

VARIANSE

ELECTRONIC TRADING. **ELEVATED**

## 1. Introduction

- 1.1 Before conducting investment business with or for a client, VARIANSE a trading name of VDX Limited. (“VARIANSE”, “the Company”) must establish whether the client is a Retail Client, Professional Client (Per Se or Elective), or an Eligible Counterparty. Details of how to classify clients are provided in the Conduct of Business Sourcebook element of the FCA’s Handbook specifically COBS 3.4 (Retail Clients), COBS 3.5 (Professional Clients) and COBS 3.6 (Eligible Counterparties). Categorisation is undertaken on the basis of 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 categorisation as a Retail Client or Professional Client or, as the case may be, Eligible Counterparty.
- 1.2 It is stressed that different rules and different levels of protection apply to Clients depending on their categorisation.

## 2. Definitions

“*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.

“*Professional Client*” is a Client who possesses the experience, knowledge and expertise to make his own investment decisions and properly assess the risks that he incurs. In order to be considered a Professional Client, a Client must comply with one of the following criteria:

- 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 the Markets in Financial Instruments Directive (I and II), 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;
- 2.2 Other Institutional Investors (like Portfolio Investment Companies).
- 2.3 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

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

Clients who may be treated as professionals on request, following approval by the Company (please see further below under 'Opt-up for Retail Clients').

The entities mentioned above from (i) to (iv) are considered to be professionals in relation to all investment services and activities and financial instruments. The Clients mentioned in (v) may be treated as professionals generally or in respect of a particular investment service or transaction, or type of transaction or product.

#### Professional Client test criteria

- 1) Is the Client an Eligible Counterparty?
- 2) Is the client an Institutional Investor (authorised or regulated)?
- 3) Is the client a large undertaking meeting two of the following?
  - Balance sheet turnover €20m
  - Net Turnover €40m
  - Own funds €2m
- 4) Is the client a regional Government or international institution?
- 5) Is the client another institutional investor whose main activity is to invest in financial instruments, including entities dedicated to the securitisation of assets or other financial transactions?

"*Eligible Counterparty*" is each of the following: an investment firm, a credit institution, an insurance company, a collective investment scheme authorized under UCITS Directive or its management company, a pension fund or its management company, another financial institution authorized or regulated under EU legislation or the national law of an EEA State, an undertaking exempted under the application of MiFID (e.g. certain own account dealers in commodities or commodity derivatives), a national government or its corresponding office, including a public body that deals with the public debt at national level, a central bank, a supranational organization.

### **3. Opt-Down**

A Client that has been categorised as a Professional Client 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). Likewise, an Eligible Counterparty may, at any time, request the Company to be treated as a Professional Client or as a Retail Client. If the Company accepts such a request, the Client shall enter into a written agreement with the Company. The agreement will specify the particular services or transactions, or the types of products or transactions to which the opt-down applies.

### **4. Opt-Up**

#### **4.1 Opt-up for Retail Clients**

A Client who has been categorised as a Retail Client by the Company may ask the Company in writing to be treated as a Professional Client (and hence may lose certain protection and investor compensation rights), either generally or in respect of a particular investment service or transaction, or type of transaction or product. The Company may, at its discretion, decide not to take into consideration such treatment.

If the Company agrees to take into consideration such a request, it will upon receipt of such a request assess whether the Client meets the objective opt-up conditions. The Company will further assess the expertise, experience and knowledge of the Client and any other element that it deems appropriate. In the course of the above assessment, as a minimum, two of the following criteria should be satisfied:

- i. 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,
- ii. The size of the Client's financial instrument portfolio, defined as including cash deposits and financial instruments exceeds EUR 500 000,
- iii. 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 Company will notify the Client if and when it agrees to categorise the Client as a Professional Client. A Retail Client must inform the Company in writing to specifically stipulate that they wish to change categorisation from Retail Client to Professional Client. The Company will assess the clients' request following the criteria as noted above, and then write to the client with the conclusion to accept or reject his/her request.

If the Company accepts the clients' request then they must write to the client (details of which can be provided within the same categorisation letter provided in Annex,) warning them that they will lose their investor and regulatory protection (investor compensation) rights and asking the client to confirm and accept that they still want to proceed on this basis in writing. This may include, but is not limited to:

- i. The Company's obligation to provide appropriate information to the Client before providing the Services;
- ii. The restriction on the payment or receipt by the Company of any inducements
- iii. The Company's obligation to ensure that all information the Company provides to the Client is fair, clear and not misleading;
- iv. The requirement that the Client receives from the Company adequate reports on the services provided to him; and
- v. The Client's coverage under the Financial Services Compensation Scheme. Only when this confirmation in writing has been received can the Company treat the client as an Elective Professional Client.

#### 4.2 Opt-up for Professional Clients

Clients that have been categorised as Professional Clients and that meet the opt-up conditions may, with their express consent, be treated as Eligible Counterparties either for all services for which such opt-up is permitted by law or in respect of a particular investment service or transaction, or type of transaction or product.

### 5. Changes to a Professional Client / Eligible Counterparty Categorisation

Professional Clients and Eligible Counterparties are responsible for keeping the Company informed of any change which could affect their categorisation as such. If the Company becomes aware that a Professional Client or Eligible Counterparty no longer fulfils the initial conditions that made him eligible for a Professional Client/Eligible Counterparty treatment, it may take appropriate action, including re-categorising the Client as a Professional Client or a Retail Client.

## 6. Annex

### Request for re-categorisation as an Elective Professional Client

VARIANSE a trading name of VDX Limited (“VARIANSE”, “the Company”, “the Firm”, “we”, “us”, or “our”) is a company registered in England and Wales under company number 11050659 and is authorised and regulated by the Financial Conduct Authority (“FCA”) in the UK under firm reference number 802012.

Under the Markets in Financial Instruments Directive, we may treat you as an elective professional client if, after our assessment of your expertise, experience, and knowledge of you, we are reasonably assured that, in light of the nature of the transactions or services envisaged, you are capable of making your own investment decisions and understanding the risks involved. This is the “qualitative test”.

In making our assessment we may rely on information we already possess about you and/or request additional information from you and/or call you to discuss your investment experience.

In addition to this qualitative test, you must satisfy at least 2 of the following 3 criteria:

- 1) You have carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous 4 quarters.
- 2) The size of your financial instrument portfolio, defined as including cash deposits AND financial instruments, exceeds EUR 500,000.
- 3) You work or have worked in the financial sector for at least one year in a professional position, which requires knowledge of the transaction or services envisaged.

### **CLIENT DECLARATION AND WARRANTIES:**

I warrant that I/this entity/we satisfy at least two of the three criteria listed above.

Furthermore, I confirm that I wish to be treated as a professional client generally by VARIANSE. I have read and understood the written warning below from VARIANSE regarding the protections and compensation rights that I may lose, and I am aware of the consequences of losing such protections.

### **WARNING REGARDING PROFESSIONAL VS RETAIL CATEGORISATIONS**

The main differences in regulatory protections afforded retail clients vs. professional clients are:

- Information provisions about VARIANSE, its services, and remuneration that are required with respect to retail clients are not all required with respect to professional clients;
- Communications, including financial promotions made by us with professional clients may not need to include the same information, or be presented in the same way, as a communication addressed to a retail client.
- Professional clients are not entitled to the same level of treatment as Retail Clients where we are holding money which could be identified as “Client Money” (see section 12.2 of the Principal terms of business);
- Professional clients may not be eligible complainants with respect to the Financial Ombudsman Service (“FOS”), or may not be eligible under the Financial Services Compensation Scheme (“FSCS”);
- In assessing the appropriateness of any transactions or investment it will be assumed that you, as a Professional Client have sufficient knowledge and experience to understand the risks associated with that transaction or investment. We are not required to provide you with the written risk warnings that are required for Retail Clients in relation to complex financial instruments such as derivatives.

Finally, I am aware that it is up to me/us/this entity to keep VARIANSE informed of any change that could affect my categorisation.

Signature:

Date:

Full Name:

On behalf of (if you are signing on behalf of a company):