

Categorisation of Clients

As a result of CMUA, the system for treatment of clients is more extensive than before. One of the changes resulting from MIFID is the obligation to classify clients who are provided investment services into one of three categories, defined by CMUA as follows:

- **non-professional client,**
- **professional client,**
- **eligible counterparty** (i.e. a professional client, towards whom Citfin – FT is not obligated to comply with the duties laid down in § 15 to 15r of CMUA while providing certain core investment services).

The purpose of the categorisation is to provide adequate level of protection to each client when providing investment services, depending on the client's knowledge and experience with investing on financial markets. The highest level of protection is provided to non-professional clients and the lowest level to eligible counterparties.

Clients are categorised based on the evaluation of information provided by the client to Citfin – FT via the so-called **Investment Questionnaire** which is included in the General Contract; alternatively, categorisation is performed based on request submitted by the client. **Each client performing forward and swap operations with Citfin – FT must fill out the Investment Questionnaire.**

Characteristics of Client Categories and Level of Protection

Professional Client

A professional client may be either a natural or a legal person with sufficient experience, knowledge and expertise to make their own investment decisions and assess the risks they face .

Professional clients are not provided the same level of protection as non-professional clients. The highest level of protection is provided to non-professional clients. The main difference in the level of protection of professional clients consists primarily in the clients not being provided the same amount of information and advice as non-professional clients.

A professional client is:

- a bank or an electronic money institution
- a savings or credit union
- an investment firm
- an insurance or reinsurance company
- a management company, an investment fund
- a pension fund
- as well as entities listed in § 2a of CMUA – professional client

A professional client is also:

- a domestic legal person established for the purposes of doing business or a foreign person established for the purposes of doing business, which, according to the latest financial statements, meets at least 2 of the following 3 criteria, which are:
 - a) total assets equal at least EUR 20,000,000
 - b) annual total net turnover equals at least EUR 40,000,000
 - c) equity equals at least EUR 2,000,000

Professional client on request:

If the client disagrees with their classification in a given category, they may request Citfin – FT to treat them as a professional client. The request must be submitted in writing and must make clear which trade or trades with investment instruments or which investment service it concerns. Citfin – FT is not obligated to grant the request for reclassification into a different category.

Furthermore, the client must meet at least 2 of the following 3 criteria:

- has executed for each of the last 4 consecutive quarters trades with the investment instrument the request concerns in a significant volume and in an average of at least 10 trades per quarter,
- the volume of their assets consisting of cash and investment instruments is at least EUR 500,000,
- has pursued, for a period of at least 1 year, a financial market activity, in the context of the pursuit of the client's employment, profession or function, requiring knowledge of the business or services to which the request relates.

Non-professional Client

All clients not meeting the requirements for professional clients, as well as new clients of Citfin – FT shall be categorised as non-professional clients. In accordance with the law, this client category is provided the highest level of protection, particularly consisting in:

- notification of clients – non-professional clients are provided and sent more information than the other two categories,
- requesting information from clients regarding their knowledge and experience – for the purposes of evaluating whether the investment service or instrument is suitable and adequate for the client,
- submitting reports to clients on the processing and execution of orders.

The client's category may change from non-professional client to professional client based on the client's request pursuant to § 2b of the Act. Upon the client's recategorisation from non-professional to professional client, the level of protection of the client is reduced.

Eligible Counterparty

Eligible counterparty is a designation of a professional client, towards whom Citfin – FT is not obligated to comply with the duties laid down in § 15 to 15r of CMUA while providing certain core investment services. A client classified in this category is provided no level of protection during the provision of investment services.

Clients are categorised based on the evaluation of information provided by the client to Citfin – FT via the so-called **Investment Questionnaire**, which is an integral part of the General Contract; alternatively, categorisation is performed based on request submitted by the client.