



# INFORMATION AND GUIDELINES ON CLIENT CATEGORIZATION

**CLARKSONS SECURITIES AS**

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# INFORMATION AND GUIDELINES ON CLIENT CATEGORIZATION

Based on a standard prepared by the Norwegian Securities Dealers Association.

## 1. Client Categorization

Clarksons Securities AS (“**CS**”, “**Company**”, or “**Our**”) is required, in accordance with the Markets in Financial Instruments Directive 2014/65/EU (**MiFID II**) and the Norwegian Securities Trading Act and regulations, to classify all its clients in different categories depending on professionalism. All clients are classified as either (i) non-professional clients (retail clients), (ii) professional clients or (iii) eligible counterparties.

The extent to which the client is protected by legislation depends on the client category. These guidelines provide the main features of the investor protection applicable to each client category. These guidelines are not exhaustive.

To a certain extent, the legislation allows clients to request to be reclassified to another client category. Such request must be approved by the Company. Even if the conditions for reclassification as stated below are met, the Company will nonetheless at our own discretion decide whether or not the request will be approved. The Company has established own policies for the reclassification of clients.

The effects of the distinctions between the client categories are set out in the regulations referring to client protection in MiFID II. The main implication of the different categories is the different level of investor protection and to the extent CS will be obligated to give information to the client and what financial instruments the client may trade. CS's duty of information is more extensive towards non-professional clients than to professional clients.

Whenever CS will provide investment advice, CS is obligated to assess whether the service/product is suitable for the individual client (suitability test). The extent of the suitability test will depend on the client categorisation. Whenever CS is providing other investment services, CS is only obligated to retain information of the client's knowledge and experience. The assessment to whether the service is appropriate for the client is dependent on whether the client understands the risk involved with the service (the appropriateness test). The appropriateness test is only mandatory towards non-professional clients, as professional clients are expected to possess the necessary experience and knowledge to understand the risk involved with the product or service.

Other situations where the client classification has an impact is on reporting requirements to the client after execution of the order, requirement for Best Result/Best Execution and requirements to enter into a written customer agreement. These Guidelines are issued in English only.

## 2. Non-professional Clients (Retail Clients)

### 2.1. Definition of non-professional clients

A non-professional client is private persons (retail investors), legal persons that do not fulfil the requirements to be classified as a professional client (see description under 2.4.1 below) and other legal persons that are not professional investors.

### 2.2. Degree of investor protection

Clients classified in this client group have the highest level of investor protection. This means, among other things, that the Company to a greater extent than for the other client categories is required to tailor its services to the client's individual needs and qualifications.

The Company will consider, before any trading takes place or advice is given, whether a service/transaction, including a financial instrument, is appropriate or suitable for non-professional clients. Investment advice will be given on the basis of the information provided by the client on his/her investment goals, financial position and experience and knowledge of the service/transaction in question.

Should the client wish to carry out a transaction that the Company does not believe to be appropriate, taking into account the client's knowledge and experience, the Company has a duty to advise against this. However, the transaction may nonetheless be carried out if the client so wishes despite the warning. The Company's duty to consider whether a service/transaction is appropriate does not apply in all cases. Among other things, there is an extensive exception for online trading. CS does not offer internet trading.

A status as a non-professional client also entails an extensive right to receive information from the Company. The Company is obliged, among other things, to inform the client of the financial instruments in question and of the associated risks, the trading systems and marketplaces the Company use and the prices and other costs of all transactions, so that the client is enabled to make an informed and reasoned investment decision.

### 2.3. Admission to be reclassified

Non-professional clients may request to be treated as a professional client provided that a more detailed set of conditions are met and a further specified procedure is followed. Such a reclassification results in a lower level of investor protection.

### 2.4. From non-professional client to professional client

#### 2.4.1. The absolute requirements

The client must meet at least two of the following criteria:

1. The client has carried out transactions, in significant size, on the relevant market at an average frequency of 10 transactions per quarter over the previous four quarters,
2. the size of the client's financial instruments portfolio, defined as cash deposits and financial instruments, exceeds an amount which in NOK equals EUR 500,000,

3. the client works or has worked in the financial sector for at least one year in a professional position, which requires knowledge of the relevant transactions or investment services.

## 2.5. Procedure to be reclassified

Clients must inform the Company in writing that they wish to be treated as a professional client, and the reclassification request must be on the client's own initiative.

If a non-professional client wishes to be reclassified, the client must notify CS in writing by using the standard form available on CS's web page. In addition, the client must attach documentation proving that the requirements for reclassification are met. In this standard form, clients must also declare that they are familiar with the consequences of losing the protection applicable to non-professional clients as described in these guidelines. Further information can be obtained by contacting KYC at [kyc.securities@clarksons.com](mailto:kyc.securities@clarksons.com).

The Company will evaluate whether the client – based on the client's expertise, experience and knowledge and the planned transactions – is capable of making own investment decisions and understands the risk involved.

## 3. Professional Clients

### 3.1. Definition of Professional clients

In accordance with MiFID II, clients are regarded as professional with respect to all investment services and financial instruments if they:

1. Are an eligible counterparty (see also clause 4.1 below).
2. Are a legal person that fulfil at least two of the following requirements to size of its business:
  - a. Has a balance sheet of the NOK equivalent to at least EUR 20 million,
  - b. Has a net turnover of the NOK equivalent to at least EUR 40 million,
  - c. Has own funds (equity) of the NOK equivalent to at least EUR 2 million.
3. Are other institutional investors that primarily invest in financial instruments.
4. Are other clients that request reclassification to professional clients (see also clause 2.4.1 above).

Please note that the definition of “professional” investor and “eligible counterparties” are overlapping for certain clients.

### 3.2. Level of investor protection

Clients classified as professional clients are protected by the legislation to a slightly less extent than non-professional clients. Professional clients are in some areas regarded as able to safeguard their own interests, and the services provided will therefore to a lesser extent be tailored to suit the client's individual needs.

Basically, the code of good business conduct applies in full to professional clients. However, the extent of the Company's obligations is slightly reduced. Among other things, professional clients are normally expected to have sufficient knowledge to assess whether a transaction is appropriate. The Company's investment advice will thus be based on the investment goals stated by the client and CS will basically not ask for information on the client's financial position or knowledge/experience. The Company will not assess whether carrying out the transactions in question is appropriate for the client, and the Company have no duty to advice against a transaction.

The degree of investor protection may affect the rate at which the transaction in question is executed. Another consequence will be that professional clients can have access to a wider range of products.

Professional clients are also assumed to be able to determine which information that is necessary in order to make an investment decision. This means that professional clients must, to a greater extent than non-professional clients, themselves obtain the information they regard as necessary. However, professional clients will receive reports on services that have been carried out and other important information, such as the Company's order execution policy and security rights or possessory liens in financial instruments or assets.

### **3.3. Admission to be reclassified**

Professional clients may request to be reclassified as non-professional clients and thus achieve a higher level of investor protection (see description under clause 2.2 above). Professional clients may also request to be classified as eligible counterparties and thus achieve a lower level of investor protection. Professional clients are responsible to keep CS continuously informed of any changes that may affect their classification or categorization.

### **3.4. From professional client to retail client**

It is the duty of the professional client to request a higher level of protection when the client feels unable to make a proper risk assessment. Such a change of client classification is to be documented by a written agreement between the Company and the client.

CS may also at its own initiative reclassify a client to a higher level of investor protection. Such reclassifications may be completed for example when CS wishes to offer services to a specific client category.

### **3.5. From professional client to eligible counterparty**

A client can request a classification in the customer agreement in relation to the client opening process by documenting that the requirements stated in item 4.1 below are met.

Existing professional clients may ask the Company to be treated as eligible counterparties. The client must notify CS in writing by using the standard form letter which is available on CS web page and send it by e-mail to the address set out in the form letter. In this standard form letter, clients must also declare that they are familiar with the consequences of losing the protection applicable to professional clients as described in these guidelines. Further information can be obtained by contacting KYC at [kyc.securities@clarksons.com](mailto:kyc.securities@clarksons.com).

## 4. Eligible counterparty

### 4.1. Definition of eligible counterparties

Eligible counterparties are normally defined in accordance with MiFID II as (the list is not exhaustive):

- Investment firms
- Credit institutions
- Insurance companies
- Securities funds and asset management funds
- Pension funds
- Other financial institutions
- Governmental enterprises and entities
- Professional clients that fulfil the requirements set out in clause 3.1 2) above.

### 4.2. Level of investor protection

An eligible counterparty has the lowest level of investor protection. Clients with the status as an eligible counterparty ultimately have the same protection as a professional client, see clause 3.2 above.

The investor protection for this group is significantly reduced when the Company provides the following investment services:

- The receipt and imparting of orders
- Execution of orders for the client's account and
- The own-account sale of financial instruments

When providing such services, the Company is not subject to the provisions set out in the Norwegian Securities Trading Act regarding good business conduct, best execution (including the Company's order execution policy) and certain rules linked to order processing.

As regards to the requirement of assessing suitability and appropriateness, the rules applying to professional clients will apply correspondingly to eligible counterparties.

The exemption from the provision regarding good business conduct means, among other things, that some of the rules stipulating requirements as to information and reporting are not applicable to this client category. This basically also applies to the rule that the Company must ensure that the client's interests are safeguarded in the best possible way. However, the requirement of good business conduct as a general principle must apply irrespective of the exemption from the Securities Trading Act provision, and eligible counterparties will thus to a certain extent be protected by general principles of good business conduct.

### 4.3. Admission to be reclassified

Eligible counterparties may request to be reclassified as a professional client or a non-professional client and thus achieve a higher level of investor protection.

#### **4.4. From eligible counterparty to professional client**

Eligible counterparties may request to be treated as a professional client if they wish a higher level of investor protection and to be covered by the rules regarding good business conduct.

CS may also at its own initiative reclassify a client to a higher level of investor protection. Such reclassifications may be completed for example when CS wishes to offer services to a specific client category.

#### **4.5. 4.5 From eligible counterparty to non-professional clients**

Should clients that are initially classified as eligible counterparties wish a higher level of investor protection, they may ask to be treated as a non-professional client. Clause 3.4 above will apply correspondingly in the case of such a request.