

trading.com

CLIENT CATEGORISATION

1. INTRODUCTION

Trading.com Markets EU Limited operating under the trading name “trading.com” is a Cypriot Investment Firm (“CIF”) registered with the Registrar of Companies in Nicosia under the number: HE 328593 and is regulated by the Cyprus Securities & Exchange Commission (“CySEC”) under license number 256/14 (hereinafter called the “Company”).

The Company is operating under the Cypriot Law L. 87(I)/2017 titled “Investment Services and Activities and Regulated Markets Law of 2017” (hereinafter the “Law”) which transposed the European Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, as the same may be in force from time to time and modified or amended from time to time (hereinafter “MiFID II”).

Following the implementation of MiFID II, the Company is required to categorise its Clients into one of the following three categories: “retail”, “professional” or “eligible counterparty”.

Therefore, when the Company is evaluating an application for opening an account, it will classify a prospective client under any of the above categories based on the information provided by the said client.

2. CLIENT CLASSIFICATION CATEGORIES

“**Retail Client**” is a client who is not a professional client.

“**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 one of the following criteria:

- a) Entities which are required to be authorised or regulated to operate in the financial markets. The list below should be understood as including all authorised entities carrying out the characteristic activities of the entities mentioned: entities authorised by a Member State under a Directive of the European Union, entities authorised or regulated by a Member State without reference a Directive, and entities authorised or regulated by a third country:
 - Credit Institutions;
 - Investment Firms;
 - Other Authorised or regulated financial institutions;
 - Insurance Companies;
 - Collective Investment Schemes and management companies of such schemes;
 - Pension funds and management companies of such funds;
 - Commodities and commodity derivatives dealers;
 - Locals;
 - Other Institutional Investors (like Portfolio Investment Companies).
- b) Large undertakings meeting two of the following size requirements on a company basis:
 - a) balance sheet total: EUR 20,000,000,-
 - b) net turnover: EUR 40,000,000,-
 - c) own funds: EUR 2,000,000,-

- c) National and regional governments, public bodies that manage public debt at national or regional level, Central Banks, international and supranational institutions such as the World Bank, the IMF, the ECB, the EIB and other similar international organisations.
- d) Other institutional investors whose main activity is to invest in financial instruments, including entities dedicated to the securitisation of assets or other financing transactions.
- e) Clients who may be treated as professionals on request (i.e., Elective Professional Clients), following approval by the Company (please see further below under ‘Request for Different Classification’).

The entities mentioned above from point (a) to (d) are considered to be professional clients. They are allowed, however, to request non-professional treatment and the Company may agree to provide a higher level of protection. It is the responsibility of the clients, considered to be professional clients, to ask for a higher level of protection when they deem they are 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 of the Company. Such agreement shall specify whether this applies to one or more particular services or transactions, or to one or more types of product or transaction.

The clients mentioned in point (e) may be treated as professional clients generally or in respect of a particular investment service or transaction, or type of transaction or product.

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

“Eligible Counterparty” is any of the following entities to which an investment firm provides the services of reception and transmission of orders on behalf of clients and/or execution of such orders and/or dealing on own account:

- Cyprus Investment Firms;
- Other Investment Firms;
- credit institutions;
- insurance companies;
- UCITS and their management companies;
- pension funds and their management companies;
- other financial institutions authorised or regulated under Union Law or under the national law of a Member State; and
- national governments and their corresponding offices, including public bodies that deal with public debt at national level, Central Banks and supranational organisations.

3. REQUEST FOR DIFFERENT CLASSIFICATION

A Retail Client has the right to request to be re-classified as a Professional Client, in which case, he/she will be afforded a lower level of protection. The Company is not obliged to deal with him/her under a different classification.

4. TESTS AND CRITERIA

The Company is allowed to treat any of the retail clients, such as public sector bodies, local public authorities, municipalities and private individual investors, as professionals provided the relevant criteria and procedure mentioned below are fulfilled. Such clients, however, shall not be presumed to possess market knowledge and experience comparable to per se professional clients. Any waiver of the protection afforded by the standard conduct of business regime will be effected 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 Directives of the European Union in the financial services 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 authorised 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:

- 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.

5. RE-CLASSIFICATION PROCEDURE

A. Re-classification of a retail client into professional client

The retail clients may waive the benefit of the detailed rules of conduct and be re-classified as professional clients, only where the following procedure is followed:

- a) 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;
- b) the Company will give them a clear written warning of the protections and investor compensation rights they may lose;
- c) they must state in writing, in a separate document from the contract, that they are aware of the consequences of losing such protections and accept them; and
- d) before deciding to accept any request for waiver, the Company takes all reasonable steps to ensure that the client requesting to be treated as a professional client meets the relevant tests and criteria above.

B. Re-classification of a professional client into retail client

A Professional Client has the right to be re-classified as a retail client in order to obtain a higher level 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 products or transactions.

C. Re-classification of an Eligible Counterparty

An Eligible Counterparty has the right to request a different classification either as a Professional Client or Retail Client in order to obtain a higher level of protection. Under the Law, the Company is not obliged to deal with the Client on this basis.