

# CLIENT CATEGORIZATION POLICY



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## INTRODUCTION

Windsor Brokers Ltd (the “Company”) is a Cypriot Investment Firm regulated by the Cyprus Securities and Exchange Commission (the “CySEC”) with licence number 030/04. The Company operates in compliance with the Law 87(1)/2017 (“the Law”) regarding the provision of investment services, activities and the regulated markets which transposed MiFID II in to CySEC legislation

One of the main consequences of MiFID II is that entities carrying on investment business are subject to specific regulatory requirements, including obligations to protect investors. A fundamental part of this regulatory framework is the requirement to categorize clients as Eligible Counterparty, Professional Client or Retail Client so that when carrying out business with the client we can provide the level of information, services and protection that is appropriate to and consistent with the client’s categorization.

## CATEGORIZATION CRITERIA

In accordance with Article 101 of the Law, the Company is under the obligation to inform and categorize its Clients into one of the following three categories:

### Retail Client

“Retail Client” is every client, which is neither a professional client nor an eligible counterparty. Generally, Retail Clients are not considered to have relevant and/or sufficient knowledge and experience for investments. Retail Clients cannot be classified as professionals within the meaning of the Law, they enjoy a higher level of protection, in relation to professional clients and eligible counterparties, which consists mainly of more detailed information provided by the Company to Retail Clients.

### Professional Client

“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 (s)he incurs. There are two categories of professional clients, namely *per se* professional clients, which are mainly legal entities either by nature and/or by size and *elective* professional clients who may be treated as professionals on request.

### Professional Clients by default

In order to be considered a professional client, a client must comply with one of the following criteria:

- a. Entities which are required to be authorised or regulated to operate in the financial markets such as:
  - Credit Institutions;
  - Investment Company’s;
  - Other Authorised 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 (for e.g., Portfolio Investment Companies).
- b. Large undertakings meeting two of the following size requirements on a company basis:
- Balance sheet total at least: EUR 20,000,000;
  - Net turnover at least: EUR 40,000,000;
  - Own funds at least: EUR 2,000,000
- c. National and regional government, a public body that manage public debt, a central bank, international and supranational institution 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 securitisation of assets or other financing transactions.

The entities mentioned above are considered to be professionals. They are however allowed to request nonprofessional treatment and the Company may agree to provide a higher level of protection. Where the client of the Company is an undertaking referred to above, the Company must inform the client prior to any provision of services that, on the basis of the information available to the Company, the client is deemed to be a professional client, and will be treated as such unless the Company and the client agree otherwise. The client may request a variation of the terms of the 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 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 enters into a written agreement with 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 product or transaction.

## Elective Professionals

Clients who may be treated as professionals on request, following approval and assessment by the Company. In the course of the above assessment, as a minimum, two of the following criteria should be satisfied:

1. the client has carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous four quarters;
2. the size of the client's financial instrument portfolio, defined as including cash deposits and financial instruments exceeds EUR 500,000;
3. 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 Company will notify the client if and when it agrees to categorise the client as a professional client or eligible counterparty. In the case of small entities, the person subject to the above assessment must be the person authorised to carry out transactions on behalf of the entity.

## Procedure for Reclassification

Retail Clients as defined above choosing to be treated as Professionals, can waive the benefit of the detailed rules of conduct only where the following procedure is followed:

- the client must state in writing to the Company that they wish to be treated as professional clients, either generally and/or in respect of a particular investment service and/or transaction and/or type of transaction and/or product using the relevant form provided by the Company;
- the Company must give the Client a clear written warning of the protections and investor compensation rights they may lose,
- the Client 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, Windsor Brokers Ltd is required to take all reasonable steps to ensure that the client requesting to be treated as a professional client meets the relevant requirements stated above in section 2.3 (a).

Windsor Brokers Ltd implements appropriate written internal policies and procedures to categorize clients. Professional clients are responsible for keeping the Company informed about any change, which could affect their current categorization. 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.

## Eligible Counterparties

An Eligible counterparty is an undertaking which falls within categories (a), (b), and (c) of the clients who are considered to be Professionals by default. Further, the eligible counterparty category is applicable only for the following investment services:

- Reception and transmission of client orders
- Execution of orders on behalf of clients

## REQUEST FOR DIFFERENT CATEGORIZATION

### Opt-up for Retail and Professional Clients

Clients that have been categorised as retail or professional clients and meet the opt-up conditions may, with their express consent, be treated as professional clients or eligible counterparties either for all services for which such opt-up is permitted by law and/or in respect of a particular investment service and/or transaction and/or type of transaction and/or product. The Company must satisfy various requirements set out in CySEC Rules and Regulations and in accordance to the Law as in force and/or as this may be amended from time to time, including to obtain express written request/confirmation from the client.

Any waiver from a Client to be treated as professional on request and in relation to the protection afforded by the standard conduct of business regime shall be considered valid by the Company only if an adequate assessment of the expertise, experience and knowledge of the client, undertaken by the Company, gives reasonable assurance, in light of the nature of the transactions and/or services envisaged, that the Client is capable of making his/her own investment decisions and/or

understanding the risks involved. It is the responsibility of the client who is classified as a retail or 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.

### Opt-down for Professional Clients and Eligible Counterparties

A client who has been categorised as an Eligible Counterparty may, request the Company to be classified as a Retail Client or a Professional Client in order to obtain a higher level of protection. This will be provided when the client who is considered to be an Eligible Counterparty enters into a written agreement with the Company to the effect that the client shall not be treated as an Eligible Counterparty for the purposes of the applicable conduct of business regime, whereby such agreement shall specify that the Eligible Counterparty requests to be re-classified as a Retail Client or a Professional Client as the case may be, either generally or in connection to the particular investment service or transaction.

A client who has been categorised as a Professional may, request the Company to be classified as a Retail Client in order to obtain a higher level of protection. This will be provided when the client who is considered to be a Professional enters into a written agreement with the Company to the effect that the client shall not be treated as a Professional Client for the purposes of the applicable conduct of business regime, whereby such agreement shall specify that the Professional Client requests to be re-classified as a Retail Client, either generally or in connection to the particular investment service or transaction.

In accordance with the above, the following requests 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.

Professional Clients and Eligible Counterparties are responsible for keeping the Company informed of any change which could affect their categorization. Where the Company becomes aware that a Professional Client or Eligible Counterparty no longer fulfils the initial conditions that made him eligible for a Professional Client/Eligible Counterparty treatment, it may proceed amongst other actions with recategorizing the Client as a Professional Client or a Retail Client.

## DIFFERENCES IN PROTECTION

Retail clients and Elective Professional clients are entitled to more protections under the Law than the per se professional clients and eligible counterparties. These protections, *inter alia*, include:

- a. Retail clients and Elective Professional clients will be given more information disclosures with regard to our company, our services and any investments, our costs, commissions, fees and charges and the safeguarding of client financial instruments and client funds.

- b. When we provide investment services, retail clients will be asked to provide information regarding their knowledge and experience in the investment field relevant to the specific type of product or service offered or demanded so as to enable the Company to assess whether the investments 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 for a particular retail client, the Company shall warn the client accordingly.

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.

- c. 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. 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.
- d. When executing orders, the Company 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 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 must inform retail clients of material difficulties relevant to the proper carrying out of their order(s) promptly upon becoming aware of the difficulty.
- e. Retail and Elective Professional clients receive from the Company all the required regulatory information with regards to the execution of their orders.

#### Protection Rights for Retail Clients:

- a. Retail clients are entitled to receive standardized risk warnings about CFD trading.
- b. Retail clients may be entitled to compensation under the Investors’ Compensation Fund for Clients of Investment Firms.
- c. The maximum level of leverage on the opening of a position by a Retail client is limited from 1:30 to 1:2, which varies according to the volatility of the underlying asset class.
- d. Retail clients cannot be provided with any trading benefits including bonuses.

## REVIEW OF THIS POLICY

The Company, on a regular basis, monitors and assesses the effectiveness of this Policy in order to deliver the best possible services to its Clients, and, where appropriate reserves the right to amend its policies at any time by making them public on its official website. Policies shall be reviewed and/or amended annually and/or as and when it is deemed necessary by Regulatory Authorities and the Compliance Officer after being further approved by the Board of Directors. The client consents and agrees that the latest versions of any of the Documentation and/or Policies published on the Company’s official website shall prevail



## Additional Information

Additional information and/or clarifications in relation to this policy and/or this document are available upon explicit written request via e-mail at: [support@WindsorBrokers.eu](mailto:support@WindsorBrokers.eu).



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