

StoneX Europe Ltd

Client Categorization Policy

v.04.21

1. Introduction

- 1.1. In compliance to Law 87(I)/2017 (the 'Law'), each Client is categorised by the StoneX Europe Ltd ('the Company' or 'SEL') as a '*Retail Client*', a '*Professional Client*' or as an '*Eligible Counterparty*'. In addition, certain professional Clients may be further categorised as 'Eligible Counterparties'.
- 1.2. A Client may be placed in different categories for particular investment services or transactions or types of transactions or products. The Company notifies each Client of his/her categorisation as a Retail Client or Professional Client or as an Eligible Counterparty.
- 1.3. **The Company will automatically categorise all Clients as 'Retail Clients' unless otherwise specified. Retail Clients are afforded the highest level of protection – more information can be found in the Sections hereunder.**
- 1.4. SEL must notify a new client of its categorisation as either a Retail Client, Professional Client, or Eligible Counterparty prior to the provision of services.
- 1.5. SEL must also inform the client (in a durable medium) of:
 - 1.5.1. any right that the client has to request a different categorisation; and,
 - 1.5.2. any limitations to the level of client protection that such a different categorisation would entail.

2. Cateogrisation Criteria / Type of Clients

No.	Terms	Policy Definition
2.1.	Retail Client	Is a Client who is neither a Professional Client nor an Eligible Counterparty. Except for Clients who meet the requirements set out in point 3 below or unless informed otherwise in writing, all Clients are categorized as Retail Clients.
2.2.	Professional Client	'Professional Client' (the 'per se Professional') is a Client who possesses the experience, knowledge and expertise to make his own investment decisions and properly assess the risks that (s)he incurs.
	<i>Per-Se Professionals</i>	<i>Elective Professionals</i>
	<p>1) <i>Entities which are required to be authorised or regulated to operate in the financial markets. The list below shall 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 to a Directive, and entities authorised or regulated by a third country:</i></p> <ul style="list-style-type: none"> <i>a. Credit institutions;</i> <i>b. IFs;</i> <i>c. Other authorised or regulated financial institutions;</i> <i>d. Insurance companies;</i> <i>e. Collective investment schemes and management companies of such schemes;</i> <i>f. Pension funds and management companies of such funds;</i> <i>g. Commodity and commodity derivatives dealers;</i> <i>h. Locals;</i> <i>i. Other institutional investors</i> <p>2) <i>Large undertakings meeting two of the following size requirements on a company basis:</i></p>	<p><i>SEL may treat a client as an Elective Professional Client if it complies with (1), (2) and (3):</i></p> <ul style="list-style-type: none"> <i>1) The client must pass the "qualitative test" which involves SEL assessing the client's expertise, experience and knowledge to ensure that they are capable making their own investment decisions and understanding the risks involved.</i> <i>2) The client must pass the "quantitative test" and satisfy two of the following criteria:</i> <ul style="list-style-type: none"> <i>a. carries out an average of over 10 transactions per quarter over the previous four quarters, in significant size, on the relevant market;</i> <i>b. value of client's portfolio and investments exceeds €500k;</i> <i>c. the client has been employed in the financial sector for at least one year in a professional position which requires knowledge of the transactions envisaged</i>

	<ul style="list-style-type: none"> - <i>balance sheet total: EUR 20 000 000</i> - <i>net turnover: EUR 40 000 000</i> - <i>own funds: EUR 2 000 000</i> <p>3) <i>National and regional governments, including public bodies that manage public debt at national or regional level, 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.</i></p> <p>4) <i>Other institutional investors whose main activity is to invest in financial instruments, including entities dedicated to the securitisation of assets or other financing transactions</i></p>	
<p>2.3.</p>	<p>Eligible Counterparties ('ECP')</p>	<p><i>'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: Cyprus Investment Firm, other investment firms, credit institutions, insurance companies, UCITS and UCITS management companies, pension funds and their management companies, other financial institutions authorised by a Member State or regulated under the laws of Cyprus or under European Union law, national governments and their correspond offices, include public bodies that deal with public debt at national level, central banks and supranational organizations. Moreover, those included in Section 31(2)(b), (31)(3) and 31(4) of the Law.</i></p> <p><i>Examples of an ECPs would include, but is not limited to:</i></p> <ul style="list-style-type: none"> → <i>An investment bank;</i> → <i>An investment firm;</i> → <i>A national government;</i> → <i>A central bank.</i>

- 2.4. The entities mentioned above, under Section 2.2. under the label 'Professional Clients' are per-se Professionals. However, they can request non-professional treatment and SEL may agree to provide a higher level of protection.
- 2.5. Clients who may be treated as Elective Professionals, following approval by the Company, may refer to Sections 4. For the avoidance of doubt in case a Client is categorised as an Elective Professional, it will receive the same level of protection as per-se Professional Clients.

- 2.6. Where a Client is an undertaking referred to above, SEL must inform the Client, prior to any provision of services that, on the basis of the information available to SEL, the Client is deemed to be a Professional Client, and will be treated as such unless SEL and the Client agree otherwise. The Client may request a variation of the terms of the agreement in order to secure a higher degree of protection.
- 2.7. **Professional Clients (per-se and on request professional) are responsible for keeping the Company informed about any changes, which could affect their categorisation. Should the Company become aware that the Client no longer fulfils the initial conditions which made him/her eligible for a professional treatment, the Company will take appropriate action. Where such action involves re-categorising a client as a Retail Client, SEL must notify that client of its new categorisation as soon as is reasonably practicable.**
- 2.8. **It is the responsibility of the Client, considered to be a Professional Client (per-se and elective professional), to ask for a higher level of protection when it deems it is unable to properly assess or manage the risk involved.**

3. Request for Reclassification

- 3.1. A Retail Client has the right to request to be treated as a 'Professional Client' (the 'Professional Client on request') and, in which case (s)he will be afforded a lower level of protection.
- 3.2. SEL undertakes an adequate assessment of the expertise, experience and knowledge of the client that gives reasonable assurance, considering the nature of the transactions or services envisaged, that the client is capable of making his own investment decisions and understanding the risks involved;
- 3.3. **Reclassification Procedure (*from Retail to Elective Professionals*):**
 - 3.3.1. the client must state in writing to SEL that it wishes to be treated as a professional client either generally or in respect of a service or transaction or type of transaction or product;
 - 3.3.2. before deciding to accept any request for waiver, SEL takes all reasonable steps to ensure that the client requesting to be treated as an elective professional client pass the qualitative test and 2 out of the 3 quantitative tests as mentioned in Section 2.2.
 - 3.3.3. SEL must give the client a clear written warning of the protections and investor compensation rights the client may lose; and
 - 3.3.4. the client must state in writing, in a separate document from the contract, that it is aware of the consequences of losing such protections.
 - 3.3.5. before deciding to accept any request for waiver, SEL is required to take all reasonable steps to ensure that the Client requesting to be treated as a

Professional Client meets the relevant requirements stated above and in Section 2.2 and 4.

- 3.4. A Client that has been categorised as a Professional Client (per-se and Elective Professional) may, at any time, request the Company to be treated as a Retail Client (and hence benefit from the higher level of protection of retail Clients).
- 3.5. Likewise, an Eligible Counterparty may, at any time, request the Company to be treated as a Professional Client or as a Retail Client. In case the Client seeks to obtain a higher level of protection.
- 3.6. If the Company accepts such a request, the Client shall enter into a written agreement with the Company. The agreement will specify the services or transactions, or the types of products or transactions to which the opt-down applies.
- 3.7. **Without prejudice Section 3.6 It should be noted that SEL reserves the right to decline any of the above requests for different categorisations.**
- 3.8. If the Client is an entity rather than an individual, the qualitative test should be performed in relation to the person to be authorised to carry out transactions on its behalf. The person subject to the qualitative assessment shall be the person authorised to carry out transactions on behalf of an entity.
- 3.9. Any request that SEL receives from a client in relation to client re-categorisation should be actioned in accordance with SEL's requirement to act honestly, fairly and professionally in accordance with the best interests of the client.

4. Submitting a Request for Re-Classification (for 'Elective Professionals')

- 4.1. Clients can apply for re-categorisation from Retail to an Elective Profession status via the SEL's website or by sending an email, as communicated from time to time from the Company, that they wish to be treated as a professional client.
- 4.2. SEL required certain declarations in order to pass this test, SEL must assess whether the client has sufficient expertise, experience and knowledge of the transactions and services envisaged, is capable of making their own investment decisions, and understanding the risks involved.
- 4.3. Moreover, SEL require documentary evidence that the Client can satisfy two of the three requirements (the 'Quantitative Test'):
 - 4.3.1. The retail client must have carried out transactions, in significant size, in a relevant product with an average frequency of at least 10 per quarter during the previous four quarters (with SEL and/or other providers).

Relevant products include: CFDs/FX (Spot/Forwards/Options); Futures; Options; Leveraged Exchange Traded Products (e.g. Turbos); Warrants, Binary Options Spread betting.

Significant size: could be for example deemed as a minimum notional value of, for example, €100,000 on forex, €50,000 on indices, €10,000 on single stock CFDs, however this is assessed on case by case basis.

The average frequency of trades can be at one provider, or a combination of. SEL will ask you for further information and/or for scanned copies of statements for any trade activity outside of SEL.

- 4.3.2. The size of the retail client's investment portfolio (held with SEL and/or with other providers), is defined as including cash deposits and financial instruments, exceeds EUR 500,000.

Acceptable examples of an investment portfolio can include cash savings, stock portfolio, stocks, trading accounts, mutual funds etc.

Unacceptable examples include company pension, non-tradeable assets, property, luxury cars, jewellery. If a portfolio is held outside of SEL, the Company may ask you for scanned copies of statements from other providers.

- 4.3.3. The retail client work or have worked in the financial sector for at least one year in a professional position that requires knowledge of relevant products.

SEL will ask you for details of your role and how it has provided you with sufficient knowledge and experience and may require you to provide evidence of this if necessary.

- 4.4. **It is noted that it is up to SEL to accept or reject any such request for change of Categorization. If the Company becomes aware that the Client no longer fulfils the initial conditions which made it eligible for a professional treatment, the Company shall take appropriate action.**

5. Protection Rights

- 5.1. **Retail Clients:** Where SEL treats the client as a retail client, the client will be entitled to more protections than if the client was categorised as a professional client or eligible counterparty.

The protections of retail clients are entitled to are as follows, these may include, but is not limited to:

- 5.1.1. A Retail client will be given more information/disclosures with respect to SEL, its services and any investments, its cost, commissions, fees and

charges and the safeguarding of the client's financial instruments and funds.

- 5.1.2. SEL must ask the 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 to enable it to assess whether the service or product envisaged is appropriate for the retail client. When assessing appropriateness, SEL must determine whether the retail client has the necessary experience and knowledge to understand the risks involved in relation to the product or service offered or demanded.
 - 5.1.3. Retail clients may be eligible for compensation under the Financial Services Compensation Scheme/Investor Compensation Fund of Cyprus.
 - 5.1.4. When executing orders of Retail or Professional Client, SEL must take all sufficient steps to achieve what is called 'Best Execution' for their Clients' orders.
 - 5.1.5. Where the Company executes an order 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.
 - 5.1.6. The Company is obliged to and limits the maximum level of leverage on the
 - 5.1.7. opening of a position by a Retail client from 1:30 to 1:2, which varies according
 - 5.1.8. to the volatility of the underlying asset class. Professional clients are not subject to regulatory restrictions/limitations applying on the leverage levels, as is the case for Retail clients.
 - 5.1.9. Retail Clients will be provided with negative balance protection and as such, may not lose more than the total amount deposited in their trading account.
 - 5.1.10. Retail Clients will be provided with margin close-out protection as per the prevailing regulatory requirements.
 - 5.1.11. Retail clients are entitled to receive standardised risk warnings about CFD trading.
- 5.2. **Professional Clients:** Where SEL treats the client as a professional client either per se or on request professional, the client will be entitled to fewer protections than if the client was categorised as a retail client. This may include, but is not limited to:

- 5.2.1. SEL is entitled to assume that a professional client has the necessary experience and knowledge 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 categorised as a professional client;
- 5.2.2. SEL obligation to provide appropriate information to the Client before providing the services and/or transaction;
- 5.2.3. SEL may use more sophisticated language when communicating with Professional Clients. However, SEL always communicate in a clear, fair and not misleading way.
- 5.2.4. SEL is not required to provide the current risk warning to professional clients or any standardised risk warning that may be introduced by CySEC in relation to transactions in complex financial products i.e. Financial Contracts for Difference ('CFDs');
- 5.2.5. A Professional Client is not subject to tiered leverage restrictions;
- 5.2.6. A Professional Client may not benefit from the negative balance Protection and margin close-out rule.
- 5.2.7. A Professional Client is not entitled to compensation under the Cyprus Investor Compensation Fund.
- 5.2.8. Under the Law SEL is not allowed to enter into title transfer collateral arrangements with Retail Clients whereas in the case of Professional Clients' money and financial instruments title transfer collateral arrangements are allowed. Title transfer collateral arrangements means the change of title ownership of Clients' money and financial instruments to be used as collateral against existing or future obligations. Money and financial instruments that are subject to title transfer will not be segregated from SEL assets and thus the Client is assuming credit risk against SEL.
- 5.3. Eligible Counterparties: Where SEL categorises the client as an eligible counterparty, the Client will be entitled to fewer protections under the Law than the client would be entitled to as a Professional Client.

6. Re-categorization

- 6.1. Clients may request to be re-categorised from a Retail Client to a Professional Client, and vice versa, at any point during the client relationship.
- 6.2. Such re-categorisation may have implications on the level of protections provided to that client and indeed the treatment of that client's money (for instance, whether their money is required to be segregated from the firm's own funds or not).
- 6.3. A client that is to be re-categorised must complete the appropriate form which will replace any previous agreement:

- 6.3.1. a Retail Client requesting to be categorised as a Professional Client on request (elective professional). In that case the Client will be afforded a lower level of protection.
 - 6.3.2. a Professional Client (per se or on elective professional status) requesting to be categorised as a Retail Client. In that case the Client seeks to obtain a higher level of protection.
 - 6.3.3. an Eligible Counterparty requesting to be categorised as a Professional Client or Retail Client. In that case the Client seeks to obtain a higher level of protection.
- 6.4. As stated in Sections above, please note that SEL reserves the right to decline a request for different categorisation.