



## **Client Classification**

Following the implementation of the Markets in Financial Instruments Directive (MiFID) in the European Union and in accordance with the Investment Services Rules in Malta, RTFX Ltd (hereinafter referred to as “RTFX”, “we”, “our”, “us”) is required to categorise its Clients into one of the following three categories: Retail, Professional or Eligible Counterparty.

### **Retail Clients**

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All clients who are not Professional Clients or Eligible Counterparties are considered Retail Clients.

### **Eligible Counterparties**

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The following entities have the right to request RTFX to be treated as Eligible Counterparties:

- Licence Holders
- Credit Institutions
- Insurance Companies
- UCITS and their Management Companies
- Pension Funds and their Management Companies
- Other Financial Institutions authorized or regulated under EU Law or the national law of an EU Member State
- Undertakings which are exempt from the requirements of the MiFID in terms of Article 2(1)(k) and (l) thereof
- National Governments and their corresponding offices, including public bodies that deal with public debt
- Central Banks and Supranational Organisations

### **Professional Clients**

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A client who possesses the Experience, Knowledge and Expertise to make its own investment decisions and properly assess the risks that it incurs may be classified as a Professional Client.

The following should all be regarded as Professional Clients:

- Entities authorised or regulated in the financial markets. The list below also includes all authorised entities carrying out the activities of the entities mentioned:
  - entities authorised by a Member State under a Directive,
  - entities authorised or regulated by a Member State without reference to a Directive, and entities authorised or regulated by a non-Member State:
    - Credit Institutions
    - Investment Firms
    - 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
    - Commodity and commodity derivatives dealers
    - Locals
    - Other institutional investors
- Large undertakings meeting two of the following size requirements on a company basis:
  - balance sheet total: EUR20,000,000
  - net turnover: EUR40,000,000
  - own funds: EUR2,000,000
- National and Regional Governments, Public Bodies that manage public debt, Central Banks, International and Supranational Institutions such as the World Bank, the IMF, the ECB, the EIB and other similar international organisations.
- Other Institutional Investors whose main activity is to invest in financial instruments, including entities dedicated to the securitisation of assets or other financing transactions.

Although the above entities are considered to be Professional Clients, they are allowed to request non-Professional treatment and RTFX may agree to provide a higher level of protection. Where a client of RTFX is an undertaking referred to above, RTFX must inform the Client, prior to any provision of services that, on the basis of the information available to RTFX, the client is deemed to be a Professional Client, and will be treated as such unless RTFX 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 client's responsibility, considered a Professional Client, to request a higher level of protection when such client deems it is unable to properly assess or manage the risks involved.

This higher level of protection will be provided when a Professional Client enters into a written agreement with RTFX denoting that it shall not be treated as a Professional for the purposes of the conduct of business rules.

### **Request Procedure for treatment as Professional Client**

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#### *Identification Criteria*

Provided the relevant criteria and procedure mentioned below are fulfilled, RTFX is allowed to treat any client as Professional.

Any such waiver of the protection afforded by the conduct of business rules will be considered valid only if an adequate assessment of the expertise, experience and knowledge of the client, undertaken by RTFX, gives reasonable assurance, in light of the nature of the transactions or services envisaged, that the client is capable of making his own investment decisions and understanding the risks involved.

In the course of the above assessment, as a minimum, two of the following criteria should be satisfied:

- 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 EUR500 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.

#### *Procedure*

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

- they must state in writing to RTFX that they wish to be treated as a Professional Client
- RTFX will give them a clear written warning of the protections and Investor Compensation rights they might lose
- 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, RTFX is required to take all reasonable steps to ensure that the client requesting to be treated as a Professional Client meets the relevant requirements as stated above.

Professional clients are responsible for keeping RTFX informed about any change which could affect their current classification. RTFX will take appropriate remedial action, should it become aware that the client no longer fulfils the initial conditions which made him/her eligible for a Professional treatment.

### **Request for different Categorisation**

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The following requests may be submitted to RTFX:

- Retail Client requesting Professional Client classification.
  - The Client will be afforded a lower level of protection.
- Professional Client requesting Retail Client classification.

- The Client seeks to obtain a higher level of protection.
- Eligible Counterparty requesting a Professional Client or Retail Client classification.
  - The Client seeks to obtain a higher level of protection.

RTFX reserves the right to decline any of the above requests for different classification.

### **Protection Rights - Retail Clients / Professional Clients**

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Where RTFX treats a Client as a Retail client, he/she/they will be entitled to more protection under the conduct of business rules than if the Client was classified as a Professional client. In summary, the following represent the additional protection Retail clients are entitled to:

- A Retail client will be given more information/disclosures with regard to RTFX, its services and any investments, its costs, commissions, fees and charges and the safeguarding of client financial instruments and client funds.
- Under the Regulations, where RTFX provides investment services other than investment advice or discretionary portfolio management, it shall request the Retail client to provide information regarding his knowledge and experience in the investment field relevant to the specific type of product or service offered or demanded so as to enable RTFX to assess whether the investment service is appropriate for the client. Should RTFX consider, on the basis of the information received, that the service is not appropriate to the Retail client, it shall notify the client accordingly.

RTFX shall be entitled to assume that Professional clients have 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.

Unlike the situation with Retail clients, RTFX 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 Professional clients.

- When executing orders, RTFX will 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 its clients.

Where RTFX executes an order on behalf of a Retail client, the best possible result shall be determined 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.

When providing best execution to Professional clients, RTFX is not required to prioritise the overall costs of the transaction as being the most important factor in achieving best execution.

- RTFX must obtain from clients such information as is necessary for it, as the case may be, to understand the essential facts about the client and to have a reasonable basis for believing, giving due consideration to the nature and extent of the service provided, that the specific transaction to be recommended, or entered into in the course of providing a portfolio management service, satisfies the following criteria:
  - it meets the investment objectives of the client in question;
  - it is such that the client is able financially to bear any related investment risks consistent with his investment objectives;
  - it is such that the client has the necessary experience and knowledge in order to understand the risks involved in the transaction or in the management of his portfolio.

- Where RTFX provides an investment service to a Professional client it shall be entitled to assume that, in relation to the products, transactions and services for which it is so classified, the client has the necessary level of experience and knowledge. In addition, RTFX shall be entitled to assume that a Professional client is able financially to bear any investment risks consistent with its investment objectives.
- Retail clients may be entitled to compensation under the Investor Compensation Fund for Clients of Investment Firms.

### **Eligible Counterparties**

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Where RTFX treats the Client as an Eligible Counterparty, the Client will be entitled to fewer protections under the law than he/she/they would be entitled to as a Professional Client. In particular, and in addition to the above:

- RTFX is not required to provide the Client with best execution in executing the Client's orders;
- RTFX is not required to disclose to Client information regarding any fees or commissions that RTFX pays or receives;
- RTFX is not required to assess the Suitability or Appropriateness of a product or service that it provides to Client but can assume that the Client have the expertise to choose the most appropriate product or service for him/her/them and that he/she/they is/are able financially to bear any investment risks consistent with his/her/their investment objectives;
- RTFX is not required to provide the Client with information about RTFX, its services and the arrangements through which RTFX will be remunerated;
- RTFX is not required to provide the Client with risk disclosures on the products or services that he/she/they select/s from RTFX; and
- RTFX is not required to provide reports to the Client on the execution of his/her/their orders or the management of his/her/their investments.