

Coinbase Financial Services Europe Ltd

Client Categorisation Policy

1. Overview

Coinbase Financial Services Europe Ltd (“Coinbase Cyprus”, “us” or “we”) is registered in Cyprus and is regulated as a Cyprus Investment Firm (CIF) by the Cyprus Securities and Exchange Commission (CySEC) under license number 374/19.

Following the implementation of the Directive 2014/65/EU of the European Parliament and of the Council (“MiFID II”) in Cyprus, pursuant to its transposition into national Law by the Investment Services and Activities and Regulated Markets Law of 2017 (“Law 87(I)/2017”), we are required to notify potential clients of their client categorisation as a Retail Client, a Professional Client or an Eligible Counterparty.

This policy outlines how we categorise clients, and the level of protection afforded to each category.

2. Client Categories

Retail Client

A **Retail Client** is a client who is **not** a **Professional Client** or an **Eligible Counterparty**. Retail Clients are afforded the highest level of protection under the MiFID II.

Professional Client

A Professional Client is a client that is either a **Per Se Professional Client** or an **Elective Professional Client**. Professional Clients are considered to have the experience, knowledge, and expertise to make their own investment decisions and assess risks.

1. Per Se Professional Client

There are a few categories of Per Se Professional Clients:

(1) **An entity which is required to be authorised or regulated to operate in financial markets.** Examples of entities carrying out the characteristic activities are:

(a) a credit institution;

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

(2) A large undertaking meeting two of the following size requirements on a company basis:

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

(3) 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 organizations.

(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.

2. Elective Professional Client

An Elective Professional Client is a client who requests to be treated as a **Professional Client** and meets the qualitative and quantitative tests:

(1) Qualitative Test: Coinbase Cyprus assesses the client's expertise, experience, and knowledge to ensure they are capable of making their own investment decisions and understanding the risks involved.

(2) Quantitative Test: The client satisfies at least two of the following criteria:

- (a) The client has carried out transactions at a significant size and frequency;

- (b) The size of the client's financial instrument portfolio exceeds €500,000;
- (c) The client has worked in the financial sector for at least one year in a professional position requiring knowledge of the transactions or services envisaged.

Eligible Counterparty

An 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 or execution of such orders or dealing on own account:

- (1) Investment firms;
- (2) Credit institutions;
- (3) Insurance companies;
- (4) UCITS and their management companies;
- (5) Pension funds and their management companies;
- (6) other financial institutions authorised by a Member State or regulated under the laws of Cyprus or under European Union law;
- (7) National governments and their corresponding offices, including public bodies that deal with public debt;
- (8) Central banks;
- (9) Supranational organizations;
- (10) Third country entities equivalent to the above categories.

3. Investor Protection - Differences between Retail and Professional Clients

Investor protection measures may differ due to the categorisation of the client, for example:

- Higher standards for appropriateness/suitability assessments: CBFSE may determine that a product or service is appropriate for a retail client based on their knowledge, experience, risk tolerance etc. This level of assessment is not required for professional clients.
- More stringent inducements and conflicts of interest rules: Retail clients receive more detailed disclosures on inducements, commissions or non-monetary benefits paid to firms. Professional clients receive less detailed information.
- Greater protection of client assets: Retail client funds/assets must be held separately from firm assets and protected from issuer insolvency through segregation. Professional clients have fewer asset protections.
- Additional disclosure requirements: Retail clients get ex-ante and ex-post disclosures on all costs and charges, whereas professionals may receive aggregated costs.

- Access to investor compensation schemes: Retail investors are covered by compensation schemes of up to €20,000 or 90% of the claimed amount, whichever is lower, in case of firm insolvency, which may not apply to professional clients.
- Higher standards of best execution: The Company takes all sufficient steps to deliver the best possible result when executing retail client orders on a consistent basis.
- Access to complaints resolution bodies: Retail clients can escalate complaints to out-of-court resolution bodies, which may not be available to professional clients.

4. Changes in your circumstance that affect your Categorisation

If you have been categorised as a Professional Client, or Eligible Counterparty, it is your responsibility to inform us of any changes that may affect your categorisation, and to ask for a higher level of protection if you are no longer able to properly assess or manage the risks involved.

5. How we Categorise Clients

For Retail Clients

During the onboarding process, you may ask to be treated as a Professional client. This request will trigger a request for you to provide more information and supporting documentation about your circumstances and experience.

Once we have received this information, we will conduct an assessment, which will result in one of the following:

- We will continue to treat you as a Retail client
- We will inform you that we will be treating you as a Professional client

You are not guaranteed Professional categorisation if you request it - we are responsible for making a determination on the basis of the information provided, and may conclude you are not in a position to bear the associated risk.

For Institutional Clients

We will assess your eligibility for Professional, per se Professional or Eligible Counterparty categorisation during onboarding, and will request any information and supporting documentation necessary to complete our assessment.

6. Request for different Client Categorisation

You have the right to request a different categorisation:

- (1) **Retail Clients** can request to be re-categorised as Elective Professional Clients. In such cases, the clients will be afforded a lower level of protection.
- (2) **Professional Clients** can request to be re-categorised as Retail Clients. In such cases, the clients will be afforded a higher level of protection.
- (3) **Eligible Counterparties** can request to be re-categorised as Professional Clients or Retail Clients. In such cases, the clients will be afforded a higher level of protection.

Please note that we can decline any requests for different categorisation.

A higher level of protection will be provided when a client who is considered to be a professional enters into a written agreement with us to effect the change. This agreement will specify whether the change in category applies to one or more particular services or transactions, or to one or more types of product or transaction.

We also reserve the right to stop doing business with you if a different client categorisation is requested.

If a new client category is applied by us, a new written client categorisation notification will be issued.