

Client Categorisation Notice London Capital Group (Cyprus) Limited

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1. Introduction

1.1. In compliance to Law 87(I)/2017 (the 'Law'), each Client is categorised by the **London Capital Group (Cyprus) Limited ('the Company' or 'LCG CY')** as a 'Retail Client' or a 'Professional Client'. In addition, certain professional Clients may be further categorised as 'Eligible Counterparties'. Categorisation is undertaken based on objective criteria.

A Client may be placed in different categories for particular investment services or transactions or types of transactions or products. The Company notifies each Client of his/her categorisation as a Retail Client or Professional Client or, as the case may be, Eligible Counterparty.

1.2. **The Company will automatically categorise all Clients as 'Retail Clients' unless otherwise specified. Retail Clients are afforded the highest level of protection – more information can be found in the Sections hereunder.**

1.3. If you wish to be re-categorised, then you should contact us with your re-categorisation request. The Company will review such request and respond appropriately.

1.4. It is stressed that different rules and different levels of protection apply to Clients depending on their categorisation.

2. Categorisation Criteria

2.1. The categorisation criteria set by the relevant legislation (as amended from time to time) are the following:

2.2. **'Retail Client'** is a Client who is neither a Professional Client nor an Eligible Counterparty. Except for Clients who meet the requirements set out in point 3 below or unless informed otherwise in writing, all Clients are categorized as Retail Clients.

2.3. **'Professional Client'** (the 'per se Professional') is a Client who possesses the experience, knowledge and expertise to make his own investment decisions and properly assess the risks that (s)he incurs.

In order to be considered a per se Professional Client, a Client must comply with one of the following criteria:

2.3.1. 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 the Markets in Financial Instruments Directive, entities authorised or regulated by a Member State without reference to the above 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. Commodities and commodity derivatives dealers;
 - h. Locals;
- 2.3.2. Other Institutional Investors (like Portfolio Investment Companies).
- 2.3.3. Large undertakings meeting two of the following size requirements on a company basis:
- a. balance sheet total: EUR 20,000,000;
 - b. net turnover: EUR 40,000,000
 - c. own funds: EUR 2,000,000
- 2.3.4. 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.
- 2.3.5. Other institutional investors whose main activity is to invest in financial instruments, including entities dedicated to the securitisation of assets or other financing transactions.
- 2.4. The entities mentioned above are per se Professionals. However, they can request non-professional treatment and LCG CY may agree to provide a higher level of protection.
- 2.5. Clients who may be treated as professionals on request, following approval by the Company, may refer to Sections 3 and 5 below.
- 2.6. Where a Client is an undertaking referred to above, LCG CY must inform the Client, prior to any provision of services that, on the basis of the information available to LCG CY, the Client is deemed to be a Professional Client, and will be treated as such unless LCG CY 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.
- 2.7. Professional Clients (per se and on request professional) are responsible for keeping the Company informed about any changes, which could affect their categorisation. Should the Company become aware that the Client no longer fulfils the initial conditions which made him/her eligible for a professional treatment, the Company will take appropriate action.**
- 2.8. It is the responsibility of the Client, considered to be a Professional Client (per se and on request professional), to ask for a higher level of protection when it deems it is unable to properly assess or manage the risk involved.**
- 2.9. **'Eligible Counterparty'** is any of the following entities to which an investment firm provides the services of reception and transmission of orders on behalf of Clients

and/or execution of such orders: Cyprus Investment Firm, other investment firms, credit institutions, insurance companies, UCITS and UCITS management companies, pension funds and their management companies, other financial institutions authorised by a Member State or regulated under the laws of Cyprus or under European Union law, national governments and their correspond offices, include public bodies that deal with public debt at national level, central banks and supranational organizations. Moreover, those included in Section 31(2)(b), (31)(3) and 31(4) of the Law.

3. Request for Reclassification

- 3.1. A Retail Client has the right to request to be treated as a 'Professional Client' (the 'Professional Client on request') and, in which case (s)he will be afforded a lower level of protection.
- 3.2. LCG CY undertakes an adequate assessment of the expertise, experience and knowledge of the client that 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;
- 3.3. In the course of that assessment, at **least two** of the following criteria are satisfied (for more detailed information please refer to the following Section):
 - 3.3.1. 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;
 - 3.3.2. the size of the client's financial instrument portfolio, defined as including cash deposits and financial instruments, exceeds EUR 500,000;
 - 3.3.3. 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; (the "quantitative test"); and following reclassification procedure is followed.
- 3.4. Reclassification Procedure for Professional Client on Request:
 - 3.4.1. the client must state in writing to LCG CY that it wishes to be treated as a professional client either generally or in respect of a service or transaction or type of transaction or product;
 - 3.4.2. LCG CY must give the client a clear written warning of the protections and investor compensation rights the client may lose; and
 - 3.4.3. the client must state in writing, in a separate document from the contract, that it is aware of the consequences of losing such protections.
 - 3.4.4. before deciding to accept any request for waiver, LCG CY 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 above and in Section 5 below.

- 3.5. A Client that has been categorised as a Professional Client (per se and Professional on request) may, at any time, request the Company to be treated as a Retail Client (and hence benefit from the higher level of protection of retail Clients).
- 3.6. Likewise, an Eligible Counterparty may, at any time, request the Company to be treated as a Professional Client or as a Retail Client. In case the Client seeks to obtain a higher level of protection.
- 3.7. If the Company accepts such a request, the Client shall enter into a written agreement with the Company. The agreement will specify the services or transactions, or the types of products or transactions to which the opt-down applies.
- 3.8. It should be noted that LCG CY reserves the right to decline any of the above requests for different categorisations.

4. Protection Rights

- 4.1. **Retail Clients:** Where LCG CY treats the client as a retail client, the client will be entitled to more protections than if the client was categorised as a professional client or eligible counterparty.

The protections of retail clients are entitled to are as follows, these may include, but is not limited to:

- 4.1.1. A Retail client will be given more information/disclosures with respect to LCG, its services and any investments, its cost, commissions, fees and charges and the safeguarding of the client's financial instruments and funds.
- 4.1.2. LCG CY must ask the 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 to enable it to assess whether the service or product envisaged is appropriate for the retail client. When assessing appropriateness, LCG CY must determine whether the retail client has the necessary experience and knowledge to understand the risks involved in relation to the product or service offered or demanded.
- 4.1.3. Retail clients may be eligible for compensation under the Financial Services Compensation Scheme/Investor Compensation Fund of Cyprus.
- 4.1.4. When executing orders of Retail or Professional Client, LCG CY must take all sufficient steps to achieve what is called 'Best Execution' for their Clients' orders.
- 4.1.5. Where the Company executes an order 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.
- 4.1.6. The Company is obliged to and limits the maximum level of leverage on the opening of a position by a Retail client from 1:30 to 1:2, which varies according

to the volatility of the underlying asset class. Professional clients are not subject to regulatory restrictions/limitations applying on the leverage levels, as is the case for Retail clients.

- 4.1.7. Retail Clients will be provided with negative balance protection and as such, may not lose more than the total amount deposited in their trading account.
- 4.1.8. Retail Clients will be provided with margin close-out protection as per the prevailing regulatory requirements.
- 4.1.9. Retail clients are entitled to receive standardised risk warnings about CFD trading.

4.2. **Professional Clients:** Where LCG CY treats the client as a professional client either per se or on request professional, the client will be entitled to fewer protections than if the client was categorised as a retail client.

This may include, but is not limited to:

- 4.2.1. LCG CY is entitled to assume that a professional client has the necessary experience and knowledge to understand the risks involved in relation to those particular investment services or transactions, or types of transaction or product, for which the client is categorised as a professional client;
- 4.2.2. LCG CY obligation to provide appropriate information to the Client before providing the services and/or transaction;
- 4.2.3. LCG CY may use more sophisticated language when communicating with Professional Clients. However, LCG CY always communicate in a clear, fair and not misleading way.
- 4.2.4. LCG CY is not required to provide the current risk warning to professional clients or any standardised risk warning that may be introduced by CySEC in relation to transactions in complex financial products i.e. Financial Contracts for Difference ('CFDs');
- 4.2.5. A Professional Client is not subject to tiered leverage restrictions;
- 4.2.6. A Professional Client may not benefit from the negative balance Protection and margin close-out rule.
- 4.2.7. A Professional Client is not entitled to compensation under the Cyprus Investor Compensation Fund.
- 4.2.8. Under the Law LCG CY is not allowed to enter into title transfer collateral arrangements with Retail Clients whereas in the case of Professional Clients' money and financial instruments title transfer collateral arrangements are allowed.

Title transfer collateral arrangements means the change of title ownership of Clients' money and financial instruments to be used as collateral against existing or future obligations. Money and financial instruments that are subject to title transfer will not be segregated from LCG CY assets and thus the Client is assuming credit risk against LCG CY.

- 4.3. **Eligible Counterparties:** Where LCG CY categorises the client as an eligible counterparty, the Client will be entitled to fewer protections under the Law than the client would be entitled to as a Professional Client.

5. Submitting a Request for Re-Classification of a Retail to become Professional Client ('Professional Client on request')

- 5.1. Pursuant to Section 3, a retail client may request to be categorised as a Professional Client on request. If the client qualifies as a Professional Client on request, (s)he will be afforded a lower level of protection.
- 5.2. Clients can apply for re-categorisation via MyLCG (by selecting the professional client tab), the LCG website or by sending an email to customerservices.cy@lcg.com or their account manager stating that they wish to be treated as a professional client.
- 5.3. LCG CY require documentary evidence that the Client can satisfy **two of the three** requirements (the 'Qualification Criteria') as per Section 3.3.

5.4. Qualification Criteria:

- 5.4.1. The retail client must have carried out transactions, in significant size, in a relevant product with an average frequency of at least 10 per quarter during the previous four quarters (with LCG and/or other providers).

Relevant products include: CFDs / FX (Spot / Forwards / Options); Futures; Options; Leveraged Exchange Traded Products (e.g. Turbos); Warrants, Binary Options, Spread betting.

Significant size could be for example deemed as a minimum notional value of, for example, €100,000 on forex, €50,000 on indices, €10,000 on single stock CFDs, however this is assessed on case by case basis.

The average frequency of trades can be at one provider, or a combination of.

LCG CY will ask you for further information and/or for scanned copies of statements for any trade activity outside of LCG.

- 5.4.2. The size of the retail client's investment portfolio (held with LCG CY and/or with other providers), is defined as including cash deposits and financial instruments, exceeds EUR 500,000.

Acceptable examples of an investment portfolio can include cash savings, stock portfolio, stocks, trading accounts, mutual funds etc.

Unacceptable examples include company pension, non-tradeable assets, property, luxury cars, jewellery. If a portfolio is held outside of LCG CY, we may ask you for scanned copies of statements from other providers.

- 5.4.3. The retail client work or have worked in the financial sector for at least one year in a professional position that requires knowledge of relevant products.

LCG CY will ask you for details of your role and how it has provided you with sufficient knowledge and experience and may require you to provide evidence of this if necessary.

- 5.5. It is noted that it is up to LCG CY to accept or reject any such request for change of Categorization.
- 5.6. **If the Company becomes aware that the Client no longer fulfils the initial conditions which made it eligible for a professional treatment, the Company shall take appropriate action.**

6. Submitting a Request for Different Classification

- 6.1. In accordance with this document, the following requests may be submitted to LCG CY to our Customer Service team at customerservices.cy@lcg.com and/or via the communication means set by the Company from time to time.
 - 6.1.1. a Retail Client requesting to be categorised as a Professional Client on request. In that case the Client will be afforded a lower level of protection.
 - 6.1.2. a Professional Client (per se or on request professional) requesting to be categorised as a Retail Client. In that case the Client seeks to obtain a higher level of protection.
 - 6.1.3. an Eligible Counterparty requesting to be categorised as a Professional Client or Retail Client. In that case the Client seeks to obtain a higher level of protection.
- 6.2. LCG reserves the right to decline a request for different categorisation.



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Trade Responsibly: Contracts for Difference (CFD) trading carries a high level of risk to your capital and can result in losses that exceed your initial deposit. CFD trading may not be suitable for everyone, so please ensure that you fully understand the risks involved. Before deciding to trade, you need to ensure that you understand the risks involved considering your investment objectives and level of experience. Past performance of CFDs is not a reliable indicator of future results. Most CFDs have no set maturity date - CFD positions typically mature on the date you choose to close the relevant existing open position.

You should seek independent financial advice, if you feel it is necessary or appropriate.
Please read carefully the relevant Risk Disclosure, available under Legal Documentation.

London Capital Group (Cyprus) Limited ('LCG CY') is a company registered in Cyprus under registered number: 356430.

LCG CY is authorised and regulated by the Cyprus Securities and Exchange Commission (License Number:341/17).