



**SM CAPITAL MARKETS**  
Global Online Trading

## SM CAPITAL MARKETS Client Categorisation Notice Version 2.2 March 2021

SM CAPITAL MARKETS LTD  
is authorized and regulated by CySEC License (339/17)  
with its business address:  
Gladstonos 69, Limassol  
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SM Capital Markets Ltd., (hereinafter the 'Company') is operating under the Investment Services and Activities and Regulated Markets Law of 2017 with number L.87(I)/2017 (hereinafter "Law") which transposed Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (the "Markets in Financial Instruments Directive (2014/65/EU)" as the same may be in force from time to time and modified or amended from time to time (hereinafter "MiFIDII").

## CLIENT CATEGORISATION

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 categorise clients.

The Company is required under MiFID II to categorise you as a Retail Client, Professional Client or Eligible Counterparty so that when carrying out business with you, we can provide the level of information, services and protection that is appropriate to and consistent with your categorisation.

Retail Clients are afforded the highest possible level of protection by law and may be entitled to compensation under the Investor Compensation Funds.

Clients may request to change their Client Categorization. Nevertheless, it is up to the Company to accept or reject any such request for change of Categorization.

In the case where we decide that categorising you as a Professional Client or Eligible Counterparty is more suitable for you, based on your profile and needs, we will send you a document which explains the protections that you lose prior to the provision of any services and you will sign a declaration which states that you wish to be treated as a non-Retail Client. You may, however, request to be treated instead as a Retail Client provided the relevant criteria and procedure are fulfilled.

The criteria that will allow us to treat you as a Professional Client as well as the procedure are set out in the Annex to this Notice. It is your responsibility to inform us if we have not categorised you correctly and if any change occurs which could affect your categorisation as a Retail Client.

## GENERAL INFORMATION

The above information is based on the Markets in Financial Instruments Directive (MiFID II) 2014/65/EU as well as the Investment Services and Activities and Regulated Markets Law of 2017 (87(I)/2017). For more detail information you can visit the Cyprus Securities and Exchange Commission website at <http://www.cysec.gov.cy>

Further information on Company's Categorisation Notice is available upon request from Company's offices at: Tel.: + 357 25281811 or e-mail at: [support@smcapitalmarkets.com](mailto:support@smcapitalmarkets.com).

Address: Gladstonos 69, Limassol 3040, Acropolis Center, 5<sup>th</sup> floor, Limassol, Cyprus

Website: [www.smcapitalmarkets.com](http://www.smcapitalmarkets.com)

## 1. RETAIL CLIENTS

Retail client is a client who is not professional client or an eligible counterparty. Retail client (Natural Persons and Legal Entities), will receive the greatest possible protection for investors.

## 2. 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 comply with the following criteria:

The following should all be regarded as professionals in all investment services and activities and financial instruments:

2.1 Entities which are required to be authorised or regulated to operate in the financial markets. The list below should be understood as including all authorised entities carrying out the characteristic activities of the entities mentioned: entities authorised by a Member State under a European Community Directive, entities authorised or regulated by a Member State without reference to such Directive, and entities authorised or regulated by a non-Member State:

- a. Credit institutions
- b. Investment firms
- c. Other authorised or regulated financial institutions
- d. Insurance companies
- e. Collective investment schemes and management companies of such schemes
- f. Pension funds and management companies of such funds
- g. Commodity and commodity derivatives dealers
- h. Locals
- i. Other institutional investors

2.2 Large undertakings meeting two of the following size requirements on a proportional basis:

- a. balance sheet total at least: EUR 20,000,000,
- b. net turnover at least: EUR 40,000,000,
- c. own funds at least: EUR 2,000,000.

2.3 National and regional governments, public bodies that manage public debt, Central Banks, international and supranational institutions such as the World Bank, the International Monetary Fund (IMF), the European Central bank (ECB), the European Investment Bank (EIB) and other similar international organisations.

2.4 Other institutional investors whose main activity is to invest in financial instruments, including entities dedicated to the securitization of assets or other financing transactions.

2.5 Clients who may be treated as “professional clients” on request following approval by the Company (Please see further below under Request for different classification).

The entities mentioned above from points 2.1 to 2.4 are professional clients in relation to all investment activities and financial instruments. The Clients mentioned in point 2.5 may be treated as professional clients, generally or in respect of a particular investment service or transaction or type of transaction or product.

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.

Professional Clients are responsible for keeping the Company informed about any change which could affect their categorisation. Should the Company become aware that the Client no longer fulfils the initial conditions which made him eligible for professional treatment, the Company will take appropriate action.

### 3. ELIGIBLE COUNTERPARTIES

It is a party to which an investment firm provides the services of reception and transmission of orders on behalf of clients and/ or execution of such orders:

- a) Investment firms
- (b) Credit institutions
- (c) Insurance companies
- (d) UCITS and their management companies
- (e) Pension funds and their management companies
- (f) Other financial institutions authorised by a Member State or regulated under the laws of Cyprus or under European Union law
- (g) National governments and their corresponding offices, including public bodies that deal with public debt at national level, central banks, the Central Bank and supranational organisations.

#### Request for different classification

A Retail Client has the right to request to be classified as a “Professional Client” and, in which case, he/ she will be afforded a lower level of protection. The Company is not obliged to deal with him/ her under a different classification.

#### **Test and Criteria**

The Company is allowed to treat any of the retail clients as “professional clients”, provided that the relevant criteria and procedure mentioned below are fulfilled. These clients shall not,

however be presumed to possess market knowledge and experience comparable to the clients listed in points 2.1 to 2.4 above.

Any waiver of the protection afforded by the standard conduct of business regime will be effected only if an adequate assessment of the expertise, experience and knowledge of the client is undertaken by the Company and gives reasonable assurance, in light of the nature of the transactions or services envisaged that the Client is capable of making his/ her own investment decisions and understanding the risks involved.

The fitness test could be regarded as an example of the assessment of expertise and knowledge. In the course of the above assessment, as a minimum, two (2) of the following criteria should be satisfied:

- a. 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
- b. the size of the client's financial instrument portfolio, defined as including cash deposits and financial instruments exceeds EUR 500,000
- c. 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

## PROCEDURE FOR RECLASSIFICATION

### 1. Reclassification of a retail client into a professional client

The retail clients as defined above may waive the benefit of the detailed rules of conduct only where the following procedure is followed:

- a. they must state in writing to the Company that they wish to be treated as a professional client, either generally or in respect of a particular investment service or transaction, or type of transaction or product,
- b. the Company will give them a clear written warning of the protections and investor compensation rights they may lose,
- c. they 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, the Company 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 in Section II.1 above.

### 2. Reclassification of a professional client into a retail client

Any professional client has the right to request to be reclassified as a "retail client" in order to obtain a higher level of protection.

It is the responsibility of the client, considered to be 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 client enters into a written agreement with the Company to the effect that it shall not be treated as a professional client 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 products or transactions.

### 3. Reclassification of an eligible counterparty

An eligible counterparty has the right to request a different classification, either as a “professional client” or as a “retail client”, in order to obtain a higher level of protection. Under the Law, the Company is not obliged to deal with the Client in accordance with its request.

