



STO

Client Categorisation

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AFX Markets Ltd

(FCA)

Client Categorisation

Introduction

Following the implementation of the Markets in Financial Instruments Directive (MiFID) by the Financial Conduct Authority (FCA) (and all EU financial regulators) all regulated companies are required to categorise clients as a retail client, a professional client or an eligible counterparty. The requirement to categorise a client correctly is important because the different categories of client have different levels of regulatory protections afforded to them. Such categorisation does not constitute individual advice and is not a recommendation that the products we offer are suitable for the individual investor. If you are unsure about the risks or products involved please seek independent financial advice.

As part of the categorisation process AFX Markets Ltd. (“AFX UK”, “we”, “us”, “our”) trading as STO needs to make you aware of the categorisation we have given you and a summary of the level of protection that affords you. This document has been designed to inform you of the process we will undertake when carrying out these categorisations and what the categories mean. It is there to assist you with understanding your relationship with AFX UK.

“Retail Clients”

Initially, all clients who apply through the individual, joint account or corporate account application process will be categorised as Retail Clients – this categorisation is for any client who does not meet the criteria of the other two categories. This means you are deemed to need the highest level of FCA protection including segregation of funds, access to the Financial Services Compensation Scheme subject to its own criteria and may have the right to refer a complaint about our service to the Financial Ombudsman Service. Such categorisation will also affect the information we are required to provide when marketing new products to you and will be subject to the retail client terms of business.

“ PerSe Eligible Counterparty”

A perse eligible counterparty receives the lowest level of FCA protection. This is because the criteria required to be categorised under this are onerous in that they are either: a national government, a central bank or other monetary authority, a state investment body or a recognised investment exchange, designated investment exchange, regulated market or clearing house. FCA and the EU in MiFID decided that such organisations had sufficient support networks, financial experience and know-how so the level of protection they require is substantially lower.

Due to the low level protection, AFX Markets Ltd. is not required to:

- Provide best transmission in transmitting client orders
- Disclose information regarding commission and fees paid or received by AFX Markets Ltd.
- Not required to assess the Suitability or Appropriateness of a product or service that it provides to Client - assumption that the Client has the expertise to choose the most

appropriate product or service and is/are able financially to bear an investment risks consistent with investment objectives

- Not required to provide the Client with information about AFX Markets Ltd., its services and the arrangements through which AFX Markets Ltd. will be remunerated;
- Not required to provide risk disclosures on the products or services offered
- Not required to provide reports on the execution of orders

“Perse Professional Client”

Perse Professional clients are the middle ground; they are considered to have some know-how, are more knowledgeable and sophisticated and able to assess their own risks more and so require less protection than the retail client, but are not as experienced or may not have the support networks or the ability to absorb losses as the perse eligible counterparty. AFX Markets Ltd. is able to assume they have the necessary experience and knowledge in order to understand the risks involved and is able to financially bear the risks consistent with their investment objectives.

To be categorised as a Per Se Professional Client AFX Markets Ltd. needs to assess whether the client is:

- a credit institution,
- a regulated investment firm,
- other authorised or regulated financial institution,
- an insurance company,
- a collective investment scheme or management company of such a scheme, a pension fund or management company of such a scheme,
- locals (firms dealing on their own account on markets in financial futures, options, derivatives or cash markets to hedge or dealing for others for the accounts of other members of those markets and being guaranteed by clearing members of the same markets Commodities or commodity derivatives dealer
- large undertakings meeting two of the following financial criteria on a company basis:
 - balance sheet total of €20 million or other currency equivalent
 - net turnover of €40 million or other currency equivalent
 - own funds of €2 million or other currency equivalent
- National and regional governments, public bodies that manage public debt, central banks and international and supranational institutions.
- Other institutional investors whose main activity is to invest in financial instruments, including entities dedicated to the securitisation of assets or other financing transactions.

Re categorisation

1. A Retail Client has the right to request a different categorisation as an Elective Professional Client but he/she will be afforded a lower level of protection. The Company is not obliged to deal with him/her under a different category.

2. A Per Se Professional Client has the right to request a different categorisation as a Retail Client in order to obtain a higher level of protection or an Elective Eligible Counterparty in order to obtain a lower level of protection.
3. An Elective Eligible Counterparty has the right to request a different categorisation either as a Professional Client or Retail Client in order to obtain a higher level of protection. Under the Law the Company is not obliged to deal with the Client on this basis.

If you request a different categorisation either to a category with higher or lower protection, such request should be *in writing*. AFX Markets Ltd. will consider each request individually and is not required to accept such a request. Any request/agreement should specify whether this applies to one or more particular services or transactions, or to one or more types of product or transaction.

AFX Markets Ltd. will communicate its decision in writing including the effect on protection afforded to you and if the change is accepted, you will be required to sign a copy of the letter indicating you accept the recategorisation and the different protections such category affords.

During the course of your relationship with AFX Markets Ltd. we will reassess your categorisation. Should we become aware of new information or your circumstances change we will make such changes to your categorisations as is necessary. We will notify you of any changes and the consequences of such changes in writing. You may be asked to return a form accepting such changes; however, AFX Markets Ltd. reserves the right to treat your continuing trading as a sign of your acceptance.

Retail Client to Elective Professional Client

AFX Markets Ltd. will carry out two tests – a qualitative test and a quantitative test. The qualitative assessment requires us to undertake ‘an adequate assessment’ of your expertise, experience and knowledge to give reasonable assurance, in the light of the nature of transactions or services envisaged, that you are capable of making your own investment decisions and understanding the risks involved.

In assessing your expertise, experience and knowledge, you must satisfy at least two of the following quantitative criteria:

- You have 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 your financial instrument portfolio, defined as including cash deposits and financial instruments, exceeds €500,000 or other currency equivalent;
- You work or have worked in the financial sector for at least one year in a professional position which requires knowledge of the transactions or services envisaged.

Per Se Professional Client to Retail Client

Per Se Professional Clients may request retail categorization if such request is in writing. Categorization is at the discretion of AFX Markets Ltd.

Per se Professional Client to Elective Eligible Counterparty

Per se Professional Clients may also request to be classes as an Elective Eligible Counterparty in writing. Such recategorisation is at the absolute discretion of AFX Markets Ltd., however, sufficient evidence and reasoning would be needed as to why such categorisation was acceptable.