

Since its implementation in November 2007, the Markets in Financial Instruments Directive (“**MiFID I**”) has been the cornerstone of capital markets regulation in Europe. MiFID I was recast by the Markets in Financial Instruments Directive (“**MiFID**”)<sup>1</sup> and the Markets in Financial Instruments Regulation (“**MiFIR**”)<sup>2</sup> (together “**MiFID II**”), which enters into application on 3 January 2018.

This leaflet provides information on MiFID II, which notably:

- extends market transparency and integrity rules to derivatives and debt financial instruments;
- re-inforces investor protection and conduct of business rules on all financial instruments; and
- brings additional measures on product governance, on the reinforcement of control and management functions and on the enhancement of financial supervision.

Société Générale Group (Head office, branches and subsidiaries together referred to as “Société Générale”, “we” or “us”) when operating in the European Economic Area (“EEA”)<sup>3</sup>, are subject to the terms of MiFID II, as implemented in the various countries of the EEA. Only the activities provided by Société Générale corporate & investment banking entities (hereinafter collectively referred to as “SG CIB”), which include LYXOR Group, Société Générale International Limited (SGIL) and Société Générale Option Europe (SGOE) are covered by this leaflet, at the exclusion of our private banking activities.

This leaflet is provided for information purpose only and is not intended to set out the terms under which we will do business with you under MiFID II.

## 1 MiFID II Scope

MiFID II scope covers all firms carrying out investment and ancillary services in the EEA .

### 1.1 Investment services

The activities below are covered when they relate to one or more financial instruments:

- 1) **Reception and transmission of orders in relation to one or more financial instruments:** this service involves the receipt and transmission from one provider to another, on behalf of a client, of orders relating to financial instruments.
- 2) **Execution of orders on behalf of clients:** this service involves the execution of client orders on financial instruments on a market.
- 3) **Dealing on own account:** this service covers the trading of financial instruments against the investment firm’s proprietary capital.

<sup>1</sup> Directive 2014/65 of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast).

<sup>2</sup> Regulation N°600/2014 of 15 May 2014 on markets in financial instruments and amending Regulation (EU) N° 648/2012.

<sup>3</sup> EEA is comprised of the 28 EU Member States plus Iceland, Norway and Lichtenstein.

- 4) **Portfolio management:** this service is the discretionary management of portfolios of financial instruments in accordance with a client mandate.
- 5) **Investment advice:** this service involves the provision of personalised recommendations to a client, either at its request or at the initiative of the investment firm, in respect of one or more transactions relating to specific financial instruments.
- 6) **Subscribing or acquiring financial instruments with a view to reselling them:** this service involves the subscription or acquisition of financial instruments directly from the issuer or seller, with a view to reselling them.
- 7) **Placing of financial instruments:** this service involves the search for subscribers or purchasers on behalf of an issuer or a seller of financial instruments. Placing may or may not be on a firm commitment basis.
- 8) **Operation of a Multilateral Trading Facility (MTF):** Operation of a multilateral system by an investment firm or a market operator, which brings together multiple third-party buying and selling interests in financial instruments – in the system and in accordance with non-discretionary rules – in a way that results in a contract.
- 9) **Operation of an Organised Trading Facility (OTF):** Operation of a new type of multilateral trading venue, introduced by MiFID II. A multilateral system which is not a regulated market or an MTF and in which multiple third-party buying and selling interests in bonds, structured finance products, emission allowances or derivatives are able to interact in the system in a way that results in a contract.

### 1.2 Ancillary services

The following activities are also covered:

- 1) **Safekeeping and administration of financial instruments for the account of clients,** including custodian and related services such as cash/collateral management, at the exclusion of the activities of 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) **Advising 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 they 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 comparable to investment and ancillary services**, relating to the underlying element of derivatives, of which the list is set by order, where they are connected to the provision of investment or ancillary services.

### 1.3 Financial instruments

Financial instruments as defined by MiFID II<sup>4</sup> cover notably cash equity, fixed income, equity derivatives, commodity derivatives, credit derivatives, shares and bonds.

## 2 Main changes resulting from MiFID II

### 2.1 Market structures

MiFID II aims to move trading of financial instruments as much as possible onto trading venues and hence to reduce bilateral OTC (Over The Counter) transactions. The trading venues include Regulated Markets (RM), MTFs and OTFs. It also aims to promote transparency on trading venues and by systematic internalisers (SI)<sup>5</sup>.

#### Derivative Trading obligation

Derivatives subject to the clearing obligation under EMIR which have been declared subject to the trading obligation by the European Securities and Market Authority (ESMA), (i.e. in a first phase, some USD, EUR and GBP IRS and some index CDS), must be traded on a RM, MTF, OTF or an equivalent non-EU trading venue. The trading obligation applies to the same counterparties as under EMIR, i.e. financial counterparties and non-financial counterparties above the clearing thresholds.

#### Shares Trading Obligation

Subject to a few exceptions, shares traded on a trading venue must be traded on a RM, a MTF, an SI or an equivalent non-EU trading venue.

#### Pre-trade transparency

Trading venues and investment firms which qualify as systematic internalisers are required to make public firm quotes in respect of liquid equities as well as liquid bonds, structured finance products, emission allowances and derivatives. They must allow their clients to have access to the published quotes on the basis of their commercial policy.

#### Post-trade transparency

Investment firms must make public the volume and price of transactions immediately upon their conclusion. The publication must be made through an approved public arrangement (APA), i.e. a person duly licensed to report on behalf of investment firms.

<sup>4</sup> Financial instruments are defined in Annex I Section C of MIFID II.

<sup>5</sup> Systematic Internalisers are investment firms which, on an organized, frequent, systematic and substantial basis, trade client orders against their own account. The frequent, systematic and substantial basis is measured by quantitative criteria.

#### Reporting on quality of execution

Trading venues and SI are required to publish statistical reports on the quality of execution and investment firms must report on the quality of execution vis-à-vis their clients.

#### Transaction Reporting

Investment firms must report within one business day transactions on financial instruments to their national competent authorities. They must report directly or through an approved reporting mechanism (ARM).

In order to comply with our transaction reporting obligation, we absolutely need the Legal Entity Identifier (LEI) of our counterparties. Regulators may force us to stop trading with counterparties without a LEI. For further information on how to obtain your LEI, please visit the Global Legal Entity Identifier (GLEIF) website <https://www.gleif.org/>

#### Commodities

In an effort to enhance scrutiny of commodity trading, national competent authorities can introduce position limits on commodity derivatives and require that details of positions be reported to the trading venues and authorities on a daily basis. In addition, trading venues must publish a weekly report on aggregated commodities positions per category of traders.

#### Algorithmic Trading

MiFID II introduces several specific requirements that seek to control the way in which firms use algorithmic execution tools in the marketplace.

### 2.2 Investor protection

MiFID II contains major changes on investor protection rules, primarily with a view to improving disclosure and preventing conflicts of interest. It enhances conduct of business requirements, including unbundling of research and conflicts of interest.

Moreover, MiFID II will apply investor protection requirements on some structured deposits<sup>6</sup>.

#### Organisational requirements

MiFID II emphasizes the importance of market participants' compliance, audit and risk management functions, particularly as they relate to the production and marketing of new financial instruments, reporting and conflicts of interest.

#### Product Governance

MiFID II introduces product governance requirements to ensure that firms which manufacture and distribute financial instruments act in the clients' best interests during all the stages of the life-cycle of products and services. In particular, under this requirement, firms which manufacture and distribute financial product have to identify at an early stage and at a sufficiently granular level, the potential target market for the product and to specify the type(s) of clients for which the needs, characteristics and objectives of the product is compatible. Furthermore, they must ensure that their distribution strategy is compatible with the identified target market.

<sup>6</sup> As defined in Article 4 (2) (43) of MIFID II. Financial instruments plus structured deposits are called together "financial products" or "products".

#### Information to clients on costs and charges

MiFID II enhances the information to clients, by strengthening the information related to financial instruments and investment and ancillary services. In particular, it creates a new obligation to provide in good time an ex ante and ex post information about the aggregated costs and charges related to the financial instrument and to the investment or ancillary service provided.

Nevertheless, we may agree a limited application of this requirement when providing certain services or financial products to professional clients and eligible counterparties:

- (i) for professional clients, when the services of investment advice or portfolio management are provided or, irrespective of the investment service provided, when the financial instruments embed a derivative;
- (ii) for eligible counterparties, irrespective of the investment service provided, when the financial instruments concerned embed a derivative and the eligible counterparty intends to offer them to its clients.

#### Inducements

MiFID II reinforces requirements regarding fees, commissions and non-monetary benefits paid or provided by investment firms to a third party or received from a third party in relation to the provision of investment or ancillary services. In particular, MiFID II imposes heavy restrictions on inducements for independent investment advice and portfolio management services (including access to research). For other investment services and for ancillary services, MiFID II consolidates the existing regime on fees and inducements paid, provided or received, in connection with the provision of these investment services. In addition to ex ante information, ex post information is required regarding on-going fees or non-monetary benefits paid or received by the firm.

#### Underwriting and placing

MiFID II requires firms to put in place specific processes and implement extensive systems and controls to identify and prevent or manage conflicts of interest that may arise due to underwriting and placing activities, and provide information to clients.

In particular, a firm which provides corporate finance advice to a client and provides underwriting or placing service to that client, shall inform the client of the various financing alternatives available with the firm.

## **3 Client categories and associated level of protection**

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### **3.1 Notification of your client category**

You should have already received notification of how we intend to categorise you for MiFID II purposes. If not, please contact your SG CIB customer service at [mifid.clientsupport@sgcib.com](mailto:mifid.clientsupport@sgcib.com) or for SGIL [onboarding-sgil.ldn@sgcib.com](mailto:onboarding-sgil.ldn@sgcib.com)

### **3.2 The scope of your protection depends on your client category**

MiFID II requires firms carrying out investment or ancillary services to categorise their clients into one of the following three categories:

- retail clients, which benefit from the highest level of protection;
- professional clients, which benefit from an intermediate level of protection;
- eligible counterparties, which benefit from the lowest level of protection.

We inform you that, in accordance with MiFID II, the “eligible counterparty” category applies only to investment services 1) to 3), listed above in paragraph 1.1. For the other investment and ancillary services, we provide eligible counterparties with the protection due to a professional client.

### 3.3 The protection granted to each category of client is set out hereinafter

|  | Retail Clients   | Professional clients   | Eligible Counterparties  |
|--|--|--|--|
| <b>Best Execution<sup>7</sup></b>  | We are required to take all reasonable steps to obtain, when executing orders, the best possible result for our clients taking into account the price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order.   | The application of this protection to professional clients is set out for you in our information on the order execution policies. In particular, the criteria to be taken into consideration for best execution (price, cost, and speed) may be different from those that are generally used for retail clients.   | <u>Not applicable</u>  |
| <b>Provisions on client order handling</b>   | We must ensure the application of the procedures and provisions which guarantee the timely and fair execution of your orders in relation to other orders or in relation to our own trading positions   |  |  |
| <b>Suitability evaluation of the investment advice or portfolio management mandate to the client's situation</b> | <p>When providing investment advice or a service of portfolio management, we have to assess whether the financial products recommended or the relevant investment service is suitable to your particular situation.</p> <p>In order to provide you a suitable service, we need to obtain information on your investment objectives, financial situation, ability to bear losses, financial markets' knowledge/expertise and risk tolerance.</p> <p>We draw your attention to the importance of providing us with information which is up to date, accurate, and complete so that we can recommend you suitable products or services. Without such information, we cannot provide investment advice and portfolio management services to clients.</p> | <p>When providing investment advice or a service of portfolio management to a professional client, we are entitled to assume that, in relation to the products, transactions and services for which the professional client is so categorised, the client has the necessary level of experience and knowledge in order to understand the risks involved in the transaction or in the management of his portfolio.</p> <p>When providing investment advice or a service of portfolio management to a per se professional client, we may also assume that the client is able financially to bear any related investment risks consistent with his investment objectives.</p> | <u>Not applicable</u>  |
| <b>Appropriateness evaluation of the product or service provided</b>   | When we provide investment services other than investment advice or portfolio management, we must determine whether the product or service is appropriate to you. Hence, we must obtain information on your knowledge and experience on financial markets, so that we can assess whether you are able to understand the risks involved with the type of product or service envisaged.  | <p><u>Not applicable</u></p> <p>Under MiFID II an investment firm is entitled to assume that the professional client has the necessary level of experience and knowledge.</p>  | <u>Not applicable</u>  |
| <b>Information provided to clients</b>   | <p>We must provide you with appropriate information before we provide a product or an investment or ancillary service. Once the transaction has been executed, we must send you a report on the transaction concluded and provide you with periodic reports on financial instruments or on portfolio management.</p> <p>We may agree a limited application of this requirement when providing certain services or financial products to professional clients and eligible counterparties.</p>  |  | We must provide you with appropriate information before we provide you with a product or an investment or ancillary service. Once the transaction has been executed on your behalf, we must send you a report on that transaction. |
| <b>Transparent information on fees</b>   | If we provide you with investment or ancillary services, we must disclose you the fees, commissions, and non-monetary benefits that we pay to or that we receive from a third party. Moreover these fees, commissions and non-monetary benefits must improve the quality of the service we provide you and must not prevent us from acting in your best interests.   |  | <u>Not applicable</u>  |
| <b>Organisational obligations</b>  | Whatever your category, we must comply with a number of organisational obligations, including those intended to prevent conflicts of interest, those guaranteeing continuous and regular investment services and those intended to preserve the client's rights with regard to the assets entrusted with us.   |  |  |

<sup>7</sup> For more information, among others on the criteria that we will apply, please refer to SOCIETE GENERALE information on the order execution policies.

You will find our complaint handling process management policy at:

- For SOCIETE GENERALE  
<https://cib.societegenerale.com/en/client-claim/>
- For SGIL  
<https://sgildisclosure.societegenerale.com/en/client-claim/>
- For LYXOR AM France  
<http://www.lyxor.com/fr/contact/reclamations-client/>
- For LYXOR AM UK  
<http://www.lyxor.com/en/contact/customer-complaints/>

### 3.4 Changes in the level of protection

You may request a change of client category and we may agree or refuse such request. MiFID II sets out various options for a change of client category. For more information, please liaise with your usual contact.

Your change of category will only affect transactions concluded after the acceptance of your change of category.

## 4 Restrictions on financial collateral arrangements with ownership transfer

The Securities Financing Transaction Regulation (SFTR) and MiFID II provide restrictions on the use of financial collateral arrangements with ownership transfer. MiFID II prohibits the use of title transfer financial collateral arrangements (TTCA) with retail clients. For other clients, SFTR and MiFID II authorise it subject to the information on the risks of TTCA and the consent of the counterparty. In addition, under MiFID II, the use of TTCA must be appropriate. Such consent is materialised in the collateral contracts (e.g. CSA or other financial collateral arrangements) that our non-retail clients have entered into with us. For any information on the risks of TTCA, please refer to an Information Statement by clicking on <https://cib.societegenerale.com/en/who-are/compliance-regulatory/market-regulation/sftr/>.

## 5 Communicating with us

### 5.1 Languages

The language(s) in which you may communicate with us or receive documents from us are those in use in the country where the investment or ancillary service is provided or the usual language(s) used in finance in that country or any language agreed between you and us.

### 5.2 Communication modes

Unless you have notified otherwise, any communication between you and us can be made by all means, notably via email, phone, mobile phone, chat, SOCIETE GENERALE's websites or any other electronic communication mode.

### 5.3 Record Keeping

All communications between you and us, using any of the modes mentioned above in paragraph 5.2, that result in or may result in transactions, will be recorded. Upon request, and at your expense we can provide this record to you.

## 6 Requests for additional information

For any questions about this leaflet or, more generally on MiFID II, please contact our MiFID customer service at [mifid.clientsupport@sgcib.com](mailto:mifid.clientsupport@sgcib.com). For SGIL, your contact is [onboarding-sgil.lbn@sgcib.com](mailto:onboarding-sgil.lbn@sgcib.com)

### Legal mentions

SOCIETE GENERALE, a French credit institution (Bank - Investment services provider) authorised and regulated by the *Autorité de Contrôle Prudentiel et de Résolution* (the French Prudential Control and Resolution Authority - ACPR), and under the prudential supervision of the European Central Bank- ECB. SOCIETE GENERALE is a French "société anonyme" (limited company), whose registered head office is located at 29 boulevard Haussmann - 75009 PARIS (France), registered with the Paris Trade and Companies Registry under number 552 120 222.

Societe Generale International Limited (SGIL) is a limited activity firm authorised and regulated by the Financial Conduct Authority in the United Kingdom. Its registered office is at 10 Bishops Square, London E14 5HS.

SG Option Europe, SA, with a supervisory board and €6,512,000 in registered capital, is registered in the Nanterre Trade & Corporate Register under reference 341 369 833 has its main offices at 17 cours VALMY Tour Société Générale – 92 800 Puteaux – France, and is an investment firm authorized by the *Autorité de Contrôle Prudentiel et de Résolution* (the French Prudential Control and Resolution Authority – ACPR).

Lyxor Asset Management – SAS with share capital of 161 106 300 euros – RCS Nanterre No 418 862 215 – Registered Office: Tours Société Générale- 17 cours Valmy, 92800 Puteaux. Lyxor Asset Management is a French Management Company authorized by the *Autorité des Marchés Financiers* (the French Financial Market Authority – the AMF).

Lyxor International Asset Management – SAS with share capital 1.059.696 euros– RCS Nanterre No 419 223 375– Registered Office: Tours Société Générale-17 cours Valmy, 92800 Puteaux. Lyxor International Asset Management is a French Management Company authorised by the French regulator (*Autorité des Marchés Financiers*).

Lyxor Asset Management UK LLP, is authorized and regulated by the Financial Conduct Authority in the UK (FCA reference number 435658).



Lyxor Intermediation SA with share capital of 1.850.000 euros is a French investment firm authorized by the Autorité de Contrôle Prudentiel et de Résolution (the French Prudential Control and Resolution Authority – ACPR), Registered Office: 17 Cours Valmy 92800 Puteaux.

| Full Legal Entity Name                      | Jurisdiction | Legal Entity Identifier (LEI) | SI MIC         | MiFID II Investment Firm (Y/N) |
|---|--------------|-------------------------------|----------------|--------------------------------|
| <b>Societe Generale SA</b>                  | AMF          | O2RNE8IBXP4R0TD8PU41          | XSGA           | Y                              |
| <b>Societe Generale Option Europe</b>       | ACPR         | 969500FDN8G43HMHZM83          | Not Applicable | Y                              |
| <b>Lyxor Asset Management</b>               | AMF          | 549300MHYT1NIWI0IB04          | Not Applicable | N                              |
| <b>Lyxor International Asset Management</b> | AMF          | 549300CWX1K2UKG6Q568          | Not Applicable | N                              |
| <b>Lyxor Asset Management UK</b>            | FCA          | 549300LKOUNDJRX0S640          | Not Applicable | Y                              |
| <b>Lyxor Intermediation</b>                 | ACPR         | 9695000DF7NR3QJKOC80          | Not Applicable | Y                              |
| <b>Societe Generale International LTD</b>   | FCA          | 0IKLU6X1B10WK7X42C15          | Not Applicable | Y                              |