

Appendix II. Information on Client Categorisation

HCI/NTL – Information on Client Categorisation

The purpose of this information is to notify you, as a new client, and prior to providing you with any trading or other investment service, of your categorization as a retail client, a professional client, or an eligible counterparty. This notification will include reference to any rights you have to request a different categorization, and any limitations to client protection any such change would create.

You are entitled to request a re-categorisation, thereby benefitting from a higher degree of protection: as a professional client or an eligible counterparty you may request to be categorized as a retail client.

You are similarly entitled, subject to our agreement for you to do so, to request a different categorization involving a lower level of protection: As a professional client you may request to be categorized as an eligible counterparty and as a retail client you may request to be categorized as a professional client.

Clients may be categorized as follows:

DEFINITIONS AND RELEVANT PROTECTION

1. Retail Clients

“Retail Client”:

A client who is not a professional client or an eligible counterparty.

A. Retail Client Protection

The following sets out the protections under the regulatory system that apply to Retail Clients. Whilst not exhaustive, the main protections are as follows (further detail can be provided upon request):

- i. There are significant marketing requirements which the Company has to adhere to in the areas of marketing communications and financial promotions when dealing with Retail Clients. In fact specific disclosures have to be included in marketing communication relating to Contracts For Differences (“CFDs”) targeting Retail Clients. Additionally, the Company is required to make specific disclosures regarding the level and nature of risks inherent to the investments or services which may be offered to Retail Clients. This disclosure includes also information on the custody and safe-keeping practices exercised by the Company. The Company is not obliged to make such disclosures and abide by the marketing requirements when targeting Professional Clients.
- ii. More frequent reporting to Retail Clients.
- iii. The applicable conduct of business regime requires the Company to undertake a robust and thorough assessment of the client’s knowledge, experience, financial situation, risk appetite and investment objective prior to offering its services. No assumption can be inferred or applied by the Company with respect to such factors when dealing with Retail Clients.
- iv. Where the Company 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 relating to such execution. The Company is not allowed to apply its discretion in order to determine whether other execution factors, besides the price, would be more relevant in obtaining the best possible execution result.

- v. When dealing with Retail Clients the Company is always required to inform you of material difficulties relevant to the proper and prompt carrying out of your Order(s).
- vi. We are obliged to provide Retail Clients with more detailed information relating to its service and the charging structure both at the commencement of the business relationship as well as on an on-going basis.
- vii. Retail clients are eligible for the Investor Compensation Scheme.
- viii. Individual Retail Clients (or if entities, those falling under the definition of ‘micro enterprises’ as per the Arbiter for Financial Services Act [i.e. an enterprise which employs fewer than ten persons and whose annual turnover and, or annual balance sheet total does not exceed two million euro (€2,000,000)]) are eligible to complain to the Arbiter for Financial Services in case they are not satisfied with the way an internal complaint was handled by the Company.
- ix. Retail Clients are protected by law from being subject to title transfer financial collateral arrangements with the Company.
- x. As per the Malta Financial Services Authority’s Conduct of Business Rulebook, the following protections are available to Retail Clients only. The conditions have to be cumulatively satisfied by the Company when offering CFDs to Retail Clients:
 - a. Tiered leverage restriction per instrument class from 1:30 to 1:2, depending on the underlying currency pair.
 - b. A margin close-out protection
 - c. Negative balance protection
 - d. Prohibition on offering direct or indirect cash or other incentives that encourage Retail Clients to trade CFDs
 - e. Prohibition to send direct or indirect communication to Retail Clients or publish information accessible by a Retail Client relating to the marketing, distribution or sale of a CFD, unless it complies with strict standardised risk warning requirements.

2. Professional Clients

“Professional Client”:

A client who possesses the experience, knowledge and expertise to make his/her own investment decisions and properly assess the risks that such decisions will incur.

This will include:

- a. Entities which are required to be authorised or regulated to operate in the financial markets.

The list below will include both authorized (under a Directive) and/or regulated entities (without reference to a Directive) operating both within EU Member States and those within non-Member States.

- 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
- b. 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
- c. 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.
- d. 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 not falling under any of the above categories, including public sector bodies and private individual investors may also be treated as professional clients upon their request subject to the below conditions and procedure.

“Elective Professional Client”

A client who opts to be treated as a Professional Client and who must satisfy a minimum of two of the following criteria:

- a. the client has carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter of the previous four quarters;
- b. The size of the client’s Instrument portfolio, defined as including cash deposits and financial instruments, but which consist of invested monies/instruments (as opposed to cash in the form of savings deposited in a bank account), whether held in cash or otherwise, exceeds €500,000 or equivalent in another currency;
- 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;

In order to be considered as an Elective Professional Client, an applicant must formally express his preference to be treated as such in writing and declare his/her eligibility by signing the HCI/NTL Professional Client Declaration and Elective Professionals Mandatory Warnings forms. We reserve our right to reject any such application which we consider does not adequately satisfy the above referred to conditions and to request supporting documents and information to verify that said conditions are met, in line with local requirements.

A. Risk Warning

The following warning sets out the protections under the regulatory system that one may or will lose if they are classified as a Professional Client (including elective professional clients). Whilst not exhaustive, the differences can be summarised as follows (further detail can be provided upon request):

- i. There is significantly less prescription about what has to be communicated to a Professional Client than to a Retail Client. Professional Clients may receive fewer disclosures in the areas of marketing communications and financial promotions. In fact specific disclosures have to be included in marketing communication relating to Contracts For Differences (“CFDs”) targeting Retail Clients, but the Company is not obliged to include such disclosures when targeting Professional Clients. The same applies to required notifications regarding the level and nature of risks inherent in the investments or services, offered by the Company. This includes also information on the custody and safe-keeping practices exercised by the Company. There is also less prescription regarding the requirement for, and content of, any periodic reports to be provided to Professional Clients.
- ii. The applicable conduct of business regime permits firms to assume that Professional Clients possess the experience, knowledge and expertise to make investment decisions and to properly assess the risks that such client incurs in so doing.
 - a. Where you are a Non-Advisory Professional Client (i.e. client to whom the Company does not provide investment advice) we are required to assess whether an Investment or service is suitable or appropriate for you. Where you are classified as a Professional Client we can assume that you have the necessary level of knowledge and experience to understand the risks involved.
 - b. Where you are an Advisory Dealing Client (i.e. client receiving investment advice from the Company) we are required to assess the suitability of a personal recommendation to you. In the instance where you are classified as Per Se Professional Client, we can assume that you have the necessary level of knowledge and experience to understand the risks involved and can assume that you are able to financially bear any investment risks consistent with your investment objectives.
- iii. Where the Company 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 relating to such execution. The same applies with respect to Professional Clients, however in the latter case, there may be circumstances where for some Clients’ orders, Financial Instruments or markets, the Company may appropriately determine that other execution factors are more important than price in obtaining the best possible execution result.
- iv. As opposed to situations involving Retail Clients’ orders, when dealing with Professional Clients, the Company is not required to inform you of material difficulties relevant to the proper and prompt carrying out of your Order(s).
- v. We are obliged to provide Retail Clients with information which is more detailed than that provided to Professional Clients, both at the commencement of the business relationship as well as on an on-going basis. This follows the premise that Professional Clients can be assumed to understand the overall service, including relevant charging structure, whereas with respect to Retail Clients the Company is required to apply a more comprehensible approach. For this reason the Company may provide more details when explaining its charging structure to Retail Clients and may include more detail and disclosures on its reports and at pre-contract stage prior to the entering of the business relationship.
- vi. Professional Clients may not be eligible for the Investor Compensation Scheme.

- vii. Professional Clients may not be eligible to complain to the Arbiter for Financial Services, unless they satisfy the definition of ‘micro enterprises’ which means an enterprise which employs fewer than ten persons and whose annual turnover and, or annual balance sheet total does not exceed two million euro (€2,000,000).
- viii. Retail Clients are protected by law from being subject to title transfer financial collateral arrangements with the Company, whereas Professional Clients are not.
- ix. As per the Malta Financial Services Authority’s Conduct of Business Rulebook, the following protections are available to Retail Clients only. The conditions have to be cumulatively satisfied by the Company when offering CFDs to Retail Clients:
 - a. Tiered leverage restriction per instrument class from 1:30 to 1:2, depending on the underlying currency pair.
 - b. A margin close-out protection
 - c. Negative balance protection
 - d. Prohibition on offering direct or indirect cash or other incentives that encourage Retail Clients to trade CFDs
 - e. Prohibition to send direct or indirect communication to Retail Clients or publish information accessible by a Retail Client relating to the marketing, distribution or sale of a CFD, unless it complies with strict standardised risk warning requirements.

3. Eligible Counterparty

“Eligible counterparty”

The term ‘Eligible Counterparty’ refers to:

- Investment Firms,
- 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 Maltese law,
- national governments and their corresponding offices including public bodies that deal with public debt, central banks and supranational organisations.

Provided further that the Malta Financial Services Authority may recognise as eligible counterparties, entities within non-member States which nevertheless meet the above-mentioned categories and eligibility criteria.

Provided that the above entities shall have the right to request, either generally or on a trade-by-trade basis, not to be treated as an eligible counterparty.

“Elective Eligible Counterparties” are those clients which request to be categorized as such, subject to the satisfaction of specific criteria.

A. Risk Warning

Eligible Counterparties are considered to be the most sophisticated type of investor under MiFID II. The following warning sets out the protections under the regulatory system that one may or will lose if they are classified as a Per Se Eligible Counterparty (including elective Per Se Eligible Counterparty). Whilst not exhaustive, the differences can be summarised as follows (further detail can be provided upon request):

- i. There is significantly less prescription about what has to be communicated to an Eligible Counterparty than to a Retail Client. Eligible Counterparties may receive fewer disclosures in the areas of marketing communications and financial promotions. In fact specific disclosures have to be included in marketing communication relating to Contracts For Differences (“CFDs”) targeting Retail Clients, but the Company is not obliged to include such disclosures when targeting Eligible Counterparties. The same applies to required notifications regarding the level and nature of risks inherent in the investments or services which may be offered by the Company. This includes also information on the custody and safe-keeping practices exercised by the Company. There is also less prescription regarding the requirement for, and content of, any periodic reports.
- ii. In the provision of investment services the Company is required to assess whether an Investment or service is suitable or appropriate for a client. This involves obtaining information on the knowledge, experience, financial situation, investment objective and risk tolerance of a client, on the basis of which the Company would need to assess whether a particular instrument or service is suitable or appropriate to the client. Where you are classified as an Eligible Counterparty the Company is not required to obtain any of such information and this in view of the treatment of Eligible Counterparties as the most sophisticated type of investor under MiFID II.
- iii. Where the Company executes an order on behalf of a Retail Client or Professional Client, it is bound by the requirements of best execution. However this requirement does not subsist in the case of Eligible Counterparties.
- iv. As opposed to situations involving Retail Clients’ orders, when dealing with Eligible Counterparties, the Company is not required to inform you of material difficulties relevant to the proper and prompt carrying out of your Order(s).
- v. We are obliged to provide Retail Clients with information which is more detailed than that provided to Eligible Counterparties, both at the commencement of the business relationship as well as on an on-going basis. This follows the premise that Eligible Counterparties can be assumed to understand the overall service, including relevant charging structure, whereas with respect to Retail Clients the Company is required to apply a more comprehensible approach. For this reason, the Company may provide more details when explaining its charging structure to Retail Clients and may include more detail and disclosures on its reports and at pre-contract stage prior to the entering of the business relationship. This does not apply where the instrument is a derivative and will be delivered by you to your clients, but in such case the matter would be dealt with separately.
- vi. Eligible Counterparties are not eligible for the Investor Compensation Scheme.
- vii. Eligible Counterparties may not be eligible to complain to the Arbiter for Financial Services, unless they satisfy the definition of ‘micro enterprises’ which means an enterprise which employs fewer than ten persons and whose annual turnover and, or annual balance sheet total does not exceed two million euro (€2,000,000).

- viii. Retail Clients are protected by law from being subject to title transfer financial collateral arrangements with the Company, whereas Eligible Counterparties are not.
- ix. As per the Malta Financial Services Authority's Conduct of Business Rulebook, the following protections are not available to Eligible Counterparties with respect to the offering of Contracts for Difference:
 - a. Tiered leverage restriction per instrument class from 1:30 to 1:2, depending on the underlying currency pair.
 - b. A margin close-out protection
 - c. Negative balance protection
 - d. Prohibition on offering direct or indirect cash or other incentives that encourage Retail Clients to trade CFDs
 - e. Prohibition to send direct or indirect communication to Retail Clients or publish information accessible by a Retail Client relating to the marketing, distribution or sale of a CFD, unless it complies with strict standardised risk warning requirements.

4. Re-classification Process:

You can request re-classification by sending an email to support@newtraderlab.com. Our Support Team will then guide you through the steps to be taken and will provide you with a full disclosure of the risks and changes associated with your reclassification.

In order to verify that you satisfy the criteria for the desired category, we may request further documents and information.

Version Control

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