



# Fearnley Securities AS

Client classification

Last updated: 03.01.2018

## INFORMATION ON CLIENT CLASSIFICATION ACCORDING TO MIFID II

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## 1. Classification

Fearnley Securities AS has a duty to classify all its clients in different client categories depending on their professional experience. Clients will be classified as nonprofessional clients, professional clients or eligible counterparties respectively.

The extent to which the client is protected by the legislation depends on the client category. Below is an account of the main characteristics of investor protection for each client category. The account is not exhaustive.

To a certain extent the legislation allows clients who wish to change client category to request Fearnley Securities AS to do so. A change of client category must be approved by Fearnley Securities AS. Even if the conditions for reclassification stated below are met, Fearnley Securities AS nevertheless is free to assess whether it wishes to accommodate any such request.

## 2. Non-professional client

### 2.1 Degree of investor protection

Clients classified in this client group have the highest degree of investor protection. This means, among other things, that Fearnley Securities AS is obliged to a greater extent to adapt its services to the individual needs and situation of the investor.

In addition to Fearnley Securities AS being subject to the rules of good business conduct in its provision of services to the client, Fearnley Securities AS will, prior to trading or advice being given, have to assess the extent to which the service/transaction, including a financial instrument, is appropriate or suitable for the client. Investment advice will be provided based on the client's information on investment objectives, financial situation and experience and knowledge of the relevant service/transaction.

Should the client wish to carry out a transaction that Fearnley Securities AS finds not to be appropriate taking into account the client's knowledge and experience, Fearnley Securities AS has a duty to dissuade the client from such transaction. The transaction may nevertheless be carried out if the client so wishes in spite of the warning. Fearnley Securities AS' duty to assess whether a service/transaction is appropriate is not applicable in all cases. There is an extensive exemption for Internet trading, among other things.

The status of non-professional client also entails an extensive right to receive information from Fearnley Securities AS. Fearnley Securities AS is obliged to provide information on such things as the relevant financial instruments and the risks related to these, trading systems and market places used by Fearnley Securities AS, as well as prices and other costs of any transaction so that the client will be able to make an informed investment decision.

### 2.2 Access to reclassification

Non-professional clients may ask to be treated as professional clients, subject to compliance with certain detailed conditions and procedures. Such reclassification leads to a lesser degree of investor protection.

### 2.2.1 From non-professional to professional client

#### 1) Absolute requirements

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

1. the client has traded in securities of a significant size (amounting to at least EUR 10.000) in the relevant market 10 times per quarter in average during the four preceding quarters,
2. the size of the client's financial portfolio, defined as comprising cash in hand and financial instruments, exceeds an amount that in Norwegian kroner corresponds to EUR 500,000,
3. the client, employees of the client or anyone that assists the client works or has worked in the financial sector for at least one year in a position for which knowledge of the relevant transactions is required.

#### 2) Procedure

The client must inform Fearnley Securities AS in writing that he/she wishes to be treated as a professional client. The client is asked to document that the requirements in point 1 above are met. The client is also to state in a separate document that he/she is aware of the consequences of losing the protection that follows from being classified as a non-professional client and that essentially are stated in this information letter. Fearnley Securities AS may be contacted for further information.

Fearnley Securities AS must make a specific assessment of whether the client – based on the client's expertise, experience and knowledge as well as the planned transactions – is able to make his/her own investment decisions and understands the risk involved.

## 3. Professional client

### 3.1 Degree of investor protection

Clients classified as professional clients are to a somewhat lesser degree than non-professional clients protected by the legislation. Professional clients are in certain areas considered to be qualified to take care of their own interests and consequently the provision of services will to a lesser degree be adapted to the client's individual needs.

Basically, the rules of good business practice apply fully in respect of professional clients. However, the extent of Fearnley Securities AS' duties is somewhat reduced. Professional clients are normally expected to have sufficient knowledge to be able to assess whether a transaction is suitable, among other things. When providing investment advice Fearnley Securities AS will therefore base its advice on the client's information on investment goals and will not at the outset obtain information on the client's financial situation or the client's knowledge and experience. Fearnley Securities AS will not consider whether implementing certain transactions is appropriate, and Fearnley Securities AS consequently has no duty of dissuasion as is applicable for non-professional clients.

The implementation of transactions will thus be a little less detailed than for non-professional

clients, which may be relevant for the speed of implementation of the relevant transaction. Another consequence will be that professional clients may obtain access to a broader product range.

Professional clients are also assumed to be in a position to assess which information is necessary in order to make an investment decision. This means that professional clients to a greater degree than non-professional clients must themselves obtain the information they consider necessary. However, professional clients will receive reports on services carried out.

### **3.2 Access to reclassification**

Professional clients may ask to be classified as non-professional clients and thus obtain a higher degree of investor protection. Professional clients may also ask to be classified as eligible counterparties and thus receive a lower degree of investor protection. Professional clients are responsible for keeping Fearnley Securities AS updated on any change that may influence their classification.

#### **3.2.1 From professional to non-professional client**

It is the professional client's responsibility to ask for a higher degree of protection where he/she feels unable to make a correct risk assessment. Such a change of customer classification is to be documented by a written agreement between Fearnley Securities AS and the client.

#### **3.2.2 From professional client to eligible counterparty**

Professional clients that are defined as professional clients in the laws/regulations may ask to be treated as an eligible counterparty. A specific confirmation is to be obtained from the client by which the client agrees to be treated as an eligible counterparty.

## **4. Eligible counterparty**

### **4.1 Degree of investor protection**

Eligible counterparties have the lowest degree of investor protection.

Clients having the status of eligible counterparties basically have the same protection as a professional client, see clause 3. However, the investor protection is substantially reduced for this group when Fearnley Securities AS provides the following investment services: reception and transfer of orders, execution of orders for the client's account and dealing in financial instruments for own account. When providing such services to eligible counterparties Fearnley Securities AS is not subject to the provisions of the Securities Trading Act pertaining to good business practice, best execution (including Fearnley Securities AS' guidelines on order execution) and certain rules in relation to the processing of orders.

With regard to requirements as to assessment of suitability and appropriateness, the rules will apply to eligible counterparties in the same way as to professional clients.

The exemption from the provision on good business practice involves, among other things, that the rules on requirements as to information and reporting do not at the outset apply to this

client category. Essentially, this also applies to the provision that Fearnley Securities AS must ensure that the client's interests are taken care of in the best possible way. Qualified counterparties are protected by a provision in the law that requires securities firm to act honest and correct.

## **4.2 Access to reclassification**

Eligible counterparties may ask to be reclassified as professional clients or non-professional clients and thus obtain a higher degree of investor protection.

### **4.2.1 From eligible counterparty to professional client**

Eligible counterparties may ask to be treated as professional clients if they want a higher degree of investor protection and be covered by the rules on good business practice.

### **4.2.2 From eligible counterparty to non-professional client**

Should clients that are classified as eligible counterparties want a further degree of investor protection, they may expressly ask to be treated as non-professional clients. Clause 3.2.1 above will apply correspondingly to such a request.

As of 3 January 2018.