

# Client categorisation criteria for investment services or ancillary services

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## 1. General

- 1.1 Pursuant to the requirements of the Securities Market Act<sup>1</sup> (subsection 46 (11)) and MiFID II (Directive 2014/65/EU), AS Redgate Capital (hereinafter the **Company**) is required to establish written policies of client categorisation.
- 1.2 Clients are categorised prior to the commencement of the provision of investment or ancillary services as well as upon changes in the data in the course of the provision of the service according to this internal regulation (hereinafter **Internal Regulation**).
- 1.3 The client is categorised as a retail client, a professional client, or an eligible counterparty.
- 1.4 A client is any person or entity to whom the Company provides investment or ancillary services. A potential client of the Company (hereinafter the **Potential Client**) is a person or entity to whom the Company wishes to provide or offer investment or ancillary services, but with whom no contractual relations have been entered into.
- 1.5 The obligations of the Company mentioned in this Internal Regulation are fulfilled by the responsible employee(s) or the manager of the Company in providing the service.

## 2. Categorisation criteria

### 2.1 Retail clients

- 2.1.1 Retail clients are clients who are not professional clients or eligible counterparties.

### 2.2 Professional clients

- 2.2.1 Professional clients are private individuals or legal entities authorised to operate on financial markets or subject to the corresponding regulations:

- 2.2.1.1. a credit institution, investment firm, management company, investment fund, insurance undertaking or another financial institution subject to financial supervision;
- 2.2.1.2. the Republic of Estonia, a foreign state, a regional government or the central bank of Estonia or a foreign state;
- 2.2.1.3. an international institution or organisation, including the International Monetary Fund, the European Central Bank, the European Investment Bank;

<sup>1</sup><https://www.riigiteataja.ee/en/eli/ee/513042022001/consolide/current>

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2.2.1.4. a financial institution whose only business activity is investment in securities, a market trader in commodities and commodity derivatives;

2.2.1.5. a large enterprise, i.e., a company that meets at least two of the following conditions:

2.2.1.5.1 its balance sheet total is equal to or exceeds 20 million euros;

2.2.1.5.2 its net turnover is equal to or exceeds 40 million euros;

2.2.1.5.3 its equity is equal to or exceeds 2 million euros.

### 2.3 Eligible counterparties

2.3.1 The Company, with a relevant consent, will categorise Clients as eligible counterparties. Eligible counterparties may be legal entities listed below:

2.3.1.1. an Estonian or foreign credit institution, investment firm, management company, investment fund, insurance undertaking or another financial institution subject to financial supervision;

2.3.1.2. the Republic of Estonia, a foreign state, a regional government or the central bank of Estonia or a foreign state;

2.3.1.3. an international organisation, including the International Monetary Fund, the European Central Bank, the European Investment Bank.

2.3.2 When concluding transactions with an eligible counterparty and providing investment services related thereto, the Company is not required to apply certain measures of investor protection, specified by the legislation, except for the provisions prohibiting market abuse. The following requirements will not be applied:

2.3.2.1. 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;

2.3.2.2. assessment of the suitability and appropriateness of the client for the use of the investment service desired;

2.3.2.3. adherence to the requirements provided for in the Securities Market Act on the handling of client orders and best execution thereof;

2.3.2.4. 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;

2.3.2.5. submission of reports about the services provided.

### 3. Requests for a change in category

3.1 A client can request to be categorised in a different category either generally (i.e. for all future transactions and investment services) or in respect of a particular investment service or transaction, or type of transaction or product. This may result in a change in the level of protection for a client by a decrease in protection (opting to be categorised up) or by allowing for a higher degree of protection (opting to be categorised down).

#### 3.1.1 Opting up - retail clients requesting to be treated as professional clients

3.1.1.1. 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.

3.1.1.2. Procedure for categorisation of a retail client as a professional client:

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- 3.1.1.2.1 The client submits an application either electronically<sup>2</sup> or if this is not possible, in paper form.
- 3.1.1.2.2 The client complies with at least two of the following conditions:
- the client has concluded ten transactions of a significant size (transaction amount at least 5 000 euros) on securities markets per quarter over the last four quarters;
  - the volume of the client's securities portfolio exceeds 500,000 euros;
  - the client works or has worked for at least one year in the financial sector in a position or office that requires knowledge of investing in securities.
- 3.1.1.2.3 The Company evaluates the client's application and will ask additional evidence if needed<sup>3</sup>, considers the type of planned transactions or services and if the Company finds that the client is able to make independent investment decisions as well as understand the related risks, the Company accepts the application of the client.

3.1.1.3. A retail client may be treated as a professional client, if:

- 3.1.1.3.1 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;
- 3.1.1.3.2 the Company presents the client a written explanation concerning the rights that the client may lose when treated as a professional client;
- 3.1.1.3.3 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.

### 3.1.2 Opting up – professional clients applying to be treated as eligible counterparties

- 3.1.2.1. A professional client specified in clause 2.2.1 submits a written application.
- 3.1.2.2. 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.
- 3.1.2.3. 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.
- 3.1.2.4. 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.

### 3.1.3 Opting down – professional clients applying to be treated as retail clients

- 3.1.3.1. A professional client specified in clause 2.2.1 applies in writing to be treated as a retail client if the professional client finds that it is unable to sufficiently and adequately assess or manage the risks related to the services and transactions. In such case it is not presumed that he or she is as highly knowledgeable in the securities market as a professional client.

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<sup>2</sup> Online MiFID client categorisation form is available in Redgate's website: <https://redgatecapital.eu/en/self-service/>

<sup>3</sup> e.g., by asking additional evidence on employment, portfolio size or transaction frequency

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- 3.1.3.2. The Company has the right to treat a professional client as a retail client on its own initiative.
- 3.1.3.3. If a professional client requests to be treated as a retail client, the Company shall present the client with a written categorisation application form for signing (*the Company may set a respective template*).
- 3.1.3.4. To treat a professional client as a retail client upon the initiative of the Company, the Company determines the reasons for such treatment in the client file and takes the client's signature regarding their categorisation to the application.
- 3.1.3.5. The Company accepts the application of the client.
- 3.1.3.6. After signing the application, an agreement 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.

### 3.1.4 Opting down – eligible counterparties applying to be treated as professional clients

- 3.1.4.1. 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. The Company has the right to handle an eligible counterparty as a professional client on its own initiative as well.
- 3.1.4.2. The Company accepts the application of the client.
- 3.1.4.3. After signing the application, an agreement 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.

### 3.1.5 Opting down – eligible counterparties applying to be treated as retail clients:

- 3.1.5.1. 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. The Company has the right to handle an eligible counterparty as a retail client on its own initiative as well.
- 3.1.5.2. The Company accepts the application of the client.
- 3.1.5.3. After signing the application, an agreement 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.