

## Client Categorization

The categorization criteria set by the relevant legislation are the following:

**“Retail Client”** is a client who is not a professional client or an eligible counterparty.

**“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. In order to be considered a professional client, a client must comply with the following criteria:

### A. Categories of client who are considered to be Professionals

The following should all be regarded as Professionals in all investment services and activities and financial instruments.

(1) Entities which are required to be authorized or regulated to operate in the financial markets. The list below should be understood as including all authorized entities carrying out the characteristic activities of the entities mentioned: entities authorized by a Member State under a European Community Directive, entities authorized or regulated by a Member State without reference to such Directive and entities authorized or regulated by a non-Member State:

- (a) Credit institutions.
- (b) Investment firms.
- (c) Other authorized or regulated financial institutions.
- (d) Insurance Undertakings.
- (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.
- (i) Other institutional investors.

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

- Balance sheet total of at least EUR 20,000,000

- Net turnover of at least EUR 40,000,000
- Own funds of at least EUR 2,000,000

(3) National and regional governments, public bodies that manage public debt, Central Banks, international and supranational institutions such as the World Bank, the International Monetary Fund, the European Central Bank, the European Investment Bank and other similar international organizations.

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

The entities mentioned above are considered to be Professionals. They are however allowed to request non-professional treatment and the Company may agree to provide a higher level of protection. Where the client of the Company is an undertaking referred to above, the Company must inform the Client, prior to any provision of services that, on the basis of the information available to the Company, the client is deemed to be a professional client, and will be treated as such unless the Company and the client agree otherwise. The client may request a variation of the terms of the agreement in order to secure a higher degree of protection.

It is the responsibility of the client, considered to be a professional client, to ask for a higher level of protection when it deems it is unable to properly assess or manage the risks involved.

This higher level of protection will be provided when a client who is considered to be a professional, enters into a written agreement with the Company to the effect that it shall not be treated as a professional for the purposes of the applicable conduct of business regime. Such agreement will specify whether this applies to one or more particular services or transactions, or to one or more types of product or transaction.

## **B. Clients who may be treated as Professionals on request**

### *1. Identification criteria*

Clients other than those mentioned in Part A, including public sector bodies and private individual investors, may also be allowed to waive some of the protections afforded by the conduct of business rules.

The Company is allowed to treat any of the above clients as Professionals provided the relevant criteria and procedure mentioned below are fulfilled. These clients will not, however, be presumed to possess market knowledge and experience comparable to that of the categories listed in Part A.

Any such waiver of the protection afforded by the standard conduct of business regime will be considered valid only if an adequate assessment of the Expertise, Experience and Knowledge of the client, undertaken by the Company, 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 fitness test applied to managers and directors of entities licensed under European Directives in the financial field could be regarded as an example of the assessment of expertise and knowledge. In the case of small entities, the person subject to the above assessment should be the person authorized to carry out transactions on behalf of the entity.

In the course of the above assessment, as a minimum, two of the following criteria should be satisfied:

- 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,
- The size of the client's financial instrument portfolio, defined as including cash deposits and financial instruments exceeds EUR500 000,
- 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.

## *2. Procedure*

The clients defined above may waive the benefit of the detailed rules of conduct only where the following procedure is followed:

- They must state in writing to the Company 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,
- The Company will give them a clear written warning of the protections and investor compensation rights they might lose,
- They must state in writing, in a separate document from the contract, that they are aware of the consequences of losing such protections.

Before deciding to accept any request for waiver, the Company is required to take all reasonable steps to ensure that the client requesting to be treated as a professional client meets the relevant requirements stated in paragraph B.1 above.

However, if clients have already been categorized as professionals under parameters and procedures similar to those above, it is not intended that their relationships with the Company should be affected by any new rules adopted pursuant to the Directive and legislation mentioned above.

The Company implements appropriate written internal policies and procedures to categorize clients.

Professional clients are responsible for keeping the Company informed about any change, which could affect their current categorization. Should the Company become aware that the client no longer fulfills the initial conditions which made him eligible for a professional treatment, then the Company will take appropriate action.

## **Request for different Categorization**

In accordance with Paragraph B.2 above, the following requests may be submitted to the Company:

(a) A Retail Client requesting to be categorized as a Professional Client. In that case the Client will be afforded a lower level of protection.

(b) A Professional Client requesting to be categorized as a Retail Client. In that case the Client seeks to obtain a higher level of protection.

(c) An Eligible Counterparty requesting to be categorized as a Professional Client or Retail Client. In that case the Client seeks to obtain a higher level of protection.

### **Protection Rights**

The company reserves the right to decline any of the above requests for different categorization.

### **Retail Clients / Professional Clients**

Where the Company treats the Client as a retail client, he will be entitled to more protections under the law than if the Client was entitled to be a professional client. In summary, the additional protections retail clients are entitled to are as follows:

(a) A retail client will be given more information/disclosures with regard to the Company, its services and any investments, its costs, commissions, fees and charges and the safeguarding of client financial instruments and client funds.

(b) Under the law, where the Company provides investment services other than investment advice (in the form of personal recommendations) or discretionary portfolio management, the Company shall ask a retail client to provide information regarding his knowledge and experience in the investment field relevant to the specific type of product or service offered or demanded so as to enable the investment firm to assess whether the investment service or product envisaged is appropriate for the client. In case the Company considers, on the basis of the information received, that the product or service is not appropriate to a retail client, it shall warn the client accordingly. Please note that the Company is not required to assess appropriateness in certain cases specified by law.

The Company shall be entitled to assume that a professional client has the necessary experience and knowledge in order to understand the risks involved in relation to those particular investment services or transactions, or types of transaction or product, for which the client is classified as a professional client. Consequently, and unlike the situation with a retail client, the Company should not generally need to obtain additional information from the client for the purposes of the assessment of appropriateness for those products and services for which they have been classified as a professional client.

(c) When executing orders, investment firms and credit institutions providing investment services must take all reasonable steps to achieve what is called “best execution” of the client’s orders, that is to obtain the best possible result for their clients.

Where the Company executes an order on behalf of a retail client, the best possible result shall be determined in terms of the total consideration, representing the price of the financial instrument and the costs related to execution, which shall include all expenses incurred by the client which are directly related to the execution of the order, including execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order.

When providing professional clients with best execution the Company is not required to prioritize the overall costs of the transaction as being the most important factor in achieving best execution for them.

(d) Investment firms and credit institutions providing investment services must obtain from clients such information as is necessary for the firm or credit institution, as the case may be, to understand the essential facts about the client and to have a reasonable basis for believing, giving due consideration to the nature and extent of the service provided, that the specific transaction to be recommended, or entered into in the course of providing a portfolio management service, satisfies the following criteria:

(i) It meets the investment objectives of the client in question;

(ii) It is such that the client is able financially to bear any related investment risks consistent with his investment objectives;

(iii) It is such that the client has the necessary experience and knowledge in order to understand the risks involved in the transaction or in the management of his portfolio.

Where the Company provides an investment service to a professional client it shall be entitled to assume that, in relation to the products, transactions and services for which it is so classified, the client has the necessary level of experience and knowledge for the purposes of paragraph (iii) above. In addition, under certain circumstances, the Company shall be entitled to assume that a professional client is able financially to bear any investment risks consistent with its investment objectives.

(e) The Company must inform retail clients of material difficulties relevant to the proper carrying out of their order(s) promptly upon becoming aware of the difficulty.

(f) The Company is required to provide retail clients:

(i) With more information than professional clients as regards execution of orders, other than for portfolio management.

(ii) With periodic statements in respect of portfolio management activities carried out on their behalf, more frequently than for professional clients,

(g) Where the Company provides portfolio management transactions for retail clients or operate retail client accounts that include an uncovered open position in a contingent liability transaction, it shall also report to the retail client any losses exceeding any predetermined threshold, agreed between the Company and the client, no later than the end of the business day in which the threshold is exceeded or, in a case where the threshold is exceeded on a non-business day, the close of the next business day.

(h) If the Company provides an investment service other than investment advice to a new retail client for the first time after 1 November 2007, the Company must enter into a written basic agreement with the client, setting out the essential rights and obligation of the firm and the client.

(i) The Company shall not use financial instruments held by it on behalf of a client for its own account or the account of another client of the Company, without the client's prior express consent to the use of the instruments on specified terms, as evidenced, in the case of a retail client, by his signature or equivalent alternative mechanism.

(J) Retail clients may be entitled to compensation under the Investor Compensation Fund for Bank Clients or the Investor Compensation Fund for Clients of Investment Firms, as the case may be.

### **Eligible Counterparties**

Where the Company treats the Client as an eligible counterparty, the Client will be entitled to fewer protections under the law than he would be entitled to as a professional client. In particular, and in addition to the above:

(a) The Company is not required to provide the Client with best execution in executing the Client's orders;

(b) The Company is not required to disclose to Client information regarding any fees or commissions that the Company pays or receives;

(c) The Company is not required to assess the suitability or appropriateness of a product or service that it provides to Client but can assume that the Client have the expertise to choose the most appropriate product or service for him and that he is able financially to bear any investment risks consistent with his investment objectives;

(d) The Company is not required to provide the Client with information about the Company, its services and the arrangements through which the Company will be remunerated;

(e) The Company is not required to provide the Client with risk disclosures on the products or services that he selects from the Company; and

(f) The Company is not required to provide reports to the Client on the execution of his orders or the management of his investments.