

# CLIENT CATEGORISATION POLICY

## JIN DAOCHENG LTD

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VERSION 1.2

## Client Categorisation

### Introduction

Following the implementation of the Markets in Financial Instruments Directive II (MiFID II) by the Cyprus Securities and Exchange Commission (CySEC) (and all EU financial regulators) all regulated companies are required to classify clients as a retail client, a professional client or an eligible counterparty. The requirement to classify a client correctly is important because the different categories of client have different levels of regulatory protections afforded to them. Such classification does not constitute individual advice and is not a recommendation that the products we offer are suitable for the individual investor. If you are unsure about the risks or products involved, please seek independent financial advice.

As part of the classification process Jin Daocheng Ltd. (“JDC”, “we”, “us”, “our”) JDC needs to make you aware of the classification we have given you and a summary of the level of protection that affords you. This document has been designed to inform you of the process we will undertake when carrying out these classifications and what the classifications mean. It is there to assist you with understanding your relationship with Jin Daocheng Ltd.

### “Retail Clients”

Initially, all clients who apply through the Individual, Joint Account or corporate account application process will be classified as Retail Clients – this classification is for any client who does not meet the criteria of the other two classifications. This means you are deemed to need the highest level of CySEC protection including segregation of funds, access to the Investor Compensation Fund and may have the right to refer a complaint about our service to the Complaints Desk at the Financial Ombudsman. Such classification will also affect the information we are required to provide when marketing new products to you and will be subject to the retail client terms of business.

### “Per se Professional Client”

Per se Professional clients are the middle ground; they are considered to have some know-how, are more knowledgeable and sophisticated and able to assess their own risks more and so require less protection than the retail Client, but are not as experienced or may not have the support networks or the ability to absorb losses as the eligible counterparty. Jin Daocheng Ltd. is able to assume they have the necessary experience and knowledge in order to understand the risks involved and is able to financially bear the risks consistent with their investment objectives.

To be classified as a Professional Client Jin Daocheng Ltd. needs to assess whether the client is:

- a credit institution,
- a regulated investment firm,
- other authorised or regulated financial institution,
- an insurance company,

- a collective investment scheme or management company of such a scheme, a pension fund or management company of such a scheme,
- locals (firms dealing on their own account on markets in financial futures, options, derivatives or cash markets to hedge or dealing for others for the accounts of other members of those markets and being guaranteed by clearing members of the same markets Commodities or commodity derivatives dealer
- large undertakings meeting two of the following financial criteria on a company basis:
  - balance sheet total of €20 million or other currency equivalent
  - net turnover of €40 million or other currency equivalent
  - own funds of €2 million or other currency equivalent
- National and regional governments, public bodies that manage public debt, central banks and international and supranational institutions.
- Other institutional investors whose main activity is to invest in financial instruments, including entities dedicated to the securitisation of assets or other financing transactions.

The entities mentioned above are considered to be professionals. However, they are allowed to request non-professional treatment and we may agree to provide a higher level of protection. Where a Client is an undertaking referred to above, JDC must inform the Client, prior to any provision of services that, on the basis of the information available to us, the Client is deemed to be a Professional Client, and will be treated as such unless we and the Client agree otherwise. The Client may request a variation of the terms of the agreement in order to secure a higher degree of protection.

It is the 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 risk involved.

This higher level of protection will be provided when a Client who is considered to be a Professional Client, enters into a written agreement with us to the effect that it shall not be treated as a Professional Client for the purposes of the applicable conduct of business regime. Such agreement will specify whether this applies to one or more particular services or transactions, or to one or more types of products or transactions.

#### “Per se Eligible Counterparty”

A per se eligible counterparty receives the lowest level of CySEC protection. This is because the criteria required to be classified under this are onerous in that they are either: a national government, a central bank or other monetary authority, a state investment body or a recognised investment exchange, designated investment exchange, regulated market or clearing house. CySEC and the EU in MiFID II decided that such organisations had sufficient support networks, financial experience and know-how so the level of protection they require is substantially lower.

Due to the low level protection, Jin Daocheng Ltd. is not required to:

- Provide best execution in executing client orders;
- Disclose information regarding commission and fees paid or received by Jin Daocheng Ltd.;

- Not required to assess the Suitability or Appropriateness of a product or service that it provides to Client - assumption that the Client has the expertise to choose the most appropriate product or service and is/are able financially to bear an investment risks consistent with investment objectives;
- Not required to provide the Client with information about Jin Daocheng Ltd., its services and the arrangements through which Jin Daocheng Ltd. will be remunerated;
- Not required to provide risk disclosures on the products or services offered;
- Not required to provide reports on the execution of orders.

### Reclassification

1. A Retail Client has the right to request a different classification as a Professional Client, but he/she will be afforded a lower level of protection. The Company is not obliged to deal with him/her under a different classification.
2. A Professional Client has the right to request a different classification as a Retail Client in order to obtain a higher level of protection or an ECP in order to obtain a lower level of protection.
3. An Eligible Counterparty has the right to request a different classification either as a Professional Client or Retail Client in order to obtain a higher level of protection. Under the Law the Company is not obliged to deal with the Client on this basis.

If you request a different classification either to a classification with higher or lower protection, such request should be *in writing*. Jin Daocheng Ltd. will consider each request individually and is not required to accept such a request. Any request/agreement to reclassification should specify whether this applies to one or more particular services or transactions, or to one or more types of product or transaction.

Jin Daocheng Ltd. will communicate its decision in writing including the effect on protection afforded to you and if the change is accepted, you will be required to sign a copy of the letter indicating you accept the reclassification and the different protections such reclassification affords.

During the course of your relationship with Jin Daocheng Ltd. we will reassess your classification. Should we become aware of new information or circumstances change we will make such changes to your classification as is necessary. We will notify you of any changes and the consequences of such changes in writing. You may be asked to return a form accepting such changes; however, Jin Daocheng Ltd. reserves the right to treat your continuing trading as a sign of your acceptance.

### Retail Client to Professional Client

Jin Daocheng Ltd. will carry out two tests – a qualitative test and a quantitative test. The qualitative assessment requires us to undertake ‘an adequate assessment’ of your expertise, experience and knowledge to give reasonable assurance, in the light of the nature of transactions or services envisaged, that you are capable of making your own investment decisions and understanding the risks involved.

In assessing your expertise, experience and knowledge, you must satisfy at least two of the following quantitative criteria:

- you have carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous four quarters;
- the size of your financial instrument portfolio, defined as including cash deposits and financial instruments, exceeds €500,000 or other currency equivalent;
- you work or have worked in the financial sector for at least one year in a professional position which requires knowledge of the transactions or services envisaged.

Before deciding to accept any request for waiver, JDC is required to take all sufficient steps to ensure that the Client requesting to be treated as a Professional Client meets the relevant requirements stated above.

JDC implements appropriate written internal policies and procedures to categorise Clients. Professional Clients are responsible for keeping JDC informed about any change, which could affect their current categorisation. Should JDC become aware that the Professional Client no longer fulfils the initial conditions, which made the Professional Client eligible for a such treatment, JDC will take appropriate action.

#### Per se Professional Client to Retail Client

Per se Professional Clients are, however, allowed to request retail classification if such request is in writing and the Company may agree to provide a higher level of protection. Where the client of the Company is an undertaking referred to above, the Company must inform about it 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 agree otherwise.

#### Per se Professional Client to Elective Eligible Counterparty

Per se Professional Clients may also request to be classes as an elective ECP in writing. Such reclassification is at the absolute discretion of Jin Daocheng Ltd., however, sufficient evidence and reasoning would be needed as to why such classification was acceptable.

## Protection Rights

### **Retail Clients/ Professional Clients**

Where the Company treats a Client as a Retail Client, the Client is entitled to more protections under the Law, than if the Client was treated as a Professional Client. In summary, the protections Retail Clients are entitled to are as follows (the list may not be exhaustive):

- a) A Retail Client will be given more information disclosures with regards to the Company, its services, its financial instruments and their performance, the nature and risks of financial instruments, its costs, commissions, fees and charges.
- b) Where the Company is providing the services of Reception & Transmission of orders and/or Execution of Client orders, the Company shall ask a Retail Client to provide information regarding his knowledge and experience in the investment field relevant to the specific type of product or service offered or demanded, so as to enable the Company to assess whether the investment service or product is appropriate for the Client. In case the Company considers, on the basis of the information received, that the product or service is not appropriate to a Retail Client, it shall warn the Client accordingly. Please note that the Company is not required to assess appropriateness in certain cases specified by the Law (for example but not limited to the situation where on an execution only basis the financial instrument concerned is not complex).

On the other hand, the Company shall be entitled to assume that a Professional Client has the necessary experience and knowledge in order to understand the risks involved in relation to those particular investment services or transactions, or types of transaction or product, for which the Client is classified as a Professional Client. Consequently, and unlike the situation with a Retail Client, the Company should not generally need to obtain additional information from the Client for the purposes of the assessment of appropriateness for those products and services for which they have been classified as a Professional Client.

- c) When executing Client orders, the Company must take all sufficient steps to achieve what is called “best execution” of the Client’s orders that is to obtain the best possible result for its Clients.

Where the Company executes an order of a Retail Client, the best possible result shall be determined in terms of the total consideration, representing the price of the financial instrument and the costs related to execution, which shall include all expenses incurred by the Client which are directly related to the execution of the order, including execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order.

- d) The Company must inform Retail Clients of material difficulties relevant to the proper carrying out of their order(s) promptly upon becoming aware of the difficulty.
- e) Retail Clients may be entitled to compensation under the Investor Compensation Fund (“ICF”) for Clients of Investment Firms, while Professional Clients are not entitled to compensation under the ICF.

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- f) Where the Company executes orders for retail clients, it shall provide those clients with a summary of the relevant policy focused on the total costs they incur.