



MEMBER OF TRADING POINT GROUP

CLIENT CATEGORISATION POLICY

Contents

1. Introduction	3
2. Categorisation Criteria	3
2.1 Retail Client	3
2.2 Professional Client.....	4
2.3 Eligible Counterparty.....	5
3. Request for Different Categorisation	6
4. Protection Rights	8
4.1 Retail Clients / Professional Clients.....	8
4.2 Eligible Counterparties	9

1. Introduction

Trading Point of Financial Instruments UK Limited (hereinafter called the “Company”) operating under the trading name XM.com is a UK Investment Firm registered with the Registrar of Companies in England and Wales under number: 9436004, and regulated by the Financial Conduct Authority (“FCA”) under license number 705428.

The Company is operating under Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC, as the same may be in force from time to time and modified or amended from time to time (the “Markets in Financial Instruments Directive (2004/39/EC)” or “MiFID”).

2. Categorisation Criteria

Following the implementation of the Markets in Financial Instruments Directive (MiFID) in the European Union, the Company is required to categorise its Clients into one of the following three categories: Retail, Professional or Eligible Counterparty. Each category has a different level of protection afforded to it.

As part of the Company’s account opening procedure the Company conducts an Appropriateness Test where the Client is asked a number of questions to enable the Company to assess the Client’s experience and knowledge of trading for the requested trading account the Client wish to open.

The Company will automatically categorise all Clients as a Retail Client as notified to the Client within the Company’s Client Agreement.

If the Client wishes to be re-classified then the Client should contact the Company in writing with his/her re-categorisation request for the Company’s consideration and review.

The Company reserves the right to review the Client’s categorisation from time to time and may re-categorise the Client if necessary.

The categorisation criteria set by the relevant legislation for Clients are as follows:

2.1 Retail Client

A Retail Client is a client who is not a Professional Client or an Eligible Counterparty. Generally, a Retail Client is not considered to have relevant or sufficient experience for investment business.

2.2 Professional Client

A client that is either a Per se Professional Client or an Elective Professional Client.

The entities falling under the category of Per se Professional Clients are considered to be professionals in relation to all investment services and activities and financial instruments. The Clients falling under the category of Eligible Professional Clients may be treated as professionals generally or in respect of a particular investment service or transaction, or type of transaction or product.

Professional clients are responsible for keeping the Company informed about any change, which could affect their categorisation. Should the Company become aware that the Client no longer fulfils the initial conditions which made him/her eligible for a professional treatment, the Company will take appropriate action.

Per se Professional Client

A Per se Professional Client can fall under any of the following categories (A – D):

- A. An entity required to be authorised or regulated to operate in the financial markets, including:
- Credit Institution;
 - Investment Firm;
 - Other authorised or regulated financial institution;
 - Insurance Company;
 - Collective Investment Scheme and management company of such a scheme;
 - Pension fund or the management company of such a fund;
 - Commodity and commodity derivatives dealer;
 - Local;
 - Other Institutional Investor (like Portfolio Investment Company).
- B. A large undertaking meeting two of the following size requirements on a company basis:
- balance sheet total: EUR 20,000,000 or more;
 - net turnover: EUR 40,000,000 or more;
 - own funds: EUR 2,000,000 or more;
- C. A National or regional government, public body that manages public debt, Central Banks, international or supranational institution such as the World Bank, the IMF, the ECB, the EIB or other similar international organisation.
- D. Another institutional investor whose main activity is to invest in financial instruments, including entities dedicated to the securitisation of assets or other financing transactions.

Elective Professional Client

The Company may treat a client as an Elective Professional Client if all the following conditions are fulfilled:

- a) the Company undertakes 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/her own investment decisions and understanding the risks involved (the "qualitative test");
- b) in relation to MiFID or equivalent third country business in the course of that assessment, at least two of the following criteria are satisfied:
 - 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;
 - The size of the client's financial portfolio exceeds EUR 500,000; and
 - The client works or has worked in the financial sector for at least one year in a professional position, which requires knowledge of the products to be traded.
- c) The following procedure is followed:
 - 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;
 - The Company must give the client a clear written warning of the protections and investor compensation rights the client may lose; and
 - The client must state in writing, in a separate document from the contract, that it is aware of the consequences of losing protections.

2.3 Eligible Counterparty

A client that is either a Per se Eligible Counterparty or an Elective Eligible Counterparty.

Per se Eligible Counterparty

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 COBS 3.6:

- Credit Institution;
- Investment Firm;
- Insurance Company;
- Collective Investment Scheme authorised under the UCITS Directive or its management company;
- Pension fund or its management company;
- Another financial institution authorised or regulated under European Community legislation or the national law of an EEA state;
- An undertaking exempted from the application of MiFID under the Article 2(1)(k) (certain own account dealers in commodities or commodity derivatives) or Article 2(1)(l) (locals)

- of that directive;
- A national government or its corresponding office, including a public body that deals with the public debt;
 - A central bank;
 - A supernational organisation;

Elective Eligible Counterparty

The Company may treat a client as an Elective Eligible Counterparty 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 COBS 3.5.2 R (5)) and, in relation to business other than MiFID or equivalent third country business:
 - 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 the criteria in the rule on meeting two quantitative tests (COBS 3.5.2 R (3) (b)); or

(2) The Company has, in relation to MiFID or equivalent third country business, obtained express confirmation from the prospective counterparty that it agrees to be treated as an eligible counterparty.

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.

3. Request for Different Categorisation

The Company may allow a Professional Client or an Eligible Counterparty to request re-categorisation as a client that benefits from a higher degree of protection.

The Company will therefore notify a client that is categorised as a Professional Client or an Eligible Counterparty of its right to request a different categorisation whether or not the Company will agree to such requests. However, the Company need only notify a client of a right to request a different categorisation involving a lower level of protection if it is prepared to consider such requests.

It is the responsibility of a Professional Client or Eligible Counterparty to ask for a higher level of protection when he/she/they deems he/she/they are unable to properly assess or manage the risks involved.

The Company may, either on its own initiative or at the request of the client concerned:

- treat as a Professional Client or a Retail Client a client that might otherwise be categorised as a Per se Eligible Counterparty;
- treat as a Retail Client a client that might otherwise be categorised as a Per se Professional Client;

and if it does so, the client will be re-categorised accordingly. Where applicable, this re-categorisation is subject to the requirement for a written agreement in COBS 3.7.5 R.

If a Per se Eligible Counterparty requests treatment as a Client whose business with the firm is subject to conduct of business protections, but does not expressly request treatment as a Retail Client and the firm agrees to that request, the firm must treat that Eligible Counterparty as a Professional Client.

If, in relation to MiFID or equivalent third country business a Per se Professional Client or a Per se Eligible Counterparty requests treatment as a Retail Client, the client will be classified as a Retail Client if it enters into a written agreement with the firm to the effect that it will not be treated as a Professional Client or Eligible Counterparty for the purposes of the applicable conduct of business regime. This agreement must specify the scope of the re-categorisation, such as whether it applies to one or more particular services or transactions, to one or more types of product or transaction or to one or more rules.

In accordance with Principle 7 (communications with clients) if the Company at its own initiative re-categorises a client in accordance with this section, it should notify that client of its new category under this section. If the Company already has an agreement with the client, it should also consider any contractual requirements concerning the amendment of that agreement.

The ways in which a client may be provided with additional protections under this section include re-categorisation:

- on a general basis; or
- on a trade by trade basis; or
- in respect of one or more specified rules; or
- in respect of one or more particular services or transactions; or
- in respect of one or more types of product or transaction.

Re-categorising a client as a Retail Client under this section does not necessarily mean it will become an eligible complainant under the FCA's DISP rules.

If the Company becomes aware that a Client no longer fulfils the initial conditions that made him/her/them eligible for categorisation as an Elective Professional Client, the firm will take the appropriate action.

Where the appropriate action involves re-categorising that client as a Retail Client, the Firm will notify that Client of its new categorisation.

4. Protection Rights

4.1 Retail Clients / Professional Clients

Retail Clients will be afforded with the highest level of protection in relation to the FCA regulatory system, more than a Professional Client or Eligible Counterparty.

A Retail Client will for example be given more information and disclosures with regard to the Company, its products, services, charges, and commission charges as per the FCA's Conduct of Business Rules. The Company is required to ensure the safeguarding of Client instruments and the segregation of Client money from the Company's own money which must be held in designated client bank accounts as per the regulatory CASS rules. Retail clients have the rights to refer complaints to the Financial Ombudsman Service ('FOS') and may also benefit from the maximum protection available under the Financial Services Compensation Scheme ('FSCS').

The Company must comply with the FCA's Client Assets ('CASS') rules to ensure that all Retail Client money is protected and fully segregated. The Company clearly distinguishes client money from its own by holding such funds in segregated client bank accounts. Segregation of client money ensures that in the event the Company becomes insolvent, funds held in these accounts will be returned to the clients, minus the administrators' cost in handling and distributing these funds, instead of being treated as recoverable assets by general creditors of the Company.

Financial Services Compensation Scheme ('FSCS') is the UK's compensation funds of last resort for clients of authorised financial services firms, such as the Company. This means that FSCS can pay compensation to consumers should the Company become insolvent or ceases trading. The Company's Retail Clients fall under the FSCS investments claim category where the maximum compensation cover is £50,000 per person per regulated entity. If there was a shortfall of funds then Retail Clients may be eligible under the FSCS for up to £50,000 of the shortfall.

In the event the Company's bank holding client money on behalf of the Company goes into liquidation (secondary pooling), any losses would be shared by the Retail Client in proportion to their share of total funds held with a bank which has failed. In the UK, any funds lost as a result of secondary pooling would be covered by the FSCS under the 'banks/building societies' compensation claim category, up to a limit of £85,000 per person, per institution. Further information about the compensation scheme arrangements is available from the FSCS.

A private Retail Client is classified as an eligible complainant and has the right to FOS referrals. Not all Retail Clients are eligible.

Professional Clients are afforded significantly fewer protections under the FCA regulations than those afforded to Retail Clients. Professional Clients may lose their right to refer complaints to either the FCA or the FOS. Some Professional Clients and Eligible Counterparties

such as large institutions and FCA regulated Firms will not be considered as an eligible complainant for referrals to the FOS. In addition they may lose their right to seek compensation from the FSCS in the event that the Company is unable to meet its obligations.

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

When providing Professional Client with best execution the Company is not required to prioritise the overall costs of the transaction as being the most important factor in achieving best execution for them.

4.2 Eligible Counterparties

Where the Company treats the Client as an Eligible Counterparty, the Client will be entitled to fewer protections under the law than he/she/they would be entitled to as a Professional Client. In particular, and in addition to the above:

- The Company is not required to provide the Client with best execution in executing the Client’s orders;
- The Company is not required to disclose Client Information regarding any fees or commissions that the Company pays or receives;
- The Company is not required to assess the appropriateness of a product or service that it provides to the Client but can assume that the Client has the expertise to choose the most appropriate product or service for him/her/them;
- The Company is not required to provide the Client information about the Company, its services and the arrangements through which the Company will be remunerated;
- The Company is not required to provide the Client with risk disclosures on the products or services that he/she/they select/s from the Company; and
- The Company is not required to provide reports to the Client on the execution of his/her/their orders.