formulated on the basis of the answers of the holder with the most defensive attitude towards risk and the least financial capacity.

(*) Experience in products held at KBC is automatically derived from our systems.

Spouses and cohabiting partners

For married or cohabiting clients who also have individual accounts of any kind, KBC Bank offers the choice of receiving advice either on all their accounts (joint and individual accounts together) or receiving separate advice on the joint and individual accounts. Clients can choose between a global or individual advisory approach, regardless of the matrimonial regime of married clients.

Monies or investments held in a joint account by married clients need also not necessarily form part of the joint assets in a legal sense. Conversely, monies and investments held in individual accounts need not necessarily form part of the individual assets of a married client.

Whether monies or investments legally form part of the joint assets or the individual assets of married clients is determined by the matrimonial regime under which they were married, and not by the nature of the account (joint or individual) in which they hold their monies or investments.

However, the account in which monies or investments are held can influence the ability of a married client to prove which assets the monies or investments form part of in a legal sense. Clients are free to choose whether they use individual or joint accounts, but are advised to think carefully about this.

In the **individual advisory approach**, a separate investment profile is drawn up for:

- the accounts for which one spouse or cohabiting partner is the sole holder;
- the accounts for which the other spouse or cohabiting partner is the sole holder;
- the accounts for which both spouses or cohabiting partners are holders.

These three investment profiles may differ from each other.

In the **global advisory approach**, one joint investment profile is determined for both spouses or cohabiting partners. Each question used to create the investment profile must be answered from the standpoint of the community of property or entity with joint ownership of property (for cohabiting partners). If there is **no agreement regarding the person** whose answers will be used to determine the investment profile, the profile must be formulated on the basis of the answers of the holder with the most defensive attitude towards risk and the least financial capacity.

Private Banking clients who are married or cohabiting can opt for a global approach and complete one joint investment profile if they hold the same views on the different investment profile questions. This joint investment profile can then be used for both the joint portfolio (held in both partners' names) and any individual portfolios (held in each partner's name individually).

If the partners give different answers to the investment profile questions, they may choose separate approaches, in which case separate investment profiles are prepared for the joint portfolio and for each partner's individual portfolio.

In this scenario, both partners also select which account(s) and/or positions, whether held jointly or individually, are the subject of the joint portfolio.

Regardless of whether the global or individual approach is chosen, each client may open one joint and one individual portfolio with Private Banking. This is different outside of Private Banking, where clients opting for a global approach may only hold one joint portfolio containing the holdings of all parties, and they are not permitted to open individual portfolios when opting for a global approach.

When the investment profile is first registered, married couples and cohabiting partners must always both confirm the answers given in the following cases:

- in the global advisory approach for one joint investment profile;
- in the individual advisory approach for the investment profile for the accounts for which both spouses or cohabiting partners are holders;
- in the case of Private Banking, for the investment profile for the global portfolio.

If one spouse or cohabiting partner does not agree with the answers given by the other spouse or cohabiting partner, he or she can reject the investment profile. In order to be able to receive advice in the global approach, or for advice about accounts held in the name of both spouses/partners, or about their global portfolio, they must determine a new investment profile.

Married couples and cohabiting partners must give each other permission to amend the investment profile individually at a later date. This permission must always be signed by both spouses/partners. Each spouse or cohabiting partner can rescind this permission unilaterally at any time by contacting their KBC branch or through KBC Live. Married couples and cohabiting partners who give each other this permission must inform each other about their personal situation, for example about all their income and expenditure, their financial plans, their attitude to risk, etc. This means they will each separately be able to provide complete and correct information to KBC.

Minors and persons who have been placed under a judicial protection regime

The investment profile for minors and persons who have been placed under a judicial protection regime is determined by their legal representative. In the case of minors, in law this is their parent(s) or a guardian appointed by the court. For those without capacity, their legal representative must be appointed by court order.

In answering the questions, the legal representative must take into account the situation of the respective minor or person of diminished legal capacity.

KBC Bank applies the following restrictions to the investment profiles of minors and persons of diminished legal capacity:

- **Minors and persons of diminished legal capacity without a wealth management advice agreement:** investment risk preference is restricted to defensive.

- **Minors with a wealth management advice agreement:** portfolio risk preference is restricted to defensive, investment risk preference is not restricted.
- **Persons of diminished legal capacity with a wealth management advice agreement:** portfolio risk preference and investment risk preference are restricted to defensive.

Deviations from these restrictions are possible if authorisation from the justice of the peace is obtained to invest more dynamically. This can be a special authorisation per transaction, or a general authorisation.

Legal entities

For legal entities, an agent with power of attorney is authorised to complete and sign the investment profile in the name and for the account of the legal entity (this express mandate may also be regulated in the articles of association). The agent holding power of attorney must take the situation of the legal entity concerned into account.

Usufruct

Where assets are held in bare ownership and with a vested usufruct, the investment profile of the sole bare owner is used for the suitability assessment of all advised transactions.

If there are several undivided bare owners, all bare owners together with the usufructuary may elect to base the investment profile on the usufructuary's details.

The product knowledge and experience test

General rule

KBC Bank will assess the product knowledge and experience of the person with the capacity to act. KBC Bank will use the client's answers to the knowledge and experience questions to assess all the transactions of the client. It makes no difference whether the client is acting as **the holder of the assets** or as a representative or agent holding power of attorney. The capacity in which the client acts has no impact on their knowledge or experience.

Where there are multiple holders, representatives or agents holding power of attorney, and these persons may **each act alone**, KBC Bank will thus also test the knowledge and experience of the person acting in respect of the actual transaction.

Where there are multiple holders, representatives or agents holding power of attorney who must **act jointly**, they must agree to designate one person from among them whose knowledge and experience KBC Bank will assess and take as a basis.

When their knowledge is being tested, the client may give up to two incorrect answers per product category or cross-category product. If they give more incorrect answers than this, they will have to wait until the next calendar day to be able to answer these questions again. In this way, KBC Bank applies a cooling-off period.

For leveraged products or products where advanced knowledge is required and the client has insufficient experience at KBC Bank or any other financial institution, KBC Bank will provide a positive recommendation for only a limited amount of money until the client has gained sufficient experience in those products.

Spouses and cohabiting partners

For spouses and cohabiting partners, KBC Bank will take into account the results of the knowledge and experience test of the partner who is performing the transaction. This applies not only for transactions performed by this partner in relation to the assets of which he or she is the holder and which are therefore held in his/her own name, but also for transactions effected by this partner in relation to assets of which both partners are the holders and which are therefore held in their joint names. In this situation, both partners must bring to bear the necessary alertness if there is a wide difference in their individual knowledge levels.

Minors and persons without capacity

If the holder of the assets is a minor or is under a judicial protection regime, KBC Bank will assess the knowledge and experience of their legal representative. KBC Bank will use the answers given by the legal representative to the knowledge and experience questions for assessing the transactions he or she performs for the minor or person without capacity and for the transactions that he or she performs for his or her own account.

Usufruct

In the case of accounts held in bare ownership and subject to usufruct, the knowledge and experience of the bare owner(s) or their agent(s) holding power of attorney (one of the bare owners, the usufructuary or a third party) will be taken as the basis of the assessment, according to the general rules as stipulated above (depending on who is authorised to manage the accounts held in bare ownership).