



**SM CAPITAL MARKETS**

Global Online Trading

## **SM CAPITAL MARKETS CLIENT CATEGORISATION POLICY**

SM CAPITAL MARKETS LTD (previously named ABC 123 (CY) LTD)  
is authorized and regulated by CySEC License (339/17)  
with its registered business Office  
9, Spyrou Kyprianou Avenue,  
Neda Court Floor 1,  
3070 Limassol, Cyprus  
Tel: 00357 25281811 – Fax: 00357 25350175

## CONTENTS

INTRODUCTION .....	3
CLIENT CLASSIFICATION .....	3
Eligible Counterparties .....	3
Professional Clients .....	4
Retail Clients .....	5
OPTION TO CHANGE CLASSIFICATION .....	5
REQUEST FOR DIFFERENT CATEGORISATION.....	6
PROTECTION RIGHTS.....	6

## INTRODUCTION

Following the implementation of the Markets in Financial Instruments Directive (MiFID) in the European Union and in accordance with the Investment Services and Activities and Regulated Markets Law of 2007 (Law 144(I)/2007) in Cyprus, SM Capital Markets Ltd previously ABC 123 Ltd (hereinafter the “Company”) is required to categorize its Clients into one of the following three categories: retail, professional or eligible counterparty.

## CLIENT CLASSIFICATION

The Company, prior to engaging in business relationship with its potential clients, notifies the potential clients of the clients’ classification in use by the Company, and informs them about the category in which they are initially classified by the Company. Clients shall be categorized as follows, based on the criteria outlined below:

## ELIGIBLE COUNTERPARTIES

The Company, when dealing with eligible counterparties, is exempted from important obligations under conduct of business rules, best execution rules, client order handling rules.

For that purpose, eligible counterparties may consider to be falling within the following categories:

- Investment firms
- Credit institutions
- Insurance companies
- UCITS and their management companies
- Pension funds and their management companies
- Other financial institutions authorised or regulated under community or national law
- Commodity and commodity derivative traders (dealing on own account)
- National governments and their corresponding offices including public bodies which manage public debt

- Central Banks
- Supranational organisations
- Third country entities equivalent to the categories mentioned above

The Company when enters into transactions with eligible counterparties, obtains the express confirmation from the prospective counterparty that it agreed to be treated as an eligible counterparty. This confirmation may be obtained either in the form of a general agreement or in respect of each individual transaction.

## PROFESSIONAL CLIENTS

Professional client is a client who possesses the experience, knowledge and expertise to make its own investment decisions and properly assess the risks that it incurs.

In order to be considered a professional client, the client must fall within the following categories of clients:

- i. Entities which are required to be authorised or regulated to operate in the financial market, either from Member States or non-Member States, such as:
  - Credit institutions
  - Investment Firms
  - Other authorised or regulated financial institutions
  - Insurance undertakings
  - Collective investment schemes and management companies of such schemes
  - Pension funds and management companies of such funds
  - Commodity and commodity derivatives dealers
  - Locals
  - Other institutional investors
- ii. Large undertakings meeting two of the following size requirements, on a proportional basis:

- Balance Sheet total at least EUR20.000.000
  - Net Turnover at least EUR40.000.000
  - Own Funds at least EUR2.000.000
- iii. National and regional governments and public bodies
- iv. Other institutional investor whose main activity is to invest in financial instruments including entities dedicated to the securitisation of assets or other financing transactions

#### RETAIL CLIENTS

Every client, which is neither an eligible counterparty nor a professional client, is considered to be a retail client.

#### OPTION TO CHANGE CLASSIFICATION

It is noted that an eligible counterparty or professional client is allowed to request non-professional treatment and the Company may agree to provide a higher level of protection. In this respect, the Company notifies its clients in a written form of their option to be classified as retail clients. The Company proceeds in this action, in order to offer a uniform level of protection to all of its clients.

The higher level of protection will be provided by the Company when the client enters into a written agreement with the Company, to the effect that it shall not be treated as a professional. It is the responsibility of the client who is classified as a professional client to ask for a higher level of protection when he is not in a position to properly assess and manage the risks involved in the transactions.

In addition, clients who have been initially classified by the Company as retail clients are allowed to request to be treated as professional clients, provided that at least two of the following criteria are satisfied:

- The client has carried out transactions, in significant size, at an average frequency of 10 per quarter over the previous ten quarters.
- The size of the client's financial instrument portfolio exceeds EUR500.000.
- 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.

## REQUEST FOR DIFFERENT CATEGORISATION

In accordance with Section II above, the following request may be submitted to the company:

- a) A Retail Client requesting to be categorised as a Professional Client. In that case the Client will be afforded a lower level of protection.
- b) A Professional Client requesting to be categorised as a Retail Client. In that case the Client seeks to obtain a higher level of protection.
- c) An Eligible Counterparty requesting to be categorised as a Professional Client or Retail Client. In that case the Client seeks to obtain a higher level of protection.

The Company reserves the right to decline any of the above requests for different categorisation.

## PROTECTION RIGHTS

### Retail Clients/ Professional Clients

Where the Company treats the Client as a retail client, he/she/they will be entitled to more protections under the law than if the Client was entitled to be a professional client. In summary, the additional protections retail clients are entitled to are as follows:

- a) A retail client will be given more information/disclosures with regards to the Company, its services and any investments, its cost, commissions, fees and charges and the safeguarding of client financial instruments and client funds.
- b) Under the law, where the Company provides investment services other than investment advice (in the form of personal recommendations) or discretionary portfolio management, 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 so as to enable the investment firm to assess whether the investment service or product envisaged is appropriate for the client. In case the Company considers, on the basis of the information received, that the product or service is not appropriate to a retail client, it shall warn the client accordingly. Please note that the Company is not required to assess appropriateness in certain cases specified by law.

The Company shall be entitled to assume that a professional client has the necessary experience and knowledge in order 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 they have been classified as a professional client.

- c) When executing orders, investment firms and credit institutions providing investment services must take all reasonable steps to achieve what is called “best execution” of the client’s orders that is to obtain the best possible result for their clients.

Where the Company executes an order on behalf 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 cost 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 the third parties involved in the execution of the order.

When providing professional clients with best execution the Company is not required to prioritise the overall cost of the transaction as being the most important factor in achieving best execution for them.

- d) Investment firms and credit institutions providing investment services must obtain from clients such information as is necessary for the firm or credit institution, as the case may be, to understand the essential facts about the client and to have a reasonable basis for believing giving due consideration to the nature and extent of the service provided, that the specific transaction to be recommended, or entered into in the course of providing a portfolio management service, satisfies the following criteria:
  - i. It meets the investment objectives of the client in question;
  - ii. It is such that the client is able financially to bear any related investment risks consistent with his investment objectives;
  - iii. It is such that the client has the necessary experience and knowledge in order to understand the risks involved in the transaction or in the management of his portfolio.

Where the Company provides an investment service to a professional client it shall be entitled to assume that, in relation to the products, transactions and services for which it is so classified, the client has the necessary level of experience and knowledge for the purposes of paragraph (iii) above.

In addition, under certain circumstances, the Company shall be entitled to assume that a professional client is able financially to bear any investment risks consisted with its investment objectives.

- e) 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.
- f) The Company is required to provide retail clients:
  - i. With more information than professional clients as regards execution of orders, other than for portfolio management.
  - ii. With periodic statements in respect of portfolio management activities carried out on their behalf, more frequently than for professional clients.
- g) Where the Company provides portfolio management transactions for retail clients or operate retail client accounts that include an uncovered open position in a contingent liability transaction, it shall also report to the retail client any losses exceeding any predetermined threshold, agreed between the Company and the client, no later than the end of the business day in which the threshold is exceeded or, in case where the threshold is exceeded on a non-business day, the close of the next business day.
- h) If the Company provides an investment service other than investment advice to a new retail client, the Company must enter into a written basic agreement with the client, setting out the essential rights and obligation of the firm and the client.
- i) We shall not use financial instruments held by us on behalf of a client for our own account or the account of another client of ourselves, without the client's prior express consent to the use of the instruments on specified terms, as evidenced, in the case of a retail client, by his signature or equivalent alternative mechanism.
- j) Retail clients may be entitled to compensation under the Investor Compensation Fund for Bank Clients or the Investor Compensation Fund for Clients of Investment Firms, as the case may be.
- k) Eligible Counterparties

Where the Company treats the Client as an eligible counterparty, the Client will be entitled to fewer protections under the law than he/she/they would be entitled to as a professional client. In particular, and in addition to the above:

- a. The Company is not required to provide the Client with the best execution the Client's orders;
- b. The Company is not required to disclose to Client information regarding any fees or commissions that the Company pays or receives;
- c. The Company is not required to assess the suitability or appropriateness of a product or service that it provides to Client but can assume that the Client have the expertise to choose the most appropriate product or service for him/her/them and that he/she/they is/are able financially to bear any investment risks consisted with his/her/their investment objectives;
- d. The Company is not required to provide the Client with information about the Company, its services and the arrangements through which the Company will be remunerated;
- e. The Company is not required to provide the Client with risk disclosures on the products or services that he/she/they select/s from the Company; and
- f. The Company is not required to provide reports to the Client on the execution of his/her/their orders or the management of his/her/their investments.