

# **CLIENT CATEGORISATION**

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## **1 CLIENT CATEGORISATION**

Argus Stockbrokers Ltd (hereafter the “Company”) is an Investment Firm incorporated and registered under the laws of the Republic of Cyprus, with registration number HE 108270. The Company is authorised and regulated by the Cyprus Securities and Exchange Commission (hereafter the “CySEC”) under the license number 010/03.

The Company is operating under the Investment Services and Activities and Regulated Markets Law 87(I)/2017 (hereinafter “Law”) which transposed by 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 the MiFID II, the Company is required to categorise its Clients in to 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.

### ***1.1 Retail Client***

A retail client is a client who is not a professional client or an eligible counterparty. Such categorisation receives the highest possible level of protection including the compensation of the investors compensation fund.

## **2 PROFESSIONAL CLIENT**

A professional client is considered to be a client who possesses the experience, knowledge and expertise to make his own investment decisions and has the ability to assess the risks that may incur. The following criteria should apply for the categorization of a professional client:

1. Entities which are required to be authorized or regulated to operate in the financial markets. Those are the following:
  - a. Credit Institutions
  - b. Investment Firms
  - c. Other authorized 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. Locals
  - i. Other institutional investors
2. Large undertakings meeting two of the following size requirements on a company basis:
    - a. Balance sheet total at least EUR 20,000,000
    - b. Net turnover at least EUR 40,000,000
    - c. Own funds 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 organisations.
  4. Other institutional investors whose main activity is to invest in financial instruments including entities dedicated to the securitization of assets or other financial transactions

### **3 CLIENTS WHO MAY BE TREATED AS PROFESSIONALS ON REQUEST**

The client may be permitted to waive some of the protections afforded by the conduct of business rules of the Company.

Any such waiver of the protection afforded by the standard conduct of business regime shall be considered valid only if an adequate assessment of the expertise, experience and knowledge of the customer, undertaken by the Company, gives reasonable assurance, in light of the nature of the transactions or services envisaged, that the Client or, in the case of a legal entity, its managers and directors, are capable of making their own investment decisions and understanding the risks involved.

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

- the customer 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 customer's financial instrument portfolio, defined as including cash deposits and financial instruments exceeds €500 000
- the customer 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.

### **3.1 Procedure**

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

- the Client must state in writing to the Company that he wishes to be treated as a professional customer, either generally or in respect of a particular investment service or transaction, or type of transaction or product,
- the Company will give the Client a clear written warning of the protections and investor compensation rights he may lose,
- the client shall state in writing that he is aware of the consequences of losing such protections.

### **3.2 Eligible Counterparty**

When dealing with eligible counterparties, the Company is exempted from important obligations under conduct of business rules, best execution rules, client order handling rules. 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. Therefore:

- The Company is not required to provide the client with the best execution the client's orders;
- The Company is not required to disclose to the client information regarding any fees or commissions that the Company pays or receives;
- The Company is not required to assess the suitability or appropriateness of a product or service that it provides to the client but can assume that the client has the expertise to choose the most appropriate product or service and that he is able financially to bear any investment risk consisted with his investment objectives;
- 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;
- The Company is not required to provide the client with risk disclosures on the products or services that he selects from the Company; and
- The Company is not required to provide reports to the client on the execution of his orders or the management of his investments.

### ***3.3 Request for Different Categorisation***

A Retail client has the right to request a different categorisation to become a Professional client in order to receive a lower level of protection by the Company.

A Professional client has the right to request a different categorisation as a Retail client in order to receive a higher level of protection by the Company.

An Eligible Counterparty has the right to request a different categorisation to become either a Professional client or a Retail client in order to receive a higher level of protection.

The Company has the right to decline any of the above client's request for different categorisation.

The objective of MiFID II is to increase the protection of investors and reduce the areas of exemption, including strengthening the treatment of eligible counterparties ESMA proposed in its summer 2014 consultation, and has confirmed in its technical advice that the types of investors who can qualify as an elective eligible counterparty is to be restricted. ESMA's advice is to remove the ability for investors who have elected to be professional clients to then also elect to be eligible counterparties.

ESMA's technical advice also introduces a specific procedure to apply when eligible counterparties request treatment as such. This procedure will mean that eligible counterparties will need to be warned that they are losing protection and they must provide written confirmation that they are requesting this status (either generally or in relation to one or more specific trades / services / products) and acknowledge that they are aware of the consequences of the protections they may lose.

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