

CLIENT CLASSIFICATION CRITERIA

Effective as on 21 August 2017

1. General

- 1.1. Pursuant to the requirements of the Securities Market Act (subsection 46 (11)), AS Redgate Capital (hereinafter the **Company**) is required to establish written procedures for treating clients.
- 1.2. Clients are classified prior to the commencement of the provision of services as well as upon changes in the data in the course of the provision of the service. This procedure stipulates the client classification criteria.
- 1.3. A client is any person or entity to whom the Company provides investment or non-core services. A potential client of the Company (hereinafter the Potential Client) is a person or entity to whom the Company wants to provide or offer investment or non-core services, but with whom no contractual relations have been entered into.

2. Classification Criteria

2.1. RETAIL CLIENTS

Retail client are clients who are not professional clients or eligible counterparties.

2.2. PROFESSIONAL CLIENTS

- 2.2.1. Professional clients are Estonian entities authorised to operate on financial markets or subject to the corresponding regulations and the equivalent foreign legal entities listed below:
 - i) an Estonian or foreign credit institution, investment firm, management company, investment fund, insurance undertaking or another financial institution subject to financial supervision;
 - ii) the Republic of Estonia or a foreign state or a local or regional government or the central bank of Estonia or a foreign state;
 - iii) an international organisation, including the International Monetary Fund, the European Central Bank, the European Investment Bank;
 - iv) an Estonian or foreign financial institution whose only business activity is investment in securities, a market trader in commodities and commodity derivatives;
 - v) a large enterprise, i.e. a company that meets at least two of the following conditions:
 - a) its balance sheet total is equal to or exceeds 20 million euros;

- b) its net turnover is equal to or exceeds 40 million euros;
- c) its equity is equal to or exceeds 2 million euros.

2.2.2. Retail clients requesting to be treated as professional clients

- i) A retail client may request to be treated as a professional client if the retail client finds that they have sufficient experience, knowledge and expertise for making investment decisions and for adequate assessment of the related risks.
- ii) Procedure for classification of a retail client as a professional client
 - a) The client submits a written application.
 - b) The client complies with at least two of the following conditions:
 - i) the client has concluded ten transactions of a significant size with an average frequency on markets per quarter over the last four quarters;
 - ii) the volume of the securities portfolio of the client¹ exceeds 500,000 euros; and
 - iii) the client works or has worked for at least one year in the financial sector in an office that requires knowledge of investing in securities.
 - iii) The Company finds that the client is able to make independent investment decisions as well as understand the related risks and the Company accepts the application of the Client.
 - iv) A retail client may be treated as a professional client only if all of the following conditions are complied with:
 - a) the client provides written confirmation to the Company that they would like to be treated as a professional client generally or in connection with a specific investment service or transaction or type of transaction or service;
 - b) the Company presents the client a written explanation concerning the rights that the client may lose when treated as a professional client;
 - c) the client provides a written confirmation that they are aware of the rights that they will lose as a result of being treated as a professional client, including that they have no protection provided by the Investor Protection Sectoral Fund and the provisions of the Securities Market Act established for the protection of a retail client.

2.2.3. Treatment of a professional client as a retail client

¹ Including cash.

- i) A professional client applies in writing to be treated as a retail client if the professional client finds that they are unable to sufficiently assess or manage the risks related to the services and transactions.
- ii) The Company accepts the application of the client.
- iii) A written contract is entered into, which stipulates that the client will be treated as a retail client with regard to one or several services or transactions or several types of securities or transactions.

2.2.4. Treatment of a professional client as an eligible counterparty

- i) The Company may, at the request of a professional client, treat the professional client as an eligible counterparty. See the process below in clause 2.3.5.

2.3. ELIGIBLE COUNTERPARTIES

2.3.1. Eligible counterparties are Professional clients who have requested to be treated as eligible counterparties i.e. Estonian entities authorised to operate on financial markets or subject to the corresponding regulations and the equivalent foreign legal entities listed below:

- i) an Estonian or foreign credit institution, investment firm, management company, investment fund, insurance undertaking or another financial institution subject to financial supervision;
- ii) the Republic of Estonia or a foreign state or a local or regional government or the central bank of Estonia or a foreign state;
- iii) an international organisation, including the International Monetary Fund, the European Central Bank, the European Investment Bank;
- iv) a person whose main business activity is trading in commodities or commodity derivatives for their own account;
- v) a person who trades for their own account on markets in financial futures, options or other derivatives and on cash markets for the sole purpose of hedging positions on derivative markets, or conducts transactions in said markets at the expense of other members or makes prices for them, and whose transactions are guaranteed by clearing members of the same markets.

2.3.2. When concluding transactions with an eligible counterparty and providing investment services related thereto, the Company **is not required** to apply § 85⁵–7) and 9), § 86 (1),(2) and (5) and the provisions of § 85², 85⁴ – 85⁷ and § 87¹ – 87⁵ of the Securities Market Act, except for the provisions prohibiting market abuse, including the following requirements:

- i) notification requirements provided requiring the provision of information, among other things, about the nature of the investment service and the risks relating thereto to the client;
- ii) assessment of the suitability and appropriateness of the client for the use of the investment service desired;

- iii) adherence to the requirements provided for in the Securities Market Act on the handling of client orders and best execution thereof;
- iv) refraining from the provision of recommendations to the client for the conclusion of transactions with securities if the recommendations are not in the interests of the client and the service provider is aware thereof;
- v) submission of reports about the services provided.

2.3.3. Clients classified as eligible counterparties applying to be treated as professional clients

- i) Procedure for classification
 - a) An eligible counterparty specified in clause 2.3.1 above applies in writing to be treated as a professional client generally or in connection with a specific transaction.
 - b) The Company accepts the application of the client.
 - c) A written contract is entered into, which stipulates that the client will be treated as a professional client with regard to one or several services or transactions or several types of securities or transactions.

2.3.4. Clients classified as eligible counterparties applying to be treated as retail clients

- i) Procedure for classification
 - a) An eligible counterparty specified in clause 2.3.1 above applies in writing to be treated as a retail client subject to the requirements listed in clause 2.3.2 generally or in connection with a specific transaction.
 - b) The Company accepts the application of the client.
 - c) A written contract is entered into, which stipulates that the client will be treated as a retail client with regard to one or several services or transactions or several types of securities or transactions.

2.3.5. Clients classified as professional clients applying to be treated as eligible counterparties

- i) Procedure for classification
 - a) The client submits a written application.
 - b) The Company finds that the client is able to make independent investment decisions as well as understand the related risks and the Company accepts the application of the Client.
 - c) Upon treating a professional client as an eligible counterparty, the requirements provided for in clause 2.3.2 are not applied and the client does not have the right to require the

performance of such obligations when being treated as an eligible counterparty.

- d)** The client informs the Company in writing that they are aware that they have no protection provided by the Investor Protection Sectoral Fund and provisions of the Securities Market Act concerning the protection of a professional client.