

# **INFORMATION ON CLIENT CATEGORISATION**

## **1. Client Categorisation**

Under the Securities Trading Act chapter 10, based on the Markets in Financial Instruments Directive («MiFID2»), Cleaves Securities AS («the Company») is instructed to classify all its clients in different standardized categories, based on objective conditions subject to the clients' professionalism. Clients are to be classified as non- professional clients, professional clients or qualified contracting parties, respectively.

To what extent the client is protected by the law depends on the classification of the client. These guidelines explain the main characteristics of the investor protection for each client classification. The explanation is not exhaustive.

To a certain degree, legislation allows for clients wanting to change to another classification, being able to request the Company to reclassify. Such a request for a change of client classification must be approved by the Company. Even if the conditions following below are met, the Company is nevertheless free to assess whether we want to comply with a request. The Company has established its own procedures for reclassifying clients.

These guidelines on the classification of clients are in Norwegian and English versions. In the event of a conflict, the Norwegian version is to take pride of place.

## **2. Non-Professional Clients**

### **2.1 Level of investor protection**

Non-professional client are entitled to the highest degree of investor protection that follows from the Securities Trading Act and the Securities Regulations. This means, inter alia, that the Company is obliged to a greater extent than the other client classifications to adapt the provision of services to the client's individual needs and criteria.

Before providing investment services to non-professional clients, the Company is to assess whether the investment service or the financial instrument is expedient for the client. Investment recommendations will be carried out based on the client's information about investment targets, financial position, and experience and knowledge about the investment service/the financial instrument in question.

If the client wishes to carry out a trade which the Company does not find expedient in view of the client's knowledge and experience, the Company is obliged to warn the client about this. The trade can be carried out all the same if the client wants this despite the warning.

The status of non-professional client also implies an extensive right to receive information from the Company. The Company is obliged i.a. to provide information about the subject financial instruments and risks involved with such instruments, the trading systems and marketplaces the Company uses, as well as prices and other expenses associated with any transaction, thus putting the client in a position to make an informed and reasoned investment decision. Such information is provided in the Company's General Business Terms and Conditions.

## **2.2 The opportunity to reclassify**

Non-professional clients may ask to be treated as professional clients or qualified contracting parties (only legal persons) on the proviso that the defined terms and conditions are met and that a defined procedure is followed. Such reclassification entails a lower degree of investor protection.

### **2.2.1 From a non-professional client to a professional client**

#### **1) Absolute requirements**

The client must meet at least two of the following criteria:

1. the client has carried out sizeable transactions in the relevant market on average ten times per quarter in the four previous quarters.
2. the size of the client's financial portfolio, defined as comprising cash holdings and financial instruments, exceeds a sum which in NOK equals EUR 500,000.
3. the client works or has worked in the financial services sector for at least one year in a position requiring knowledge of the relevant transactions and investment services.

#### **2) Procedure**

The client is to inform the Company that they want to be treated as a professional client. The client is asked to document that the requirements are met. Moreover, the client is to declare in a separate document that the client knows the consequences of losing the protection that follows from being classified as a non-professional client and which basically is apparent from this information circular. For further information please contact the Company's Compliance Officer.

The Company will make concrete assessment of whether a reclassification is to be carried out or not based on the client's expertise, experience, and knowledge as well as the planned transactions.

### **2.2.2 From a non-professional client to an eligible counterparty**

If a non-professional legal person asks to be reclassified as an eligible counterparty the client must first ask to be classified as a professional client. For reclassification from a non-professional to a professional client, please see clause 2.4 above, as well as clause 3.5 below for reclassification from a professional client to qualified contracting party.

## **3. Professional Clients**

Under the Securities Regulations Section 10-2, clients are considered professional in relation to all investment services and financial instruments if they

- 1) are an eligible counterparty as mentioned in the Securities Trading Act Section 10-14 second subsection
- 2) are a legal person who meets at least two of the following three requirements for the size of the business:

- a. have a balance sheet in the accounts amounting to a sum in NOK that at least equals EUR 20 million
  - b. have annual net revenues amounting to a sum in NOK that at least equals EUR 40 million,
  - c. have owners' equity amounting to a sum in NOK that at least equals EUR 2 million,
- 3) are other institutional investors that primarily invest in financial instruments,
- 4) are other clients that ask to be classified as professional clients (see also clause 2.2.1 above).

### **3.1 Level of investor protection**

Clients classified as professional clients are protected by the legislation to a slightly less extent than non-professional clients. Professional clients are assumed to have knowledge and experience to assess the risk involved in different investment services and financial instruments.

The Company will not be obliged to assess whether it is expedient to carry out relevant transactions and the Company thus is not obliged to discourage such transactions either as it is vis-à-vis non-professional clients.

The degree of investor protection may be of significance to the speed with which the transaction in question is carried out. Another consequence will be that professional clients may get access to a broader spectrum of products. Professional clients are also assumed to be qualified to assess which information is necessary to reach a decision to invest. This means that professional clients must gather information they consider to be necessary themselves to a greater extent than non-professional clients. On the other hand, professional clients will receive reports about services carried out and other important information such as the Company's guidelines for issuing orders and the Company's security right or right of retention of financial instruments or funds.

### **3.2 The opportunity to reclassify**

Professional clients may ask to be classified as non-professional clients and thus get a higher degree of investor protection (see the description in clause 2.2 above). Professional clients may also ask to be classified as qualified contracting parties and thus get a lower degree of investor protection. Professional clients are responsible for the securities undertaking being held continuously informed about any change that could impact on their classification.

#### **3.2.1 From a professional client to a non-professional client**

It is a professional client's duty to ask for a higher degree of protection when that client believes they are unable to make a correct risk assessment. Such a change of client classification is to be documented by way of a written agreement between the Company and the client.

### **3.2.2 From a professional client to an eligible counterparty**

Professional clients that are individuals (retail investors) and meet two of the three criteria in clause 2.2.1 above may ask the Company to be treated as eligible counterparties. Express confirmation by the client consenting to being treated as an eligible counterparty is to be collected.

## **4. Eligible Counterparties**

Eligible counterparties normally follow the following definitions under the Securities Regulations Section 10-3 and the Securities Trading Act Section 10-14 (the list is not exhaustive):

- Securities undertakings.
- Credit institutions.
- Insurance companies.
- Securities funds and management companies.
- Pension funds and management companies.
- Public enterprises.
- Professional clients that meet the terms and conditions of the Securities Regulations Section 10-2 litra b.

### **4.1 Level of investor protection**

Eligible counterparties have the lowest degree of investor protection since several of the provisions of the Securities Trading Act do not apply to this group of clients. This includes the Securities Trading Act's provisions for good business practice, best results (including the Company's guidelines for issuing orders) and certain rules connected with processing orders.

Eligible counterparties are assumed to be able to safeguard their own interests in the securities market and therefore it is only large institutions' parties who classify in this way. When it comes to the requirement to assess suitability and expediency the rules will apply to Eligible counterparties as to professional clients.

The exception from the provision regarding good business practice means i.a. that some of the rules requiring information and reporting do not apply to this client classification. Basically this also applies to the rule that the Company is to ensure that the client's interests are safeguarded in the best possible way. However, the requirement for good business practice as a general principle must apply independently of the exemption from the provision in the Securities Trading Act and thus qualified contracting parties will to a certain extent be protected by the general principles regarding good business practice.

### **4.2 The opportunity to reclassify**

Eligible counterparties may ask to be classified as professional clients or non-professional clients and thus obtain a higher degree of investor protection.

#### **4.4 From an eligible counterparty to a professional client**

Eligible counterparties may ask to be treated as professional clients if they want a higher degree of investor protection and to be covered by the rules for good business practice.

#### **4.5 From an eligible counterparty to a non-professional client**

If those clients who initially are classified as eligible counterparties want a higher degree of investor protection they can ask to be treated as non-professional clients. Clause 3.2.1 above will similarly apply on such a request.