

## KVB PRIME (UK) Limited

### Client Categorisation Policy

KVB Prime (UK) Limited ensures that clients are appropriately categorised, prior to doing business with them, in order to ensure that regulatory protections are focused on those classes of client that need this the most.

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## 1. Introduction

Under the FCA rules a client is anyone to whom KVB Prime (UK) Limited (hereafter referred to as "KVB PRIME") provides or intends to provide any investment service or activity. Following the implementation of MIFID II (Markets in Financial Instruments Directive) KVB PRIME is required by the FCA Rules to carry out the following:

1. classify all clients;
2. inform clients of their categorisation; and
3. provide clients with certain information before KVB PRIME provides any investment services

Under MIFID II, KVB PRIME is required to categorise its clients into one of the following categories: "retail", "professional" or "eligible counterparty".

Therefore, when KVB PRIME is evaluating an application for opening an account, it will classify a prospective client using one of the above categories based on the information provided by the said client.

## 2. Client Classification Categories

1. "Retail Client" is a client, a company, partnership or trust who is not a professional client or an eligible counterparty
2. "Professional Client" is a client who possesses the experience, knowledge and expertise to make his own investment decisions and properly assess the he/she incurs. In order to be considered a professional client, a client must comply with one of the following criteria:
  - 2.1 Entities which are required to be authorised or regulated to operate in the financial markets. These entities can either be authorised by a Member under MIFID II, entities authorised or regulated by a Member State without reference to the same Directive, and entities authorised and regulated by a non-Member State. This entities will fall into one of the following categories:
    - 2.1.1 credit institutions; an investment firm;
    - 2.1.2 any other authorised or regulated financial institution;
    - 2.1.3 an insurance company;
    - 2.1.4 a collective investment scheme or the management company of such a scheme;
    - 2.1.5 a pension fund or the management company of a pension fund;
    - 2.1.6 a commodity or commodity derivatives dealer;
    - 2.1.7 a local;

- 2.1.8 any other institutional investor?
- 2.2 Large undertakings which qualify for two of the following size requirements on a company basis:
  - 2.2.1 balance sheet total of EUR 20,000,000
  - 2.2.2 net turnover of EUR 40,000,000
  - 2.2.3 own funds of EUR 2,000,000
- 2.3 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 (IMF), the European Central Bank (ECB), the European Investment Bank (EIB) and other similar international organisations.
- 2.4 Other institutional investors whose main activity is to invest in financial instruments, including entities dedicated to the securitisation of assets or other financing transactions.
- 2.5 Clients who may be treated as "professional clients" on request, following approval by the firm (see further below under "Request for a Reclassification"). This will mean that, if approved they would be afforded less protection.
- 2.6 The entities mentioned from points 2.1 to 2.4 are considered to be professional clients in relation to all investment services, activities, and financial instruments. The clients mentioned in point 2.5 may be treated as professional client, generally or in respect of a particular investment service, transaction, type of transaction or product.
- 2.7 Professional clients are responsible for keeping KVB PRIME informed about any change, which could affect its categorisation. Should the company become aware that the client no longer fulfils the initial conditions which made it eligible for professional treatment, then KVB PRIME will take the appropriate actions.
- 2.8 The entities mentioned above which are considered to be investor professionals are allowed to request for non-professional treatment. This will mean that KVB PRIME will provide a higher level of protection. Where a client wishes to do so, then KVB PRIME will inform the client, prior to any provision of services that, on the basis of the information available to KVB PRIME, the client is deemed to be a Professional Client, and will be treated as such unless KVB PRIME and the client agrees otherwise. The client may request a variation of the terms of the agreement in order to secure a higher degree of protection.
- 3. "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 and/or dealing on own account:
  - 3.1 an investment firm;
  - 3.2 a credit institution;
  - 3.3 an insurance company;
  - 3.4 a collective investment scheme authorised under the UCITS Directive or its management company;
  - 3.5 a pension fund or its management company;

- 3.6 another financial institution authorised or regulated under European Union legislation or the national law of an EEA State;
- 3.7 national governments and their corresponding offices including public bodies that deal with public debt at national level, Central Banks and supranational organisations.

### **3. Request for a Reclassification**

Any retail client has the right to be reclassified as a "professional client" and, in which case, he/she will be provided with a lower level of protection. KVB PRIME is not obliged to deal with him/her under a different classification.

#### **3.1 Tests and Criteria**

KVB PRIME is allowed to treat any of the retail clients such as public sector bodies, local public authorities, municipalities and private individual investors as "professional clients", provided the relevant criteria and procedure mentioned below are satisfied. These clients shall not, however, be presumed to possess market knowledge and experience comparable to the clients listed in points 2.1 to 2.4 above.

Any waiver of protection afforded by the standard conduct of business regime will be effected only if an adequate assessment of the expertise, experience and knowledge of the client is undertaken by KVB PRIME and gives reasonable assurance, insight of the nature of the transactions or services envisaged, that the client is capable of making his/her own investment decisions and understanding the risks involved.

The 'fitness test' which is applied to managers and directors of entities licenced under Directives of the European Union in the financial services field could be regarded as an example of the assessment of expertise and knowledge. In the case of small entities, the person subject to the above assessment should be the person authorised to carry out transactions on behalf of the entity.

In the course of the above assessment, as a minimum, two (2) of the following criteria should be satisfied:

- ❖ The client has carried out transactions, in significant size, on the relevant market at an average frequency of ten (10) per quarter over the previous four quarters;
- ❖ The size of the client's portfolio of financial instruments, defined as including cash deposits and financial instruments exceeds EUR 500,000;
- ❖ The client works or has worked in the financial services sector for at least one year in a professional capacity, which requires knowledge of the transactions or services envisaged.

#### **3.2 Reclassifying of a retail client to a professional client (↑)**

The retail clients may waive the benefit of the detailed rules of conduct and be classified as "professional clients" only where the following procedure is followed:

1. they must state in writing to KVB PRIME that they wish to be treated as a professional client, either generally, or in respect of a particular investment service, transaction, type of transaction or product;
2. KVB PRIME will give a clear written warning of the protections and investor compensation rights they may lose;

3. they must state in writing, in a separate document from the contract, that they are aware of the consequences of losing such protections and accept them and
4. before deciding to accept any request for a waiver, that KVB PRIME is required to take all substantial steps to ensure that the client requesting to be treated as a professional client meets the relevant test and criteria of sections "Tests and Criteria" above.

### **3.3 Reclassifying of a professional client to a retail client (,)**

Any professional client has the right to request to be reclassified as a "retail client" in order to obtain 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. The higher level of protection will be provided when a client who is considered a professional for the purposes of the applicable conduct of business regime (COB). Such an agreement will specify whether this applies to one or more particular services or transactions, or one or more types of products or transactions.

### **3.4 Reclassifying of an eligible counterparty**

It is extremely unlikely KVB PRIME will hold a business relationship with an eligible counterparty however it should be noted that such an entity has the right to be reclassified, either as a "professional client" or as a "retail client", so then it will afford a higher level of protection. Under current UK laws, KVB PRIME is not obliged to execute with such a request.

### **3.5 Written acknowledgements**

Once KVB PRIME has determined a client's classification it will confirm this in writing and advise of the protection provided or not as a consequence of its decision.

If a retail client wishes to change its categorisation to a "Professional client" it must inform the firm in writing to specifically stipulate that they wish to change categorisation from Retail client to Professional client. The firm will assess the client's request following the FCA criteria and then write to the client with their conclusion to accept or reject their request.

If the firm accepts the client's request then they must write to the client (can be within the same the letter) warning them that they will lose their investor and regulatory protection (investor compensation) rights and asking the client to confirm and accept that they still want to proceed on this basis in writing. Only when this confirmation in writing has been received can the firm treat the client as a Professional client.