

CLIENT CATEGORISATION

(September 2021)

Classification

Under the Financial Conduct Authority (FCA) rules, a client is anyone to whom Zeal Capital Market (UK) Limited provides, or intends to provide, any investment service or activity. The FCA has identified three specific categories of clients – Retail, Professional and Eligible Counterparties. Details of client classification can be found in the FCA Handbook, Conduct of Business Sourcebook, [Chapter 3](#).

Client Categorisation

Zeal Capital Market (UK) Limited, only conducts business with Professional Clients, both elective and *per se*, and Eligible Counterparties, and does not conduct business with Retail clients.

Before conducting investment business with or for a client, Zeal Capital Market (UK) Limited must establish whether the client is a Professional client or an Eligible Counterparty.

There will need to be visible evidence of compliance with these rules. These records must be retained for a minimum period of five years after the date on which Zeal Capital Market (UK) Limited ceases to carry on business with or for that client.

Professional Clients

Certain clients automatically fall within the definition of Professional Clients ("*per se*" Professional Clients). These are:

- All the categories of *per se* Eligible Counterparties, but only if they are not undertaking Eligible Counterparty business;
- Other institutional investors (either authorised or regulated).

In relation to MiFID or third country business, large undertakings meeting two of the following criteria:

- (i) balance sheet total: EUR 20 million;
- (ii) net turnover: EUR 40 million;
- (iii) own funds: EUR 2 million.

In relation to non-MiFID business, large undertakings meeting any of the following criteria:

- 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 GBP 5 million (or its equivalent in any other currency at the relevant time);
- 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 12.5 million;
 - ii. a net turnover of EUR 25 million;

iii. an average number of employees during the year of 250.

- A partnership or unincorporated association which has (or has had at any time during the previous two years), net assets of at least GBP 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;
- 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 GBP 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;
- 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 GBP 10 million (or its equivalent in any other currency at the relevant time);
 - iii. A local authority or public authority. Regional governments, international institutions and other institutional investors whose main activity is to invest in financial instruments, including entities dedicated to the securitisation of assets or other financial transactions.

Clients who do not qualify as *per se* Professional Clients, such as small companies and individual investors, may be treated as Professional Clients only if they so request, provided they meet certain criteria relating to experience, expertise and wealth.

Elective Professional Clients

Zeal Capital Market (UK) Limited has systems and processes to evaluate those clients who may be classed as an "Elective" Professional Clients, which involves the completion of an assessment and an approval form. The client must meet the following criteria as required by the FCA.

A client must pass a "Qualitative test", and Zeal Capital Market (UK) Limited must assess their knowledge, experience and expertise to ensure they are capable of making their own investment decisions.

A client must also satisfy a "Quantitative test" (for MiFID business only) and satisfy two of the following where applicable:

- (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.

The firm must provide the client with a written notification of the consequences of being treated as a Professional Client including the loss of right to negative balance protection, and unless in a personal capacity, the loss of rights to funds protection afforded by the Financial Services Compensation Scheme and to complain to the Financial Ombudsman Service, the client must confirm their

acceptance in writing. Only when this confirmation in writing has been received can the firm treat the client as a Professional Client.

Eligible Counterparty Clients may only be classified as Eligible Counterparties in relation to certain limited services:

These services are:

- (i) Dealing on their own account, execution of orders on behalf of clients or reception and transmission of orders; or
- (ii) Any ancillary service directly related to a service or activity referred to in (i); or
- (iii) arranging in relation to business which is not MiFID or equivalent third country firm business.

In relation to all other investment services and activities an Eligible Counterparty will be categorised as a Professional Client (e.g. in respect of investment advice).

Eligible Counterparties will include capital market participants such as investment firms and banks; major market users and investors such as undertakings for collective investments in transferable securities, and fund managers as well as national governments and other public bodies; central banks and supranational organisations.

Clients that automatically fall within the Eligible Counterparty definition will be “*per se*” Eligible Counterparties. The Conduct of Business rules in relation to Best Execution, order handling and certain Conduct of Business obligations do not apply when bringing about or entering into transactions with Eligible Counterparties or in respect of any ancillary service directly related to those transactions.