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Client Classification Policy

Tradestone Ltd

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Tradestone Ltd
CySEC License 331/17

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1. Introduction

Tradestone Ltd is a Cyprus Investment Firm (hereinafter the “**CIF**” or “**Company**”) authorized and regulated by the Cyprus Securities and Exchange Commission (hereinafter the “**CySEC**”) under License number 331/17.

The Company is governed by the provisions of the Markets of Financial Instruments Directive (MiFID II) of the European Union. Following the implementation of MiFID in the European Union and its transposition in Cyprus, through the Law 87(I)/2017, the Company is required to classify its Clients into one of the following three categories:

- ✚ Retail.
- ✚ Professional; or
- ✚ Eligible Counterparty.

Therefore, when the Company is considering 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.

2. Categories

2.1 Retail Clients

A “**Retail Client**” is a Client who is not a Professional Client or an Eligible Counterparty.

2.2 Professional Clients

A “**Professional Client**” is a Client who possesses the experience, knowledge, and expertise to make his/her own Investment decisions and properly assess the risks that he/she incurs.

2.2.1 Entities which are required to be authorized or regulated to operate in the Financial Markets.

The list below should be understood as including all Authorized Entities carrying out the characteristic activities of the Entities mentioned: Entities authorized by a Member State under a Directive, Entities authorized or regulated by a Member State without reference to a Directive, and Entities authorized or regulated by a third-country which is a non-Member State:

- ✚ Credit Institutions
- ✚ Investment Firms
- ✚ Other Authorized or Regulated Financial Institutions
- ✚ Insurance Companies
- ✚ Collective Investment Schemes and Management Companies of such Schemes
- ✚ Pension funds and Management Companies of such Funds
- ✚ Commodities and Commodity Derivatives Dealers
- ✚ Locals
- ✚ Other Institutional Investors, (like Portfolio Investment Companies)

2.2.2 Large undertakings

Large undertakings meeting two of the following size requirements on a company basis:

- ✚ Balance Sheet Total: EUR 20.000.000



✚ Net Turnover: EUR 40.000.000

✚ Own Funds: EUR 2.000.000

2.2.3 National and Regional Governments

National and Regional Governments, Public Bodies that manage Public Debt, Central Banks, International and Supranational Institutions such as the World Bank, the International Monetary Fund, the European Central Bank, the European Investments Bank and other similar International Organizations.

2.2.4 Other Institutional Investors

Other Institutional Investors whose main activity is to invest in Financial Instruments, including Entities dedicated to the securitization of assets or other Financing Transactions.

It should be pointed out to all clients that fall under the Professional classification that they are not covered by the Investment Compensation Fund administered by the Administrative Committee as per the relevant law and the ICF Directive and to which the Company is a member.

2.2.5 Clients who may be treated as professionals on request

Clients who may be treated as professionals on request, following approval by the Company (please see further below under 'Request for Different Classification').

The Entities mentioned above in (2.2.1-2.2.4) are considered to be 'Professionals' in relation to all Investment Services and Activities and Financial Instruments. The Clients mentioned in (2.2.5) may be treated as professionals 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 categorization. Should the Company become aware that the Client no longer fulfills the initial conditions which made him eligible for a professional treatment, the Company will take appropriate action.

2.3 Eligible Counterparties

An **"Eligible Counterparty"** are clients who are investment firms, credit institutions, insurance undertakings, UCITS and their management companies, pension funds and their management companies and other financial institutions authorised by a Member State or regulated under the National Law of a Member State or under European Union law, National Governments and their corresponding officers including public bodies that deal with public debt, Central Banks and supranational originations where the Company provides the services of Reception and Transmission and/or Execution of Orders and/or Dealing on Own Account.

Where an Eligible Counterparty requests treatment as a Client whose business with the Company is subject to provisions to ensure investor protection, such as the Company when providing investment services to Clients shall act honestly, fairly and professionally in accordance with the best interest of its Clients but does not expressly request treatment as a Retail Client, and the Company agrees to that request, then the Company shall treat that Eligible Counterparty as a Professional Client.

However, where that Eligible Counterparty expressly requests treatment as a Retail Client, the provisions in respect of requests of non-professional treatment shall apply.

It is the responsibility of the Client, considered to be an Eligible Counterparty, 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 to be an Eligible Counterparty informs in writing the Company to the effect that it shall not be treated as an Eligible Counterparty for the purposes of the applicable conduct of business regime.



Such a written notification shall specify that the Eligible Counterparty requests to be re-classified as a Professional or Retail Client as applicable, either generally or in respect of a particular investment service or transaction and/or Financial Instrument.

3. Client Re-classification request procedure

3.1 Retail Client to Professional Client

A Retail Client has the right to request to be re-classified to a Professional client via an assessment and subject to the approval of the Company.

The assessment (hereinafter the “**Fitness Test**”) determines the expertise, experience, and knowledge of the Client in relation to a request for a reclassification of a retail client as an elective professional client:

The Fitness Test applied to managers and directors of entities licensed under European Directives in the financial field could be regarded as an example of the assessment of expertise and knowledge. In the course of the above assessment, in addition 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 of ten (10) per quarter over the previous four (4) quarters.
- ✚ the size of the Client’s Financial Instrument portfolio, defined as including cash deposits and Financial Instruments exceeds €500,000.
- ✚ 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.

The Clients defined above may waive the benefit of the detailed rules of conduct only where the following procedure is followed:

- ✚ they must state in writing to the Company that they wish to be treated as *Professional Clients*, either generally or in respect of a particular investment service or transaction, or type of transaction or product through the completion and execution of the "Elective Professional" request form that is provided by the Back-Office Department.
- ✚ the Company must give them a clear written warning of the protections and investor compensation rights they may lose. These warnings are clearly indicating in the "Elective Professional" request form.
- ✚ they must state in writing, in a separate document from the contract, that they are aware of the consequences of losing such protections.

Before deciding to accept any request for waiver, the Company must take all reasonable steps to ensure that the Client requesting to be treated as a *Professional Client* meets the relevant requirements stated above.

3.2 Professional Client to Retail Client

A client who has been re-categorised as a Professional Client may request non-professional treatment and go back to Retail in order to receive a higher level of protection.

In the event a Professional Client wishes to be re-classified as a Retail Client it is the responsibility of the Client to do so, when he/she deems it is unable to properly assess or manage the risk involved. Re-classification 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 no longer be treated as a Professional Client for the purposes of the applicable conduct of business regime. Such an agreement will specify whether this applies to one or more particular services or transactions or to one or more types of products or transactions.

3.3 Eligible Counterparty to Professional Client or Retail Client

An eligible counterparty has the right to request a different classification, either as a Professional Client or a Retail Client, however this is not a legal obligation for the Company to accept therefore such requests will be subject to the Company's approval.

4. Protection rights

Retail and Professional Clients

Where the Company treats a client as a Retail Client, the client is entitled to greater protection under the Law, than the cases where the client would be treated as a professional client. In summary, the protection to which Retail Clients are entitled to, is as follows:

A Retail Client will be given more information/disclosures with regards to the Company, its Services, its Financial Instruments, the nature and risks of Financial Instruments, Execution Venues and/or list of Entities where it transmits Client Orders for Execution, its Costs, Commissions, Fees and Charges and the Safeguarding of Client Financial Instruments and Client Funds, including summary details of any relevant Investor compensation or deposit guarantee scheme, as applicable.

Where the Company is providing the Services of Reception & Transmission of Orders and 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, 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 for a Retail Client, it shall warn the Client accordingly. Please note that the Company is not required to assess appropriateness as specified by the Law 87(I)/2017, if the Company provides investment services that only consist of execution or reception and transmission of client orders with or without ancillary services, excluding the granting of credits or loans if certain conditions are met. (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 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 he/she has been classified as a Professional Client.

When the Company transmits the Client Orders to Third Party(-ies), the Company must take all reasonable steps to act in the Best Interest of the Client when receiving and transmitting Orders for Execution. Where the Company transmits the Client Orders to Third Party(-ies) 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. The Company shall also send a notice to a Retail Client confirming Execution of the Order by the Third Party(-ies) as soon as possible and not later than the first business day following the receipt of the confirmation from the Third Party(-ies), where and as applicable.

Professional Clients are also entitled to a confirmation for the execution of their orders however, there is no specific timeframe involved as to when the Professional Client will receive this information. Nevertheless, this confirmation shall be provided promptly.

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.



The Company is required to provide Retail Clients with more information than Professional Clients as regards the service provided to them and the execution of their orders by the Third Party(-ies), where and as applicable.

The Company is obliged to enter into a written basic agreement with the Retail Client, setting out the essential rights and obligation of both parties.

Where the Company holds a Retail Client account with positions in leveraged financial instruments or contingent liability transactions, the firm must report to the Client if the initial value of each instrument depreciates by 10% and thereafter at multiples of 10%.

Retail Clients will be provided with negative balance protection and as such, may not lose more than the total amount deposited in their trading account. In case of Professional Clients and/or Eligible Counterparties the Company is not required to provide them with negative balance protection.

Retail Clients may be entitled to compensation under the Investor Compensation Fund for Clients of Investment Firms, while Professional Clients are not entitled to compensation under the ICF.

Eligible Counterparties

Where the Company deals with eligible counterparties, it is entitled to provide the Client with fewer protections under the Law compared to a Retail or Professional Client. In particular, and in addition to the above:

- ✚ The Company is not required to provide the Client with best execution in executing the Client's orders. Nevertheless, Eligible Counterparties may request on a trade-by-trade basis or in general, treatment that would allow the Company to take all sufficient steps to achieve best execution towards their retail clients.
- ✚ The Company is not required to implement Procedures and Arrangements which provide for the prompt, fair and expeditious transmission of its Client Orders, relative to other Client Orders or its Trading interests.
- ✚ The Company is not required to assess the appropriateness of a product or service that is provided to the Client but can assume that the Client has the expertise to choose the most appropriate product or service for him/herself.
- ✚ The Company is not required to provide the Client with information about the Company, its Services, Financial Instruments, Execution Venues and/or list of Entities where it transmits Client Orders for Execution, the arrangements through which the Company will be remunerated and other relevant information.
- ✚ The Company is not required to provide Reports to the Client on the Service provided to him and Execution of its Orders by the Third Party(-ies) but may enter into an agreement accordingly, that may be setting out tailored requirements in respect of the execution of orders if the Company so wishes.
- ✚ The Investors Compensation Fund does not cover Eligible Counterparties.