



Client Categorisation Policy

Tickmill UK Ltd

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1. General

Under the auspices of MiFID, Tickmill UK Ltd ("Tickmill", "the firm", "the company", "us") is required to categorise you as a client under one of the following headings:

- Retail,
- Per se Professional
- Elective Professional,
- Per se Eligible Counterparty or
- Elective Eligible Counterparty

"Retail Client" is a Client who is not a Professional Client by default, as defined in paragraph 2 further below. It is noted that Retail Clients are afforded with the highest level of protection. Generally, a Retail Client is not considered to have relevant or enough experience for investment business.

"Professional Client" (a client that is either a per se professional client or an elective professional client) is a Client who possesses the experience, knowledge and expertise to make its own investment decisions and properly assess the risks that it incurs, as further detailed below (see paragraphs 2 and 3 below).

"Eligible counterparty" is a type of professional Clients, applicable only when the service provided to such Professional Client is of receiving & transmitting and/or executing orders, Portfolio Management and Investment Advice (see paragraph 5 below).

2. Professional Clients

A professional client is a client that is either a per se professional client or an elective professional client.

Per se professional clients

Each of the following is a per se professional client unless and to the extent it is an eligible counterparty or is given a different categorisation:

(1) an entity required to be authorised or regulated to operate in the financial markets. The following list includes all authorised entities carrying out the characteristic activities of the entities mentioned, whether authorised by an EEA State or a third country and whether authorised by reference to a directive:

- (a) a credit institution;
- (b) an investment firm;
- (c) any other authorised or regulated financial institution;
- (d) an insurance company;
- (e) a collective investment scheme or the management company of such a scheme;
- (f) a pension fund or the management company of a pension fund;
- (g) a commodity or commodity derivatives dealer;
- (h) a local;
- (i) any other institutional investor;



(2) in relation to MiFID or equivalent third country business a large undertaking meeting two of the following size requirements on a company basis:

- (a) balance sheet total of EUR 20,000,000;
- (b) net turnover of EUR 40,000,000;
- (c) own funds of EUR 2,000,000;

(3) in relation to business that is not MiFID or equivalent third country business a large undertaking meeting any of the following conditions:

- (a) a body corporate (including a limited liability partnership) which has (or any of whose holding companies or subsidiaries has) (or has had at any time during the previous two years) called up share capital or net assets of at least £5 million (or its equivalent in any other currency at the relevant time);
- (b) an undertaking that meets (or any of whose holding companies or subsidiaries meets) two of the following tests:
 - (i) a balance sheet total of EUR 12,500,000;
 - (ii) a net turnover of EUR 25,000,000;
 - (iii) an average number of employees during the year of 250;
- (c) a partnership or unincorporated association which has (or has had at any time during the previous two years) net assets of at least £5 million (or its equivalent in any other currency at the relevant time) and calculated in the case of a limited partnership without deducting loans owing to any of the partners;
- (d) a trustee of a trust (other than an occupational pension scheme, SSAS, personal pension scheme or stakeholder pension scheme) which has (or has had at any time during the previous two years) assets of at least £10 million (or its equivalent in any other currency at the relevant time) calculated by aggregating the value of the cash and designated investments forming part of the trust's assets, but before deducting its liabilities;
- (e) a trustee of an occupational pension scheme or SSAS, or a trustee or operator of a personal pension scheme or stakeholder pension scheme where the scheme has (or has had at any time during the previous two years):
 - (i) at least 50 members; and
 - (ii) assets under management of at least £10 million (or its equivalent in any other currency at the relevant time);

(4) a national or regional government, including a public body that manages public debt at national or regional level, a central bank, an international or supranational institution (such as the World Bank, the IMF, the ECB, the EIB) or another similar international organisation;

(5) another institutional investor whose main activity is to invest in financial instruments (in relation to the firm's MiFID or equivalent third country business) or designated investments (in relation to the firm's other business). This includes entities dedicated to the securitisation of assets or other financing transactions.

Elective Professional Client definition

A firm may treat a client other than a local public authority or municipality as an elective professional client if it complies with (1) and (3) and, where applicable, (2):



(1) the firm undertakes an adequate assessment of the expertise, experience and knowledge of the client that gives reasonable assurance, in light of the nature of the transactions or services envisaged, that the client is capable of making his own investment decisions and understanding the risks involved (the "qualitative test");

(2) in relation to MiFID or equivalent third country business in the course of that assessment, at least two of the following criteria are satisfied:

- (a) the client has carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous four quarters;
- (b) the size of the client's financial instrument portfolio, defined as including cash deposits and financial instruments, exceeds EUR 500,000;
- (c) the client 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. Retail Clients who may be treated as Professional on request

3.1. General

Clients not mentioned in paragraph 2 above may also be allowed to be treated as Professional Clients and hence waive some of the protections afforded by the Law.

The Company can treat any such Clients as Professionals provided the relevant criteria and procedures mentioned herein below are fulfilled. These Clients should not, however, be presumed to possess market knowledge and experience comparable to that of the categories of paragraph 2. So, any waiver of the protection afforded to them shall be considered valid only if an adequate assessment of the expertise, experience and knowledge of the Client, undertaken by the Company, gives reasonable assurance, in light of the nature of the transactions or services envisaged, that the said Client is capable of making his own investment decisions and understanding the risks involved. For this reason, the Company will apply a fitness test to assess their expertise and knowledge.

3.2. Assessment

In the course of the above assessment, in order to qualify, you need to meet at least **two** of the three FCA criteria below:

- (a) You have carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous four quarters (with Tickmill and other providers);
- (b) The size of your financial instrument portfolio, defined as including cash deposits and financial instruments, exceeds 500,000 EUR;
- (c) You work or have worked in the financial sector for at least one year in a professional position, which requires knowledge of the transactions or services envisaged;

3.3. Procedure

The FCA sets out the procedure to be followed where a client requests to be treated as an eligible professional. the following procedure is followed:



- (a) the client must state in writing to the firm 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;
- (b) the firm must give the client a clear written warning of the protections and investor compensation rights the client may lose; and
- (c) the client must state in writing, in a separate document from the contract, that it is aware of the consequences of losing such protections. Keeping the Company Informed

All Clients are responsible for keeping the Company informed about any change which could affect their current categorisation.

However, if Tickmill UK Ltd becomes aware that the Client no longer fulfils the initial conditions which made it eligible for a professional treatment, the Company should take appropriate action.

Where the appropriate action involves re-categorising that client as a retail client, the firm must notify that client of its new categorisation.

3.4 Protections waived by Professional Clients:

1. **Risk Warnings** – We will not be obliged to restrict your account with standardised risk warnings and rules that protect Retail Clients.
2. **Communications** – When we communicate with you, we may assume that your level of experience is enough to use language that is more complex than with Retail Clients.
3. **Experience** – We may assume your level of experience when determining if our products and services are suitable for you.
4. **Best Execution** – We owe you a duty when executing your orders. As a Professional Client, we may look at other factors when processing trades such as speed and likelihood of execution. For Retail clients, we are required to prioritise overall cost of the transaction.
5. **Financial Ombudsman Service FOS** – If you are a Professional Client who is not defined as a 'consumer', you will not have access to the Financial Ombudsman Service (FOS).
6. **No Leverage Restrictions** – You might be exposed to higher leverage that can amplify your losses.

4. Professional Clients Requesting to be treated as Retail

Professional Clients of paragraph 2 can request non-professional treatment and instead be treated as Retail Clients, to enjoy a higher level of protection. It is the responsibility of the Client, considered to be a Professional Client, to ask for a higher level of protection when it deems it is unable to properly assess or manage the risks involved.

This higher level of protection will be provided when a Client who is a professional enters into a written agreement with the Company to the effect that it shall not be treated as a Professional for the purposes of the applicable conduct of business regime. Such agreement should specify whether this applies to one or more services or transactions, or to one or more types of product or transaction.

5. Eligible Counterparties

- 1) An eligible counterparty is a client that is either a per se eligible counterparty or an elective eligible counterparty.



(2) A client can only be an eligible counterparty in relation to eligible counterparty business (PRIN 1 Annex 1 R on the FCA Handbook is an exception to this).

Per se eligible counterparties

Each of the following is a per se eligible counterparty (including an entity that is not from an EEA State that is equivalent to any of the following) unless and to the extent it is given a different categorisation under this chapter:

- (1) an investment firm;
- (2) a credit institution;
- (3) an insurance company;
- (4) a collective investment scheme authorised under the UCITS Directive or its management company;
- (5) a pension fund or its management company;
- (6) another financial institution authorised or regulated under EU legislation or the national law of an EEA State;
- (8) a national government or its corresponding office, including a public body that deals with public debt at national level;
- (9) a central bank; and
- (10) a supranational organisation.

For the purpose of COBS 3.6.2 R (6) from the FCA Handbook, a financial institution includes regulated institutions in the securities, banking and insurance sectors.

Elective eligible counterparties

A firm may treat a client as an elective eligible counterparty in relation to business other than MiFID or equivalent third country business if:

- (1) the client is an undertaking and:
 - (a) is a per se professional client (except for a client that is only a per se professional client because it is an institutional investor under COBS 3.5.2 R (5)) and:
 - (i) is a body corporate (including a limited liability partnership) which has (or any of whose holding companies or subsidiaries has) called up share capital of at least £10 million (or its equivalent in any other currency at the relevant time); or
 - (ii) meets the criteria in the rule on meeting two quantitative tests (COBS 3.5.2 R (3)(b)); and
 - (b) requests such categorisation; and
- (2) the firm adheres to the procedure set out at COBS 3.6.4BEU.

Provided that it adheres to the procedure set out at COBS 3.6.4BEU, a firm may treat a client as an elective eligible counterparty in relation to MiFID or equivalent third country business if the client:

- (1) is an undertaking;



- (2) is a per se professional client, except for a client that is only a per se professional client because it is an institutional investor under COBS 3.5.2R(5); and
- (3) requests such categorisation.

Procedure

Article 71(5) of the *MiFID Org Regulation* sets out the procedure to be followed where a client requests to be treated as an eligible counterparty.

Where a client requests to be treated as an eligible counterparty, in accordance with Article 30(3) of Directive 2014/65/EU, the following procedure shall be followed:

- (a) the investment firm shall provide the client with a clear written warning of the consequences for the client of such a request, including the protections they may lose;
- (b) the client shall confirm in writing the request to be treated as an eligible counterparty either generally or in respect of one or more investment services or a transaction or type of transaction or product and that they are aware of the consequences of the protection they may have lost as a result of the request.

The categories of elective eligible counterparties include an equivalent undertaking that is not from an EEA State provided the above conditions and requirements are satisfied.

Tickmill UK Ltd. may obtain a prospective counterparty's confirmation that it agrees to be treated as an eligible counterparty either in the form of a general agreement or in respect of each individual transaction.

6. Types of Requests for Different Categorisation

The following requests may be submitted to Tickmill UK Ltd should a Client wish to change its categorisation:

- a) A Retail Client can request to be categorised as a Professional Client (where it meets the requirements mentioned above). The Client therefore accepts a lower level of protection (see paragraph 3 above).
- b) A Professional Client can request to be categorised as a Retail Client. The Client therefore obtains higher level of protection (see paragraph 4 above). A Professional Client can request to be treated as an Eligible Counterparty, obtaining therefore a lower level of protection (see paragraph 5 above).
- c) An Eligible Counterparty can request to be categorised as a Professional Client or a Retail Client. The Client therefore obtains higher level of protection (see paragraph 5 above).

The Company is not required to agree with a request for non-professional or non-Eligible Counterparty treatment. In addition, the Company may, on its own initiative, treat as a Professional or Retail Client an Eligible Counterparty or treat as a Retail Client a Professional Client.

Clients wishing to change their Client Categorisation may use the "Application for change of client status" form found on the Company's website.

Reclassification of an eligible counterparty

An eligible counterparty has the right to request a different classification, either as a "professional client" or as a "retail client", in order to obtain a higher level of protection. Under the Law, the Company is not obliged to deal with the client in accordance with its request.



7. Protection Rights

7.1. Retail and Professional Clients

Where the Company treats a Client as a Retail Client, the Client is entitled to more protections under the Law, than if the Client was treated as a Professional Client. In summary, the protections Retail Clients are entitled to are as follows (the list may not be exhaustive):

- a) A Retail Client will be given more information disclosures with regards to the Company, its services, its financial instruments and their performance, the nature and risks of financial instruments, its costs, commissions, fees and charges.

Where the Company is providing the services of Reception & Transmission of orders and/or Execution of Client orders, the Company shall 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 Company to assess whether the investment service or product envisaged is appropriate for the Client. In case the Company considers, based on the information received, that the product or service is not appropriate to a Retail Client, it shall warn the Client accordingly. Please note that the Company is not required to assess appropriateness in certain cases specified by the Law (for example but not limited to the situation where on an execution only basis the financial instrument concerned is not complex).

On the other hand, the Company 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, the Company should not generally need to obtain additional information from the Client for the purposes of the assessment of appropriateness for those products and services for which they have been classified as a Professional Client.

- b) When executing Client orders, the Company must take all sufficient steps to achieve what is called "best execution" of the Client's orders that is to obtain the best possible result for its Clients.

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.

- c) The Company must inform Retail Clients of material difficulties relevant to the proper carrying out of their order(s) promptly upon becoming aware of the difficulty.
- d) Retail and Professional Clients may be entitled to compensation under the Financial Services Compensation Scheme (FSCS) for individual Clients and small business up to the value of £85,000 per Client.
- e) Where the Company executes orders for retail clients, it shall provide those clients with a summary of the relevant policy focused on the total costs they incur.

7.2. Eligible Counterparties

Where the Company treats the Client as an Eligible Counterparty, the Client will be entitled to fewer protections under the Law than he/she/they would be entitled to as a Retail or Professional Client.

(the list may not be exhaustive):

- a. The Company is not required to provide the Client with best execution in executing the Client's orders.
- b. The Company is not required to disclose Client Information regarding any fees or commissions that the Company pays or receives;
- c. The Company is not required to implement procedures and arrangements which provide for the prompt, fair and expeditious execution of its Client orders, relative to other Client orders or its trading interests.



- d. The Company is not required to assess the appropriateness of a product or service that it provides to Client but can assume that the Client has the expertise to choose the most appropriate product or service for itself and that he/she/they has/have the ability to bear losses.
- e. The Company is not required to provide the Client with information about the Company's, execution venues, the arrangements through which the Company will be remunerated and other relevant information.
- f. The FSCS does not cover Eligible Counterparties.
- g. Eligible Counterparties cannot make complaints to the Financial Ombudsmen Services (FOS).
- h. The Company is not required to ensure that its financial instruments are designed to meet the needs of an identified target market of eligible counterparties.
- i. The Company, when dealing with eligible counterparties, is not required to ensure that it does not remunerate its staff in a way that conflicts with its duty to act in the best interests of its clients and that it does not accept any fees/commissions in relation to the provision of services to clients.
- j. The Company is not required to provide the Client information about the Company, its services and the arrangements through which the Company will be remunerated;
- k. The Company is not required to provide reports to the Client on the execution of his/her/their orders.
- l. The Company is not required to provide the Client with risk disclosures on the products or services that he/she/they select/s from the Company; and

However, eligible counterparties will be entitled to the same reporting obligations as they apply to retail and professional clients.

