



CLIENT CATEGORISATION

Introduction

Trading Point of Financial Instruments Ltd operating under the trading name XM.com is a Cypriot Investment Firm ("CIF") registered with the Registrar of Companies in Nicosia under number: HE 251334, and regulated by the Cyprus Securities & Exchange Commission ("CySEC") under license number 120/10 (hereinafter called the "Company").

The Company is operating under the Cypriot Law L. 87(1)/2017 titled "Investment Services and Activities and Regulated Markets Law of 2017" (hereinafter "Law") which transposed the European Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, as the same may be in force from time to time and modified or amended from time to time (hereinafter "MiFID II").

Following the implementation of the MiFID II, the Company is required to categorise its Clients into one of the following three categories: "retail", "professional" or "eligible counterparty".

Therefore, when the Company is evaluating an application for opening an account, it will classify a prospective client under any of the above categories based on the information provided by the said client.

Client Classification Categories

1. **"Retail Client"** is a client 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 risks that he 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. 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 the above Directive, entities authorised or regulated by a Member State without reference to the above Directive, and entities authorised or regulated by a non-Member State:
 - a. credit institutions;
 - b. investment Firms;
 - c. other Authorised or regulated financial institutions;
 - d. insurance Companies;
 - e. collective investment schemes and management companies of such schemes;
 - f. pension funds and management companies of such funds;
 - g. commodities and commodity derivatives dealers;
 - h. locals;
 - i. other institutional investors (like portfolio investment companies).
 - 2.2 Large undertakings meeting two of the following size requirements on a company basis:
 - a. balance sheet total: EUR 20,000,000;
 - b. net turnover: EUR 40,000,000; and
 - c. own funds: 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 Company (please see further below under ‘Request for Different Classification’).

The entities mentioned above from points 2.1 to 2.4 are considered to be professional clients in relation to all investment services and activities and financial instruments. The clients mentioned in point 2.5 may be treated as professional clients, generally or in respect of a particular investment service or transaction or type of transaction or product.

Professional clients are responsible for keeping the Company informed about any change, which could affect their categorisation. Should the Company become aware that the client no longer fulfils the initial conditions which made him eligible for a professional treatment, the Company will take appropriate action.

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 investment firms;
 - 3.2 credit institutions;
 - 3.3 insurance companies;
 - 3.4 UCITS and their management companies;
 - 3.5 pension funds and their management companies;
 - 3.6 other financial institutions authorised or regulated under Union law or under the national law of a Member State; and
 - 3.7 national governments and their corresponding offices including public bodies that deal with public debt at national level, Central Banks and supranational organisations.

Request for Reclassification

A retail client has the right to request to be reclassified as a “professional client” and, in which case, he/she will be afforded a lower level of protection. The Company is not obliged to deal with him/her under a different classification.

Tests and Criteria

The Company 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 fulfilled. 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 the 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 the Company and gives reasonable assurance, in light 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' applied to managers and directors of entities licensed 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:

- a. 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;
- b. the size of the client's portfolio of financial instruments, defined as including cash deposits and financial instruments exceeds EUR 500,000;
- c. the client works or has worked in the financial services sector for at least one year in a professional position, which requires knowledge of the transactions or services envisaged.

Reclassification Procedure

The Company shall follow the procedure below when a client requests to be reclassified into a different classification category:

1. Reclassification of a retail client into professional client

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

- a. they must state in writing to the Company that they wish to be treated as a professional client, either generally, or in respect of a particular investment service or transaction or type of transaction or product;
- b. the Company will give them a clear written warning of the protections and investor compensation rights they may lose;
- c. 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
- d. before deciding to accept any request for waiver, the Company is required to take all reasonable steps to ensure that the client requesting to be treated as a professional client meets the relevant tests and criteria of section "Tests and Criteria" above.

2. Reclassification of a professional client into 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. This higher level of protection will be provided when a client who is considered to be a professional client 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 will specify whether this applies to one or more particular services or transactions or to one or more types of products or transactions.



3. 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.