

Clients Classification Policy

Contents

Introduction	1
Section 1. Retail Clients	1
Section 2. Professional Clients	1
A. Per se professional clients:	2
B. Elective professional clients	4
B1. UK local public authority or municipality as an elective professional:	5
B2. Non-UK local public authority or municipality as an elective professional:	6
C. Professional and Elective professional Clients – General	7
Section 3. Eligible counterparties	7
A. Per se eligible counterparties	7
B. Elective eligible counterparties	8
C. Client and firm located in different jurisdictions	9
Section 4. Providing clients with a higher level of protection	9
FAQs	9
CONTACTS	9

Introduction

Tera Europe Limited trading as Tera FX incorporated in England and Wales under company number 07604372 (hereinafter the “Company” or “TeraFX”) with registered office at 125 Old Broad Street, London EC2N 1AR, United Kingdom is authorised and regulated by the Financial Conduct Authority (hereafter the “FCA”) – Firm reference number: 564741.

In line with the FCA Handbook and implementation of the newly reformed Markets in Financial Instruments Directive II (MiFID II), as amended from time to time, the Company is required to classify its Clients into one of the following three categories: retail, professional or eligible counterparty.

Section 1. Retail Clients

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

The company will categorise a local public authority or municipality which (in either case) does not manage public debt as a retail client, unless it is permitted to treat such a person as an elective professional client in accordance with FCA rules.

Section 2. Professional Clients

A professional client is a client that is either a per se professional client or an elective professional client.

A. Per se professional clients:

Each of the following is a per se professional client unless and to the extent it is an eligible counterparty or is given a different categorisation under this policy and FCA rules:

- 1) an entity required to be authorised or regulated to operate in the financial markets, as per the following list, whether authorised by an EEA State or a third country and whether or not authorised by reference to a directive:
 - a) a credit institution;
 - b) an investment firm;
 - c) any other authorised or regulated financial institution;
 - d) an insurance company;
 - e) a collective investment scheme or the management company of such a scheme;
 - f) a pension fund or the management company of a pension fund;
 - g) a commodity or commodity derivatives dealer;
 - h) a local;
 - i) any other institutional investor;

- 2) in relation to MiFID or equivalent third country business a large undertaking meeting two of the following size requirements on a company basis:
 - a) balance sheet total of EUR 20,000,000;
 - b) net turnover of EUR 40,000,000;
 - c) own funds of EUR 2,000,000;

- 3) in relation to business that is not MiFID or equivalent third country business a large undertaking meeting any of the following conditions:
 - a) a body corporate (including a limited liability partnership) which has (or any of whose holding companies or subsidiaries has) (or has had at any time during the previous two years) called up share capital or net assets of at least £5 million (or its equivalent in any other currency at the relevant time);

 - b) an undertaking that meets (or any of whose holding companies or subsidiaries meets) two of the following tests:
 - i. a balance sheet total of EUR 12,500,000;
 - ii. a net turnover of EUR 25,000,000;
 - iii. an average number of employees during the year of 250;

 - c) a partnership or unincorporated association which has (or has had at any time during the previous two years) net assets of at least £5 million (or its equivalent in any other currency at the relevant time) and calculated in the case of a limited partnership without deducting loans owing to any of the partners;

- d) a trustee of a trust (other than an occupational pension scheme, SSAS, personal pension scheme or stakeholder pension scheme) which has (or has had at any time during the previous two years) assets of at least £10 million (or its equivalent in any other currency at the relevant time) calculated by aggregating the value of the cash and designated investments forming part of the trust's assets, but before deducting its liabilities;
 - e) a trustee of an occupational pension scheme or SSAS, or a trustee or operator of a personal pension scheme or stakeholder pension scheme where the scheme has (or has had at any time during the previous two years):
 - i. at least 50 members; and
 - ii. assets under management of at least £10 million (or its equivalent in any other currency at the relevant time);
- 4) a national or regional government, including a public body that manages public debt at national or regional level, a central bank, an international or supranational institution (such as the World Bank, the IMF, the ECB, the EIB) or another similar international organisation;
- 5) other institutional investor whose main activity is to invest in financial instruments (in relation to the firm's MiFID or equivalent third country business) or designated investments (in relation to the firm's other business). This includes entities dedicated to the securitisation of assets or other financing transactions.

The above mentioned entities are considered to be professional per se. They however allowed to request non-professional treatment and the Company may agree to provide a higher level of protection. Where the client of the Company is undertaking referred to above, the Company will inform them prior to any provision of services that, on the basis of the information available to the Company, the client is deemed to be a professional client and will be treated as such unless the Company and the Client agrees otherwise.

It is a responsibility of the client considered to be a professional client, to ask for a higher level of protection when it deems it is unable to properly assess or manage the risks involved.

This higher level of protection will be provided when a client who is considered to be a professional, enters into a written agreement with the Company to the effect that it shall not be treated as a professional for the purpose of the applicable conduct or business regime. Such agreement should specify whether this applies to one or more particular services or transactions, or to one or more types of product or transaction.

B. Elective professional clients

- I. The Company may treat a client other than a local public authority or municipality as an elective professional client if it complies with (1) and (3) and, where applicable, (2):
 - 1) The Company will undertake an adequate assessment of the expertise, experience and knowledge of the client that gives reasonable assurance, in light of the nature of the transactions or services envisaged, that the client is capable of making his own investment decisions and understanding the risks involved (the "**qualitative test**");
 - 2) in relation to MiFID or equivalent third country business in the course of that assessment, at least two of the following criteria are satisfied:
 - a) 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;
 - b) the size of the client's financial instrument portfolio, defined as including cash deposits and financial instruments, exceeds EUR 500,000;
 - 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; (the "**quantitative test**"); and
 - 3) the following procedure is followed:
 - a) the client must state in writing to the Company that it wishes to be treated as a professional client either generally or in respect of a particular service or transaction or type of transaction or product;
 - b) the Company will give the client a clear written warning of the protections and investor compensation rights the client may lose; and
 - c) the Company will request the client to state in writing, in a separate document from the contract, that he/she is aware of the consequences of losing such protections.
- II. A local public authority or municipality
 - 1) The Company is required to assess a local public authority or municipality against a "quantitative test" to treat it as an elective professional client, regardless of whether the Company intends to conduct business involving MiFID or equivalent third country business or other regulated activities. The "quantitative test" that the Company will use depends on the geographical location (UK and non-UK clients).

B1. UK local public authority or municipality as an elective professional:

- a) In deciding if the Company may treat a UK local public authority or municipality as an elective professional client, the Company will follow the below procedure:
 - i. The Company will undertake an adequate assessment of the expertise, experience and knowledge of the client that gives reasonable assurance, in light of the nature of the transactions or services envisaged, that the client is capable of making his own investment decisions and understanding the risks involved (the "**qualitative test**");
 - ii. the following procedure is followed:
 - d) the client must state in writing to the Company that it wishes to be treated as a professional client either generally or in respect of a particular service or transaction or type of transaction or product;
 - e) the Company will give the client a clear written warning of the protections and investor compensation rights the client may lose; and
 - f) the Company will request the client to state in writing, in a separate document from the contract, that he/she is aware of the consequences of losing such protections.
 - iii. The "quantitative test" for a UK local public authority or municipality to be treated as an elective professional means that the criterion in a. below is satisfied as well as one of the criteria in b. below:
 - a. the size of the client's financial instrument portfolio defined as including cash deposits and financial instruments, exceeds £10,000,000; and
 - b. either:
 1. the client has carried out transactions, in significant size, on the relevant market at an average frequency of ten per quarter over the previous four quarters; or
 2. the person authorised to carry out transactions on behalf of the client works or has worked in the financial sector for at least one year in a professional position, which requires knowledge of the provision of services envisaged; or
 3. the client is an 'administering authority' of the Local Government Pension Scheme within the meaning of the version of Schedule 3 of The Local Government Pension Scheme Regulations 2013 or, (in relation to Scotland) within the meaning of the version of Schedule 3 of The Local Government Pension Scheme (Scotland) Regulations 2014 in force at 1 January 2018, and is acting in that capacity.

Where a UK local public authority or municipality conducting **(a)** business in the course of or connected to its administration of a pension scheme; and **(b)** other business as a local public authority or municipality – the Company will apply the qualitative and quantitative tests as well as required procedure separately and independently in relation to the client’s business under (a) and (b) business activities written in this paragraph. Depending on the outcome of the qualitative and quantitative tests conducted following the required procedure, the company may categorise a UK local public authority or municipality differently in relation to the two sorts of business described (a) and (b) described in this paragraph.

B2. Non-UK local public authority or municipality as an elective professional:

- a) In deciding if the Company may treat a non-UK local public authority or municipality as an elective professional client, the Company will follow the below procedure:
 - i. The Company will undertake an adequate assessment of the expertise, experience and knowledge of the client that gives reasonable assurance, in light of the nature of the transactions or services envisaged, that the client is capable of making his own investment decisions and understanding the risks involved (the "**qualitative test**");
 - ii. the following procedure is followed:
 - a) the client must state in writing to the Company that it wishes to be treated as a professional client either generally or in respect of a particular service or transaction or type of transaction or product;
 - b) the Company will give the client a clear written warning of the protections and investor compensation rights the client may lose; and
 - c) the Company will request the client to state in writing, in a separate document from the contract, that he/she is aware of the consequences of losing such protections.
 - iii. The "**quantitative test**" for a non-UK local public authority or municipality to be treated as an elective professional means that either of the below is satisfied:
 - a. where the local public authority or municipality is established in an EEA State and the EEA State has adopted alternative or additional criteria to those listed in the fifth paragraph to section II.1 of annex II to MiFID, those criteria as set out in the law or measures of that EEA State; or
 - b. in any other case the same "quantitative test" that is applied in relation to MiFID or equivalent third country business where at least two of the following criteria are 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;

C. Professional and Elective professional Clients – General

If the client is an entity, the qualitative test will be performed in relation to the person authorised to carry out transactions on its behalf. The fitness test applied to managers and directors of entities licensed under directives in the financial field is an example of the assessment of expertise and knowledge involved in the qualitative test.

Before deciding to accept a request for re-categorisation as an elective professional client the Company will take all reasonable steps to ensure that the client requesting to be treated as an elective professional client satisfies the qualitative test and, where applicable, the relevant quantitative test.

An elective professional client will not be presumed to possess market knowledge and experience comparable to a per se professional client.

Professional clients are responsible for keeping the Company informed about any change that could affect their current categorisation. If the Company will become aware that a client no longer fulfils the initial conditions that made it eligible for categorisation as an elective professional client, the Company will take the appropriate action. Where the appropriate action involves re-categorising that client as a retail client, the Company will notify that client of its new categorisation.

Section 3. Eligible counterparties

An eligible counterparty is a client that is either a per se eligible counterparty or an elective eligible counterparty. A client can only be an eligible counterparty in relation to eligible counterparty business, however there could be some exceptions.

A. Per se eligible counterparties

Each of the following is a per se eligible counterparty (including an entity that is not from an EEA State that is equivalent to any of the following) unless and to the extent it is given a different categorisation under this Policy and FCA rules:

- 1) an investment firm;
- 2) a credit institution;
- 3) an insurance company;
- 4) a collective investment scheme authorised under the UCITS Directive or its management company;
- 5) a pension fund or its management company;
- 6) another financial institution authorised or regulated under EU legislation or the national law of an EEA State; A financial institution includes regulated institutions in the securities, banking and insurance sectors.
- 7) a national government or its corresponding office, including a public body that deals with public debt at national level;
- 8) a central bank; and
- 9) a supranational organisation.

B. Elective eligible counterparties

The Company may treat a client as an elective eligible counterparty in relation to business other than MiFID or equivalent third country business if:

- 1) the client is an undertaking and:
 - a) is a per se professional client (except for a client that is only a per se professional client because it is an institutional investor under the definition of per se professional client above (Section 2.A) and:
 - i. is a body corporate (including a limited liability partnership) which has (or any of whose holding companies or subsidiaries has) called up share capital of at least £10 million (or its equivalent in any other currency at the relevant time); or
 - ii. meets (or any of whose holding companies or subsidiaries meets) two of the following tests: (i) a balance sheet total of EUR 12,500,000; (ii) a net turnover of EUR 25,000,000; (iii) an average number of employees during the year of 250; and
 - b) requests such categorisation; and
- 2) The Company is following prescribed procedure where a client requests to be treated as an eligible counterparty:
 - a) The company will provide the client with a clear written warning of the consequences for the client of such a request, including the protections they may lose;
 - b) the client shall confirm in writing the request to be treated as an eligible counterparty either generally or in respect of one or more investment services or a transaction or type of transaction or product and that they are aware of the consequences of the protection they may have lost as a result of the request.

By adhering to the procedure set out above (in B.2)) the company may treat a client as an elective eligible counterparty in relation to MiFID or equivalent third country business if the client: (1) is an undertaking; (2) is a per se professional client, except for a client that is only a per se professional client because it is an institutional investor under the definition as explained above in Section 2.A.); and (3) requests such categorisation.

The categories of elective eligible counterparties include an equivalent undertaking that is not from an EEA State provided the above conditions and requirements are satisfied. The Company may obtain a prospective counterparty's confirmation that it agrees to be treated as an eligible counterparty either in the form of a general agreement or in respect of each individual transaction.

C. Client and firm located in different jurisdictions

In the case of MiFID or equivalent third country business, in the event of a transaction where the prospective counterparties are located in different EEA States, the Company will defer to the status of the other undertaking as determined by the law or measures of the EEA State in which that undertaking is established.

Section 4. Providing clients with a higher level of protection

A professional client or an eligible counterparty has the right to request re-categorisation as a client that benefits from a higher degree of protection. It is the responsibility of a professional client or eligible counterparty to ask for a higher level of protection when it deems it is unable to properly assess or manage the risks involved.

FAQs

Questions regarding this Policy should be addressed, in the first instance, to the Customer Service Department.

CONTACTS

Customer Support Department E-mail: customerservice@terafx.co.uk

Compliance Department E-mail: compliance@terafx.co.uk