

# CLIENT CATEGORISATION POLICY

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## **1. INTRODUCTION**

This document provides a summary of our Client Categorisation Policy (the 'Policy'), and is issued pursuant to, and in compliance with the EU Directive 2004/39/EC of 21 April 2004 on Markets in Financial Instruments ('MiFID'), Law 87(I)/2017 regarding the provision of investment services, the exercise of investment activities and the operation of regulated markets in Liechtenstein (the "Law") and all Liechtenstein Legislation (the 'Rules') that apply to ANCHORAGE ASSET MANAGEMENT AG.

ANCHORAGE ASSET MANAGEMENT AG EUROPE AG ('ANCHORAGE ASSET MANAGEMENT AG' or 'Company' as appropriate) has to categorise its Clients into one of the following three categories: Retail Client, Professional Client (per se or Elective Professional) or Eligible Counterparty. This statement forms part of our terms of business. Therefore, by agreeing to the terms of the applicable Client Agreement, Clients are also providing consent to the terms of this Policy, as summarised in this document.

## **2. CLIENT CLASSIFICATION**

The Company, prior to engaging in business relationship with potential clients, notifies the potential clients about clients' classification in use by the Company, and informs them about the category in which they are initially classified by the Company. We shall treat all of our Clients as Retail Clients subject to the following:

- a. The Client does not satisfy the definition of Professional Client or Eligible Counterparty, in which case the we shall notify the Client that we wish to treat him/her/them as such; and
- b. The Client may request a different client categorisation from the one the Company has allocated to him/her/them and the Company reserves the right to decline such a request. If the Client requests a different categorisation and we agree to such a request, the Client may lose the protection afforded by certain FMA Rules. We will consider such requests at our discretion and after reviewing the Client's circumstances. Should the Client's circumstances change, the Client is responsible for notifying us of the change.

It is noted that if the Company elects to treat the Client, or the Client requests to be treated, as a Professional Client or an Eligible Counterparty, the Company will provide the Client with full details of any limitations to the level of regulatory protection that such a different categorisation would entail.

The client categories and the categorisation criteria based on which the Clients are categorised are outlined in the following clauses.

## **3. RETAIL CLIENTS**

Every client, who is neither a Professional Client nor an Eligible Counterparty, is considered to be a Retail Client.

## **4. PROFESSIONAL CLIENTS**

### **4.1. Per Se 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:

- a. Entities which are required to be authorized or regulated to operate in the financial markets, either from Member States or non-Member States, such as:
  - i. Credit institutions;
  - ii. Investment Firms;
  - iii. Other authorized or regulated financial institutions;
  - iv. Insurance undertakings;

- v. Collective investment schemes and management companies of such schemes;
  - vi. Pension funds and management companies of such funds;
  - vii. Commodity and commodity derivatives dealers;
  - viii. Locals;
  - ix. Other institutional investors.
- b. Large undertakings meeting two of the following size requirements, on a proportional basis:
    - i. Balance Sheet total at least EUR 20.000.000;
    - ii. Net Turnover at least EUR 40.000.000;
    - iii. Own Funds at least EUR 2.000.000.
  - c. National and regional governments and 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 Investment Bank and other similar international organizations.
  - d. Other institutional investors whose main activity is to invest in financial instruments including entities dedicated to the securitization of assets or other financing transactions.

The entities mentioned above are considered to be professionals. They are however allowed to request non-professional treatment and the Company may agree to provide a higher level of protection. Where the Client is an undertaking referred to above, the Company shall inform him/her/them prior to any provision of services that, on the basis of the information available to us, the Client is deemed to be a Professional Client, and will be treated as such unless the Company and the Client agree otherwise. The Company shall also inform the Client that he/she/they can request a variation of the terms of the Client Agreement in order to secure a higher degree of protection.

It is the responsibility of the Client, considered to be a Professional Client, to ask for a higher level of protection when he/she/they deem(s) he/she/they is/are 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 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 shall specify whether this applies to one or more particular services or transactions, or to one or more types of products or transaction.

#### **4.2. Elective Professional Clients**

Clients other than those mentioned in sub-clause 4.1 above, including public sector bodies and private individual investors, may also be allowed to waive some of the protections afforded by the conduct of business rules of the Company.

It shall be noted that the clients mentioned in sub-clause 4.1 above are considered to be professionals in relation to all investment services and activities and financial instruments, while the clients mentioned in this clause 4.2 may be treated as professionals generally or in respect of a particular investment service or transaction, or type of transaction or product.

The Company may, therefore, treat a Client as an Elective Professional Client, provided the following criteria are fulfilled:

- a. The Company undertakes an adequate assessment of the expertise, experience and knowledge of the Client, that gives reasonable assurance, in light of the nature of the transactions or services envisaged, that the Client is capable of making his own investment decisions and understanding the risks involved;
- b. In the course of the above assessment, at least two of the following criteria should be satisfied:

- i. 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 (4) quarters;
- ii. The size of the Client's financial instrument portfolio, defined as including cash deposits and financial instruments exceeds 500 000 EUR;
- iii. The Client works or has worked in the financial sector for at least one (1) year in a professional position, which requires knowledge of the transactions or services envisaged.

The following procedure is followed by the Company:

- i. The Client states in writing to the Company that he/she/they wish(es) to be treated as a Professional Client either generally or in respect of a particular service or transaction or type of transaction or product;
- ii. The Company gives the Client a clear written warning with full details of any limitations to the level of regulatory protection that such a different categorisation would entail; and
- iii. The Client states in writing, in a separate document from the Client Agreement, that he/she/they is/are aware of the consequences of losing protections.

## **5. ELIGIBLE COUNTERPARTIES**

A Client is considered an Eligible Counterparty if the Company undertakes one of the following activities for them:

- a. Reception and transmission of orders; and/or
- b. Execution of such orders; and/or
- c. Dealing on own account.

Eligible counterparty is any of the following entities:

- i. Investment firms;
- ii. Credit institutions;
- iii. Insurance undertakings;
- iv. UCITS and their management companies;
- v. Pension funds and their management companies;
- vi. Other financial institutions authorised by a member state or regulated under community legislation or the national law of a member state;
- vii. Persons whose main business consists of dealing on own account in commodities and/or commodity derivatives;
- viii. Firms which provide investment services and/or perform investment activities consisting exclusively in dealing on own account on markets in financial futures or options or other derivatives and on cash markets for the sole purpose of hedging positions on derivative markets or which deal for the accounts of other members of those markets or make prices for them and which are guaranteed by clearing members of the same markets, where responsibility for ensuring the performance of contracts entered into by such firms is assumed by clearing members of the same markets;
- ix. National governments and their corresponding offices, including public bodies that deal with public debt, central banks and supranational organisations;
- x. Member state undertakings, other than those referred above (sub-clauses (i) – (ix)), meeting pre-determined proportionate requirements, including quantitative thresholds. In the event of a transaction where the prospective counterparty is located in another member state, the Company shall defer to the status of the other undertaking as determined by the legislation of the said member state in which that undertaking is established;
- xi. Third country entities equivalent to the categories mentioned above. The Company recognises as eligible counterparties third country undertakings such as those stated in sub-

clause (x) on the same conditions and subject to the same requirements as those lay down in sub-clause (x).

When dealing with eligible counterparties, the Company are exempted from important obligations under conduct of business rules, best execution rules, etc. For that purpose, when the Company enter into transactions with Eligible Counterparties, the Company shall obtain the express confirmation from the prospective counterparty that he/she/they agree(s) 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.

## **6. REQUEST FOR DIFFERENT CATEGORISATION**

A Client has the right to request a different categorisation by submitting a written request to the Company, whereby the procedure provided under sub-clause 4.2(c) is followed by the Company, in any of the following scenarios:

- i. A Retail Client requests to be categorised as a Professional Client, in which case the Client will be afforded a lower level of protection;
- ii. A Professional Client requests to be categorised as a Retail Client, in which case the Client seeks to obtain a higher level of protection;
- iii. An Eligible Counterparty requests to be categorised as a Professional Client or a Retail Client, in which case the Client seeks to obtain a higher level of protection.

Before deciding to accept any of the above requests, the Company will take all reasonable steps to ensure that the Client meets the relevant tests and criteria of the certain category requested, as those are set under clause 1 of this Policy.

Upon receive of such a re-categorization request, the Company shall inform the Client, in writing, about the rights and protections of the different categorization and about any limitations to the level of client protection that new category would entail. The rights and limitations of each category are set below in this Policy.

The Company reserves the right to decline any of the above requests for different categorization, at our sole discretion.

## **7. PROTECTION RIGHTS**

### **7.1. Retail Clients/ Professional Clients**

Where the Company treats the Client as a Retail Client, the Client will be entitled to the highest level of protection 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 and disclosures with regards to the Company, its services, cost, commissions, fees and charges and the safeguarding of client financial instruments and client funds. The Company ensures the safeguarding of Client instruments and the segregation of Client funds from the Company's own funds, which, in accordance with the EU financial regulations, are kept in reputable licensed financial institutions within the EU and are at all times segregated from the Company's. Segregation of client money ensures that in the event the Company becomes insolvent, funds held in these accounts will be returned to the clients, minus the administrators' cost in handling and distributing these funds, instead of being treated as recoverable assets by general creditors of the Company;
- b. Investor Compensation Fund ('ICF') is the Liechtenstein compensation fund of last resort for clients of Liechtenstein Investment Firms('LIF'), such as ANCHORAGE ASSET MANAGEMENT AG. Membership to the ICF ensures that Clients of the Company can claim compensation in the event that the Company is unable to compensate its clients for a claim. This provides the Company's Clients with an extra measure of insurance for their funds. The ICF does not cover Institutional or Professional Clients but only Retail Clients of the Company.

The total payable compensation to each covered Client may not exceed €20.000, irrespective of the number of accounts held, currency and place of offering of the investment service;

- c. Under the Law, where the Company provides investment services 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 the Client, it shall warn the Client accordingly;
- d. The Company is 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 the Client has been classified as a Professional Client;
- e. When executing orders, the Company will take all reasonable steps to obtain the best possible result for the client under any circumstances. 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. Further information can be found on the Company's Order Execution Policy. When providing Professional Clients with best execution the Company is not required to prioritize the overall cost of the transaction as being the most important factor in achieving best execution for them;
- f. The Company must obtain from Clients such information as it is necessary for the Company 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, satisfies the following criteria:
  - i. It meets the investment objectives of the Client in question;
  - ii. It is such that the Client is able to financially 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.
- g. 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 sub-clause (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 consistent with its investment objectives.
- h. The Company shall 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 shall provide Retail Clients with more information than Professional Clients as regards execution of orders. If the Company provides an investment service to a new Client, the Company must enter into a written Client Agreement with the Client, setting out the essential rights and obligations of the Company and the Client.
- i. The Company 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, by his signature or equivalent alternative mechanism. Retail clients have the rights to refer complaints to the Financial Ombudsman of Liechtenstein and may also benefit from the maximum protection available under the Investor Compensation Fund ("ICF").

## **7.2. Eligible Counterparties**

Where the Company treats the Client as an Eligible Counterparty, the Client will be entitled to less protections under the law than he/she/they would be entitled to as a Professional or Retail Client. In particular, and in addition to the above:

- a. The Company is not required to provide the Client with best execution when executing the Client's orders;
- b. The Company is not required to disclose to the 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 the Client but can assume that the Client has the expertise to choose the most appropriate product or service for him/her/them and that he/she/they is/are able to financially bear any investment risks entailed 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.