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Ebury Partners

# Client Categorisation Notice

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# Table of Contents

- 1. Client Categorisation:** An Overview
- 2. Retail Clients:** Qualification and Corresponding Protection
- 3. Professional Clients:** Qualification and Corresponding Protection
- 4. Eligible Counterparties:** Qualification and Corresponding Protection
- 5. Changing your Categorisation:** Eligibility criteria and Corresponding Protection

## 1. Client Categorisation: An Overview

The Markets in Financial Instruments Directive (Onshored EU Directive 2014/65/EU active from 2017) (“MiFID II”) is a Directive intended to regulate the activities of firms providing services relating to financial instruments. Certain hedging products offered by Ebury fall under the scope of MiFID II, meaning they must be treated as investment products and managed accordingly.

Products provided by Ebury that fall under the scope of MiFID II are:

- Non-deliverable FX forwards (“NDFs”).
- Deliverable FX forwards, where they are purchased by you other than for the purposes of facilitating payment for identifiable goods or services or foreign direct investment.

The implementation of MiFID II legislation has made firms that offer investment services covered by MiFID subject to specific regulatory requirements, including the requirement to categorise clients. Clients are categorised under the following classifications:

1. Retail Clients
2. Professional Clients Per Se
3. Eligible Counterparties Per Se
4. Elective Professionals
5. Elective Eligible Counterparties

Categorising Clients under these groupings is intended to ensure that Clients are offered the necessary level of protection afforded them by the implementation of MiFID. MiFID ensures that individuals with limited knowledge of and involvement in market activity are afforded greater protection with regard to the regulated activity that they can participate in.

Firms that offer Investment Services to these Clients are required to take greater responsibility for shielding the client from certain levels of exposure.

By contrast, clients with frequent and substantial market activity are granted greater autonomy with regard to which services they can access and the protections extended to them by MiFID firms are less .

It is important to understand which category applies to you and which protections you will be afforded as a client of Ebury Partners Markets (hereafter “EPM”). It is possible to request re-categorisation subject to meeting the criteria and accepting the terms outlined in this notice.

All prospective clients of EPM are required to read this Client Categorisation Notice before completing the form below. Clients will be asked to sign to confirm their agreement and understanding of their final categorisation and the level of protection it affords as is outlined in this notice.

## 2. Retail Clients: Qualification and Corresponding Protection

A Retail Client is defined as a client that does not meet the criteria for categorisation as a Professional Client or an Eligible Counterparty. Retail Clients are therefore limited in scale (typically individuals) and engage in smaller scale market activity.

Retail Clients are afforded the greatest level of protection under MiFID. These protections include:

1. Providing the client with more information in relation to the company, services provided, costs, fees, commissions, charges, investments and safeguarding of client assets and funds.
2. Requiring the client to provide information about the knowledge they have of a particular service provided or requested and where EPM is in doubt about the suitability of a particular product or service, they are required to warn the client accordingly.
3. Providing the client with Best Execution, meaning that EPM must provide the client with the best possible result from the service for the client. In its simplest form this means the best price and the lowest possible costs and fees.
4. Requiring EPM to ensure that any action taken on behalf of the client with relation to services provided must meet the client's investment objectives, meet the client's risk appetite and be suitable with regard to the client's knowledge and experience.

### 3. Professional Clients: Qualification and Corresponding Protection

A Professional Client is a client who is deemed capable to make their own investment decisions, with the ability to assess the risks associated with their investment decisions and the ability to decide on the suitability of the products to their needs..

As found in the FCA handbook, COBS 3.5.2 R, these are:

1. Credit Institutions
2. Investment Firms
3. Other authorised or regulated financial institutions
4. Insurance Companies
5. Collective investment schemes or the management company of such a scheme
6. Pension fund or the management company of a pension fund
7. A commodity or commodity derivatives dealer
8. A local authority
9. Other institutional investors

Alternatively, if the none of the above apply, Professional Per Se categorisation can be achieved through:

1. Clients that meet two or more of the following three criteria relating to MiFID business:
  - (a) A balance sheet total of EUR 20,000,000
  - (b) A net turnover of EUR 40,000,000
  - (a) Own funds of EUR 2,000,000;

Clients who are large undertakings (which may be non-MiFID or third country equivalent) may be categorised as Per Se professionals if any of the below are met:

2. a body corporate (including a limited liability partnership) which has (or any of whose holding companies or subsidiaries has (or had at any time during the previous two years) called up share capital or net assets of at least £5 million (or its equivalent in any other currency at the relevant time)
3. An undertaking that meets (or any of whose holding companies or subsidiaries meets) two of the following tests:
  - (a) a balance sheet total of EUR 12,500,000;
  - (b) a net turnover of EUR 25,000,000;
  - (c) an average number of employees during the year of 250;
4. A partnership or unincorporated association which has (or has had at any time during the previous two years) net assets of at least £5 million (or its equivalent in any other currency at the relevant time) and calculated in the case of a limited partnership without deducting loans owing to any of the partners.

### 3. Professional Clients: Qualification and Corresponding Protection (Continued)

5. A trustee of a trust (other than an occupational pension scheme, SSAS, personal pension scheme or stakeholder pension scheme) which has (or has had at any time during the previous two years) assets of at least £10 million (or its equivalent in any other currency at the relevant time) calculated by aggregating the value of the cash and designated investments forming part of the trust's assets, but before deducting its liabilities
6. A trustee of an occupational pension scheme or SSAS, or a trustee or operator of a personal pension scheme or stakeholder pension scheme where the scheme has (or has had at any time during the previous two years):
  - (a) at least 50 members; and
  - (b) assets under management of at least £10 million (or its equivalent in any other currency at the relevant time)
7. A national or regional government, including a public body that manages public debt at national or regional level, a central bank, an international or supranational institution (such as the World Bank, the IMF, the ECB, the EIB) or another similar international organisation
8. Another institutional investor whose main activity is to invest in financial instruments (in relation to the firm's MiFID or equivalent third country business) or designated investments (in relation to the firm's other business). This includes entities dedicated to the securitisation of assets or other financing transactions

Professional Clients are not afforded the same protections that are enjoyed by Retail Clients because it is expected that they possess sufficient experience and knowledge of the instruments and the services on offer as well as sufficient financial resources to withstand possible market volatility.

This expectation excludes Professional Clients from a suitability assessment when requesting a product or service and EPM is not required to provide the same level of product disclosure to Professional Clients.

### 4. Eligible Counterparties: Qualification and Corresponding Protection

An Eligible counterparty is one which can be either a Per Se Eligible Counterparty or an Elective Eligible Counterparty.

A client may only be categorised as Eligible Counterparty in relation to Eligible Counterparty Business:

- (a) dealing on own account, execution of orders on behalf of clients or reception and transmission of orders; or
  - (b) any ancillary service directly related to a service or activity referred to in (a); or
  - (c) arranging in relation to business which is not MiFID or equivalent third country firm business;
- but only to the extent that the service or activity is carried on with or for an eligible counterparty.

A client may be considered for Eligible Counterparty categorisation if they meet the following criteria as found in the FCA Handbook, COBS 3.6.1 R:

1. An Investment firm
2. A credit institution
3. An insurance company
4. A collective investment scheme authorised under the UK provisions which implemented the UCITS Directive or its management company;
5. A pension fund or its management company;
6. Another financial institution authorised or regulated under the law of the United Kingdom
7. A national government or its corresponding office, including a public body that deals with public debt at national level
8. A central bank
9. A supranational organisation.

Eligible Counterparties, much like Professional Clients, are not afforded the protections of Retail Clients.

## 5. Changing your Categorisation: Eligibility criteria and Corresponding Protection

Clients who are not automatically categorised as Professional or Eligible Counterparty could be eligible for “Elective Professional Categorisation”. Clients must request to be re-categorised in writing.

It is important to note that by choosing an Elective Professional Categorisation, the client forfeits the protections previously granted to them as Retail Clients and they are treated as Professional clients under MiFID II legislation.

Clients may also elect to be an Elective Eligible Counterparty. In doing so they accept the levels of protection afforded Eligible Counterparties.

EPM may allow a Retail Client to be re-categorised as an Elective Professional Client if they:

1. Request in categorised as an Elective Professional Client, having read this notice and understood the reduction in protections afforded to them.
2. Meet two of the three following criteria:
  - 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
  - the size of the client’s financial instrument portfolio, defined as including cash deposits and financial instruments, exceeds EUR 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
3. The following procedure is followed:
- The client must state in writing to the firm that it wishes to be treated as a professional client either generally or in respect of a particular service or transaction or type of transaction or product;
  - The firm must give the client a clear written warning of the protections and investor compensation rights the client may lose; and
  - The client must state in writing, in a separate document from the contract, that it is aware of the consequences of losing such protections.

EPM may allow a client to be re-categorised as an Elective Eligible Counterparty if they:

1. Write to EPM requesting to be re-categorised as an Elective Eligible Counterparty having read this notice and understood the reduction in protections afforded to them.
2. Meet the following criteria:
  - The client is an undertaking and:
  - is a per se professional client (except for a client that is only a per se professional client because it is an institutional investor)
  - is a body corporate (including a limited liability partnership) which has (or any of whose holding companies or subsidiaries has) called up share capital of at least £10 million (or its equivalent in any other currency at the relevant time).

Subject to an initial assessment, the client may be invited to complete the required further forms to assess the client's suitability for re-categorisation as Elective Professional or Elective Eligible Counterparty at Ebury.

The client will not be able to access re-categorisation without stating their intent in writing, having read this notice.

