

Client Categorisation Policy (MiFID II)

Version 1.01 January 2019

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CLIENT CATEGORIES AND THEIR DIFFERENCES IN PROTECTION

IMPORTANT DISCLOSURE

MiFID II (Markets in Financial Instruments Directive) took effect in the member states of the European Union from 3 January 2018. This new legislative framework strengthens investor protection and improves the functioning of financial markets.

To comply with the regulation, CreditSCRIPT is required to classify its clients into one of the following three categories: 1) Retail or 2) Professional Client or 3) Eligible Counterparty.

The categorization criteria set by the directive are the following:

1. Retail Client

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

2. Professional Client

A “Professional Client” is a client who possesses the experience, knowledge and expertise to make investment decisions and properly assess the risks that accompany all investment services, activities and financial instruments. A professional client is a client that is either (i) a per se professional client or (ii) an elective professional client.

The following legal persons are considered to be Professional Clients:

1. Entities which are required to be authorised or regulated to operate in the financial markets (including, entities authorised by a Member State under a Directive, entities authorised or regulated by a Member State without reference to a Directive and entities authorised or regulated by a non-Member State), such as:
 - (a) Credit Institutions;
 - (b) Investment Firms;
 - (c) Other authorised 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) Local enterprises;

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- (i) Other institutional investors (e.g., Portfolio Investment Companies);
2. Large undertakings which satisfy at least two of the following size requirements:
 - (a) balance sheet total at least Euro 20,000,000
 - (b) net turnover at least Euro 40,000,000
 - (c) own funds at least Euro 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.
5. If you are a UK local public authority or municipality different rules apply to you being:
 - a. your portfolio of financial instruments including cash deposits exceeds £10million; and
 - b. either
 - i. the client has carried out transactions, in significant size, on a relevant market at a frequency of 10 per quarter over the past year; or
 - ii. the person authorised to carry out transactions has worked in the financial sector for at least one year in a professional position; or
 - iii. the client is an 'administering authority' to the LGPS
6. If you are non-UK public authority then the rules (if any) of your home EEA state will apply or if this does not apply, then the standard Quantitative Test for elective professional investors (see 2. below Quantitative Test).

3. Elective Professionals

We may consider your application (except if you are a local public authority or municipality) as an elective professional client if:

1. We reasonably believe you have the expertise, experience and knowledge that gives reasonable assurance that you as elective professional client are capable of making your own investment decisions and understanding the risks involved; (the so-called

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“Qualitative Test”); If the Client is an entity, we will perform the Qualitative Test on the person authorised to carry out trades on the clients behalf; and

2. Natural persons who meet at least 2 of the 3 criteria below: (“Quantitative Test”)
 - a. Have a portfolio of financial instruments of minimum EUR 500,000;
 - b. Have realized minimum 10 significant transactions per trimester on the same financial instruments during 4 consecutive trimesters.
- c. Possess significant financial knowledge and expertise or hold or have held a managerial position in a regulated financial firm or bank.
3. In the event we agree to classify you as an elective professional client we will require you to:
 - a. confirm during our registration process & in writing your wish to be treated as a professional client;
 - b. we will provide you a clear written warning during our registration process (see B Differences in Protection below) of the protections and investor compensation rights you will lose as a professional client;
 - c. you confirm in writing in a separate document, during our registration process that you are aware of losing such protections.

4. Eligible Counterparty

“Eligible Counterparty” is any of the following entities from an EEA state or non-EEA state which is equivalent:

- (a) an Investment Firm
- (b) a credit institution
- (c) an insurance companies
- (d) UCITS and their management companies, SICAVs, collective investment schemes
- (e) pension funds and their management companies
- (f) other financial institutions authorised by an EEA Member State or regulated under Community legislation or the national law of a Member State
- (g) undertakings exempted from Investment Services and Activities and Regulated

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Markets Law of 2007 under article 3(2)(k) and (l)

- (h) national governments and their corresponding offices or public bodies dealing with public debt, central banks and supranational organizations.

5. Re-Categorisation Events

Request for Different Classification: A Retail Client has the right to request to be classified as a Professional Client (the Fitness test) but he/she will be consequently have a lower level of protection. CreditSCRIPT is not obliged to deal with the Client on this basis. A Professional Client has the right to request to be classified as a Retail Client but in this case CreditSCRIPT will refuse to offer services as we do not currently have permissions to transact with retail clients.

An Eligible Counterparty has the right to request to be classified either as a Professional Client or Retail Client in order to obtain a higher level of protection. Again CreditSCRIPT is not obliged to deal with the Client on this basis and will not deal with a downgrade to a Retail Client.

Clients are responsible for making us aware of any change in their categorisation status, in particular:

- a. At our sole discretion, we may consider per se Professional Clients requesting an upgrade to elective eligible counterparty status if you are (a) an undertaking (b) request an upgrade and (c) you are not a per se professional client because you are categorised as 'other institutional investor' under Professional Investor (4)
- b. If we become aware that a client no longer fulfils the initial conditions that made it eligible for categorisation as an elective professional client, we will the appropriate action which will lead to suspension of your transaction account if you are re-categorised as a retail client.

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Retail Clients/Professional Clients:

Where you to be classified as a retail client, you will be entitled to more protections under the law than you would be entitled to as a professional client. If you were / or wish to be downgraded and categorised as a Retail Client, we would not currently be able to offer services to you.

In summary, before accepting to be a professional client its important to understand the additional protections retail clients are entitled to are as follows and which you shall not be

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entitled to:

- a) A retail client will be given more information disclosures with regard to ourselves, our services and any investments, our costs, commissions, fees and charges and the safeguarding of client financial instruments and client funds.
- b) Under the law, where we provide investment services other than discretionary portfolio management, we would 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 investments service or product envisaged is appropriate for the client. In case we consider, on the basis of the information received, that the product or service is not appropriate to a retail client, we would warn the client accordingly. Please note that we are not required to assess appropriateness in certain cases (e.g discretionary portfolio management) specified by law. Because we only accept professional clients and above and we 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, we should not generally need to obtain additional information from the client for the purposes of the assessment of appropriateness (where relevant) 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 we to execute 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 we are not required to prioritise 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 in the course of providing the service of investment advice, or entered into in the course of providing a non-discretionary portfolio management service (when relevant), satisfies the following criteria: 1) It meets the investment objectives of the client in question; 2) It is such that the client is able financially to bear any related investment risks consistent with his investment objectives; 3) It is such that the

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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 we provide an investment service to a professional client we 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 above. In addition, under certain circumstances, we shall be entitled to assume that a professional client is able financially to bear any investment risks consistent with its investment objectives.

- e) We would be required to inform retail clients of material difficulties relevant to the proper carrying out of their order(s) promptly upon becoming aware of the difficulty.
- f) We would be required to provide retail clients with more information than professional clients as regards execution of orders.
- g) We shall not use financial instruments held by us on behalf of a client for our own account or the account of another client of ourselves, 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.
- h) Retail clients may be entitled to compensation under the Investor Compensation Fund for Clients of Investment Firms.

Eligible Counterparties:

Where we treat you as an eligible counterparty, you will be entitled to less protection under the law than you would receive as a professional client in respect of the reception and transmission of orders, the execution of orders and/or any ancillary service directly related to

such transactions. In addition to the above, where we treat you as an eligible counterparty, we are not required to:

- a) provide you with best execution for your orders;
- b) disclose to you information regarding any fees or commissions that we pay or receive;
- c) assess the appropriateness of a product or service that we provide to you;
- d) provide you with information about ourselves, our services and the arrangements through which we will be remunerated;
- e) provide you with risk disclosures on the products or services you buy from us;
- f) report to you on the execution of your orders.