

## Categorisation of Clients

As a result of the MIFID II directive, the past compulsory categorisation of clients to whom investment services are provided was amended. The Capital Market Undertakings Act defines the three following categories:

- a unprofessional client,
- a professional client,
- a qualified counterparty (i.e. a professional client to whom Citfin – FT is not obliged under the duties laid down in § 15 to 15r of the Capital Market Undertakings Act regarding the rules of conduct for customers in the provision of some main investment services).

The purpose of this categorisation is to provide a reasonable degree of protection to every client in the provision of investment services depending on the client's knowledge and experience with investing on financial markets. The highest degree of protection is provided to unprofessional clients and the lowest level to qualified counterparties.

Clients are categorised based on the evaluation of information provided by the client to Citfin – FT via the so-called Investment Survey which is included in the framework agreement and/or General Contract or based on the client's prior request. Every client doing forward and swap operations with Citfin – FT must complete the Investment Survey.

### Characteristics of client categories and level of protection

#### Professional client

A professional client can be either a natural person or a legal entity with sufficient experience, knowledge and expertise to make his/her own investment decisions and assess the relevant risks.

Professional clients are not provided with the same level of protection as unprofessional clients. The highest level of protection is provided to unprofessional clients. The different level of protection means that professional clients are not being provided with the same amount of information and advice as unprofessional clients.

#### A professional client shall mean:

- a bank
- a savings or credit union
- a securities trader
- an insurance company
- a reinsurance company

- an investment firm
- an investment fund
- a pension fund
- and entities listed in § 2a of the Capital Market Undertakings Act – professional client

**A professional client shall further mean:**

- domestic and foreign legal entities established for the purpose of business as long as they meet at least two of the three criteria in terms of their more recent financial statements, which are:
  - a) total assets equal at least to EUR 20 000 000
  - b) annual net turnover equals at least to EUR 40 000 000
  - c) equity capital equals at least to EUR 2 000 000

**Professional client at request:**

If clients disagree with their classification in the unprofessionals category, they can request that Citfin – FT treats them as professional clients. The request must be submitted in writing and must make it clear which trade or trades with investment instruments or which investment service it concerns. Citfin – FT is not obliged to accept the reclassification request and move the client to a different category.

The client who requests reclassification as a professional client must meet at least two of the following three criteria:

- the client has executed in each of the last four consecutive quarters trades with the respective investment instrument which the request concerns in a significant volume and in an average of at least 10 trades per quarter,
- the assets consisting of cash and investment instruments are at least EUR 500 000,
- the client has been engaged in financial market activities for at least one year or in connection with the exercise of his/her employment, profession or function which requires knowledge of the trades or services to which the application relates.

**Unprofessional client**

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

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

Client's category may change from unprofessional to professional based on client's request pursuant to § 2b of the Capital Market Undertakings Act. When reclassified from unprofessional to professional, the degree of protection of the client is reduced.

### **Qualified Counterparty**

A qualified counterparty means a professional client to who Citfin – FT is not obligated under the duties laid down in § 15 to 15r of the Capital Market Undertakings Act regarding the rules of conduct for customers in the provision of some main investment services. Every client classified in this category is provided with 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 Survey which is firmly included in the framework agreement and/or General Contract or based on client's prior request.