

CLIENT CATEGORIZATION POLICY

In compliance with the Article 45 of Commission Delegated Regulation (EU) 2017/565 (“Regulation”) supplementing Directive 2014/65/EU of the European Parliament and of the Council (“MIFID II”) and Act No. 566/2001 Coll. Acts on Securities and on investment services and about change and amendment of some laws as amended by the Securities Act, the Broker is obliged to set the category of the Client according to provisions of §8a and §73u of the Securities Act. In relation to this the Broker is obliged to incorporate all his Clients into three categories – eligible counterparty, professional client, non-professional client. Depending on the set category of the Client the Broker is obliged to provide various levels of protection.

1. Principles of categorization of Clients

1.1. Eligible counterparty

For purposes of providing services, Eligible counterparty is:

- (a) securities broker, foreign securities broker,
- (b) credit institution or foreign credit institution, (bank)
- (c) insurance company, foreign insurance company, or insurance company from other member state,
- (d) custodian company, foreign custodian company, mutual fund, European fund, foreign investment company, foreign mutual fund,
- (e) pension administration company, supplementary pension company, pension fund, supplementary pension fund, similar foreign companies and funds,
- (f) other financial institution certified or regulated based on the European Union law or law of member state,
- (g) person of the operator, obliged to abide by provisions of the specific regulation:
 - a person, which doesn't carry out any client orders in the process of emission allowance trading and doesn't provide any investment services or doesn't carry out any investment activities besides trading on their own account, except for method of high frequency and algorithmic trading,
 - the operator of the transmission system or the transport network according to specific regulations, other regulations or guidelines adopted based on these regulations in the field of network industries, for any person acting on their behalf as a service provider for the purposes of carrying out their tasks according to stated regulations or guidelines, or for any operator or mechanism administrator for balancing out the energetic differences, pipeline network or the system for maintaining balance between energy supply and consumption while carrying out such tasks, only if they also carry out investment activities or provide investment services related to commodity derivatives with the end to carry out the

aforementioned activities; exception being secondary market organization including the system for secondary trading with financial transmission rights,

- (h) public authority body of the Slovak Republic or of other state, including the Debt and Liquidity Management Agency authorized by execution of some activities related to state debt administration and liquidity management according to special provision and public body of other state authorized by or participating in public debt administration,
- (i) National Bank of Slovakia or Central bank of other state, European Central Bank,
- (j) international organization,
- (k) professional client pursuant to article 1.2, (a) to (c) if not stated already in (a) to (j) above,
- (l) professional client pursuant to article 1.2 (e) based upon their request and only in relation to investment services or ancillary services or trades, in the process of which they can be considered a professional client.

1.2. Professional client

Professional client is understood as:

- (a) persons who are required to have certificate or be regulated as to their activity on financial markets (securities broker or foreign securities broker, financial institution, brokers with commodities and commodity derivatives, operator of the transport network according to specific regulations, other regulations or guidelines adopted based on these regulations in the field of network industries, for any person acting on their behalf as a service provider for the purposes of carrying out their tasks according to stated regulations or guidelines or for any other provider or mechanism administrator balancing out the energetic differences, pipeline network or the system for maintaining balance between energy supply and consumption while carrying out such tasks, only if they also carry out investment activities or provide investment services related to commodity derivatives with the end to carry out the aforementioned activities; exception being secondary market organization including the system for secondary trading with financial transmission rights, a person who in order to execute their activity on the financial market keep a certificate issued by the relevant body or their activity is specially governed by generally binding legal regulations),
- (b) large trading companies, while large trading company is considered a trading company that meets at least two of these conditions on individual basis:
 - total sum of assets exceeds EUR 20,000,000,
 - net yearly turnover exceeds EUR 40,000,000,
 - its own sources exceed EUR 2,000,000

In case the client shall not provide to the Broker, for purposes of execution of categorization by the Broker, the balance sheet of the company worked out to the 31. 12. of the just prior calendar year, the Broker categorizes the Client or the potential Client as Non-professional client.

- (c) state body, municipality, higher territorial unit, state body or territorial unit of other state, Debt and Liquidity Management Agency, body of other state authorized by or participating in state debt administration, National Bank of Slovakia, Central bank of other

state, International Monetary Fund, European Central Bank, European Investment Bank and other similar international organizations,

- (d) other institutional investors where the main scope of business is investing to financial instruments, including entities dealing with assets securitization or other deals related to financing,
- (e) persons who, if requested, can be treated as professionals if at least two of the following criteria are met:
 - 1) it executed on securities market ten important deals with financial instruments in average for a quarter of a year for the previous four quarters (terms),
 - 2) the size of its portfolio of securities exceeds EUR 500,000,
 - 3) physical person works or has worked at least one year in the financial sector on a position that requires knowledge of trading or investment services provided, or that should be provided, to this person.

and if

- a) the securities broker evaluates the professional knowledge, experience and know-how of the Client and issues a written statement that these provide sufficient guarantee that, as to the nature of planned deals or of provision of investment services or supplementary services, the Client is able to make own decisions regarding investments and he understands the relevant risks related to this,
- b) this person has stated to the securities broker in written that he/she requires that he/she is treated as professional Client, being this in relation to one or more investment services or supplementary services or deals or to one or more types of financial instruments or deals,
- c) the securities broker has provided to such a person a clear written warning about possibility of loss of rights for protection and rights for indemnification,
- d) this person has stated in written in a document separated from the contract that he/she is aware of the results of loss of rights according to letter c).

1.3. **Non-professional client**

The Broker categorizes as Non-professional client all clients and potential clients who do not fall into category of Professional client or into category of Eligible counterparty.

2. **Adjustment of the categorization of the Client**

All requests for adjustment of categorization are submitted on forms of the Broker. The categorization is adjusted based on delivery and take over of written announcement of the Broker about acceptance of the Client's request to adjust his categorization, resp. based on concluding a written agreement on adjustment of categorization with the Client.

2.1 **Adjustment of categorization of the Client in case of Eligible counterparty**

Prior to concluding the trade in relation to the provision of services and receiving and passing the order, order execution and trading on own behalf or ancillary service directly related to

this trade and person pursuant to Article 1.1 letter k) or l) the Broker is obliged to get the confirmation that the future counterparty agrees with the fact that it is treated as Eligible counterparty. The Eligible counterparty can give such a consent for all deals or only for individual deals. The Eligible counterparty has the right to ask in written form for reclassification also to the category of Professional client or Non-professional client. In case the Eligible counterparty does not indicate in their application expressly that it wants to be treated as Non-professional client, the Broker is obliged to treat this Eligible counterparty as Professional client.

2.2 Adjustment of categorization of the Client in case of Professional client

In case the Client was categorized as Professional client they are obliged to inform the Broker about any change that could have an impact on his/her categorization. The Broker is then obliged to adopt all necessary measures for reclassification of the Client into other category (if all legal conditions for such a reclassification are met).

2.2.1 Adjustment of categorization of the Client in case of Professional client to Non-professional client

If the Professional client, due to the intended investment service/supplementary service, is not able to evaluate properly or to take the risks related to this service, he has the right to ask the Broker that they be treated as Non-professional client prior to the given intention.

The Professional client is authorized to execute the right to be treated as Non-professional client by means of Request for adjustment of categorization of the Professional client to Non-professional client in which the Professional client is obliged to indicate whether he/she requires that he/she is treated as Non-professional client in case of a certain investment service or in case of all future investment services.

The Broker is obliged to investigate the given Request from legal point of view and in case of compliance, he is obliged to accept the Client's Request.

Based on Request, the Client gets the rights for protection provided for Non-professional clients which are indicated in Article 3.1 of these Principles in their full extent.

2.2.2 Adjustment of categorization of the Client in case of Professional client to Eligible counterparty

In case such issues happen based on which it is possible to consider the Professional client as Eligible counterparty, after execution of such an adjustment, in relation to services as accepting and advancing the order, executing the order and trading on own behalf, the provisions of § 73b to § 73 m and of § 73o to § 73t of Securities Act shall not apply in relation to the Client as Eligible counterparty, and in relation to aforementioned services is considered a category with the lowest degree of protection.

If the potential counterparties, in the process of conducting a business transaction, abide by the legal systems, the Broker shall conform to statute of the Eligible counterparty, set by legal regulations or measures taken by a member state, which is the seat of the Eligible counterparty.

2.3 Adjustment of categorization of the Client in case of Non-professional client

In case the Client was categorized as Non-professional client, they can ask for adjustment of categorization to Professional client, if the Client meets at least two of the following conditions, the fulfilment of which the Client is obliged to prove to the satisfaction of the Broker (without any doubts):

- (a) the Client executed on financial instruments markets ten important deals in average for a quarter of a year for the previous four quarters (terms),
- (b) the size of Client's portfolio of securities exceeds EUR 500,000,
- (c) in case it is a physical person, the Client works or has worked at least one year in the financial sector on a position that requires knowledge about investing to securities, trading or investment services provided or that should be provided to this person and:

The Broker evaluates the professional knowledge and experience of the Client (evaluation by the Broker is done based on written Test of professional knowledge of the Non-professional client worked out by the Client) and issues a written confirmation that these provide sufficient guarantee that as to the nature of planned deals and/or investment/supplementary service, the Client is able to make own decisions about investments and able to understand the relevant related risks and the Client was informed by the Broker about all types of protection/rights that they can lose after adjustment of their categorization, this notice was delivered to the Client or the Client confirms taking over this notice by their signature, at the same time, they proclaim in written that they were properly advised and they are aware of all eventual results of loss of rights for protection related to adjustment of categorization.

In case of such adjustment happening, the Broker is authorized to assume that the Client has the professional knowledge, experience and know-how to make own decisions about investments and to evaluate risks related to this properly and for that reason the Client loses the right for protection and some rights provided to Non-professional clients.

In relation to this the Broker is not obliged to provide to the Non-professional client the right for protection to the full extent of Article 3.1 of these Principles. Pursuant to the provision 54, sec. 3 and provision 56, sec. 1 of the Regulation, assumes that the Professional client has the necessary knowledge for purpose of intended deals in order to evaluate the facts responsibly and individually, and for that reason the Broker is not obliged to investigate the knowledge and financial possibilities of the Professional Client and to provide sufficient protection to him.

3. The rights of the Non-professional client

3.1 The Broker is obliged, in particular:

- (a) to provide to the Non-professional client all necessary information (information about the Broker, financial instruments and investment strategies, place and costs of execution of

- service, as well as advice on risks related to them and on protection of financial instruments/funds of the Client), which are necessary in order to understand the character and risks of the investment service/financial instrument,
- (b) to inform the Non-professional client on durable medium or internet website pursuant to Article 46 of the Regulation, in sufficient period ahead, before he is bind by any contract on provision of investment/supplementary services, resp. before execution of any deal, (i) about detailed conditions of the contract, based on which such a deal is executed, (ii) about facts in terms of Article 47 of the Regulation, related to such a contract or to such investment/supplementary services,
 - (c) when providing investment consultancy or at portfolio management acquire the necessary information about the Client related to knowledge and experience in the field of investments that are related to the deal or to management of his portfolio and whether the Client is able to take financially the investment risks in compliance with his investment targets and whether they have the required level of knowledge and experience that enable them to understand the associated risks,
 - (d) in case of provision of other services as according to letter c) to inquire whether the Non-professional client has the appropriate experience and knowledge in the field of investing related to concrete provided or required type of financial instrument, investment service or supplementary service in a way that he recognizes the risks connected with the relevant investment services or supplementary services or deals or with types of deals or financial instruments for which he /she is considered as Non-professional client,
 - (e) to send to the Non-professional client a notice on durable medium confirming execution of instruction latest on the first business day after its execution, resp. if such a confirmation has been received by the Broker from third party, latest on the first business day after receipt of such a confirmation from this person according to Article 59, sec. 1 of the Regulation,
 - (f) in case of instructions that are related to allotment certificates of open shares funds or securities of foreign subjects of collective investing that are executed on regular basis, the Broker is obliged to send to the Non-professional client a notice in compliance with the provision of Article 59, sec. 5 of the Regulation,
 - (g) if the Non-professional client decides that he wants to receive information about individual realized deals as a part of portfolio management, the Broker is obliged to send to the Non-professional client a notice confirming the executed deal latest on the first business day after execution of the deal, resp. in case such a confirmation has been received by the Securities broker from third party, latest on the first business day after receipt of such a confirmation from the third party according to Article 60, sec. 4 of the Regulation,
 - (h) Send regular statements about activities executed on the account of the Non-professional client and related to the portfolio management structured in form according to Article 60, section 3 of the Regulation,
 - (i) in case of execution of instruction on the account of the Non-professional achieve the best possible result according to the Order execution strategy,

- (j) to provide the Non-professional client with durable medium or by means of internet page and in sufficient period ahead, according to Article 66, sec. 3 of the Regulation, before provision of investment service, the information on the order execution policy, in particular:
- i. evaluation of importance that the Broker attaches to the criteria by which the best possible result or procedure is set, which determines the importance of these criteria,
 - ii. list of places of execution,
 - iii. list of factors taken into account when choosing the place of execution,
 - iv. clear and pronounced warning of the Non-professional client that his/her concrete instructions can avoid the Broker from proceeding in terms of Strategy of execution of instructions of the Broker with the aim to reach the best possible result at execution of instructions in relation to this concrete instruction,
- (k) to inform the Non-professional client in advance about any serious barriers related to proper execution of instructions, about which the Broker got knowledge.

4. Closing provisions

- 4.1 This document was approved by the Board of Directors of the Broker on 11.6.2020 and became effective as of 1.7.2020.
- 4.2 The Principles and adjustments of categorization of clients were published on 16.6.2020 on the website of the Broker www.finax.eu/en/legislation.