

MIFID II CLIENT CATEGORISATION

1. INTRODUCTION

This document sets out FXDD’s policy for the categorisation of its clients under the Markets in Financial Instruments Directive II (“MiFID II”). The Company is authorised by the Malta Financial Services Authority as a Class 2 Investment Services Licence Holder and is subject to the MiFID II Regulations.

“Client” shall mean any natural or legal person to whom the Company provides investment services.

“Professional client” shall mean a client meeting the criteria laid down in paragraph 3.

“Retail client” shall mean a client who is not a Professional client or an Eligible Counterparty.

2. SCOPE

The MiFID II client categorisation is a framework that classifies clients of investment firms into three categories: eligible counterparties, professional clients, and retail clients. The purpose of this categorisation is to ensure that clients receive an appropriate level of protection and information according to their knowledge, experience, and expertise in the financial markets. The MiFID II client categorisation applies to all investment services and activities and financial instruments covered by the directive.

3. CATEGORISATION UNDER MIFID II

The MiFID II client categorisation is based on the following criteria:

Eligible counterparties are entities that are authorised or regulated to operate in the financial markets, including but not limited to credit institutions, investment firms, insurance companies and pension funds. They are considered to have the highest level of expertise and risk awareness, and therefore receive the lowest level of protection and information. Eligible counterparties can either be Per Se Eligible Counterparties or Elective Eligible Counterparties.

Per Se Eligible Counterparties

Each of the following is a per se Eligible Counterparty including an entity that is not from a Member State or an EEA State that is equivalent to any of the following:

- i. an investment firm;
- ii. a credit institution;
- iii. an insurance company;
- iv. a UCITS or a UCITS Management Company;
- v. a pension fund or a pension fund management company;
- vi. another financial institution authorised or regulated under EU Law or the national law of an EU Member State;
- vii. undertakings which are exempt from the requirements of the MIFID in terms of Article 2 (1) (k) and (l) thereof;
- viii. a national government and its corresponding offices including public bodies that deal with public debt;
- ix. central bank and supranational organisation.

Elective Eligible Counterparties

A Professional Client, as defined below, may also qualify as an Eligible Counterparty if it falls within one of the categories listed above under the Per Se Eligible Counterparties.

Before entering a transaction with the Company, the Client must give its clear agreement to be treated as an Eligible counterparty. The Company can request such agreement either as a general agreement or on a case-by-case basis.

Where a Client requests to be treated as an Eligible counterparty, the following procedure shall be followed by the Company:

- i. The Company will provide the Client with a written warning of the consequences for the Client of such request, including the protections they may lose;
- ii. The Client shall confirm in writing the request to be treated as an Eligible counterparty either generally or in respect of one or more Services or a transaction or type of transactions or Financial Instrument and that they are aware of the protection they may lose as a result of the request.

Professional clients are clients who possess the experience, knowledge, and expertise to make their own investment decisions and properly assess the risks that they incur. They can be either *per se professional clients*, such as large undertakings, governments or central banks., *Elective professional clients* are those customers which include natural persons, who request to be treated as such and meet certain quantitative and qualitative criteria. They receive a medium level of protection and information.

Per se professional clients

1. Entities which are required to be authorised or regulated to operate in the financial markets. The list below should 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, entities authorised or regulated by a Member State without reference to a Directive, and entities authorised or regulated by a Non-Member State:
 - i. Credit Institutions;
 - ii. Investment Firms;
 - iii. Other authorised or regulated financial institutions
 - iv. Insurance Companies;
 - v. Collective investment schemes and management companies of such schemes;
 - v. Pension funds and management companies of such funds;
 - vi. Commodity and commodity derivatives dealers;
 - vii. Locals;
 - viii. Other institutional investors.
2. Large undertakings meeting two of the following size requirements on a company basis:
 - i. balance sheet total: €20,000,000;
 - ii. net turnover: €40,000,000;
 - iii. own funds: €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 IMF, the ECB, the EIB and other similar international organisations.
4. Other institutional investors whose main activity is to invest in financial instruments, including entities dedicated to the securitisation of assets or other financing transactions.

Elective professional clients

To become an elective professional client, you need to:

- i. Fill out the Elective Professional form and send us a written request to change your classification.
- ii. Meet two of the following criteria:
 - You have carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter of the previous four quarters;
 - You have a portfolio of Instruments and cash deposits worth more than EUR 500 000.
 - You have a professional background that gives you knowledge of the transactions or Services you want to use.
 - You have worked for at least one year in a professional position in the financial sector.

Retail clients are clients who do not fall into either of the above categories. They are considered to have the lowest level of expertise and risk awareness, and therefore receive the highest level of protection and information.

4. REQUEST FOR A DIFFERENT CLASSIFICATION

The company shall treat as a Retail Client any Client which does not satisfy the requirements of either the classification of an Eligible counterparty or of the Professional Investor, or any client who requests to be treated as a Retail Client.