

HydraTrade

Client Categorisation Policy

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1. Introduction

A client will be categorised under one of the following headings:

- (a) Private; and
- (b) Professional

“Private Client” is a Client who is not a Professional Client by default, as defined in paragraph 2 further below. It is noted that Private Clients are afforded with the highest level of protection. Generally, a Private Client is not considered to have relevant or sufficient experience for investment business.

“Professional Client” is one that is either a per se professional client or an elective professional client) and possesses the experience, knowledge and expertise to make its own investment decisions and properly assess the risks that it incurs.

2. Reclassification of Private clients as professional clients

We may classify a client who would otherwise be a Private Client as a Professional Client where:

- (a) the client falls within the definition of a high-net-worth person where it is an individual; or
- (b) where the client falls within the definition of a sophisticated person under paragraph (i) or (ii) and we, as the licensee:
 - (i) have taken reasonable care to determine that the client has sufficient experience and understanding so as not to require the protections provided for private clients;
 - (ii) have given a clear written warning to the client of the protections under the law and any regulations made under the law which he will lose; and
 - (iii) have obtained the client’s written consent after the client has had a proper opportunity to consider that warning.

We may classify a client who would otherwise be a Professional Client, except where he attains such classification by operation of subsection (2), as a market counterparty where:

- (a) the client falls within categories (a), (b) or (c) of the definition of professional client and is not acting for an underlying party;

- (b) the client is a company or partnership falling within category (b) of the definition of professional client and has a net worth of or, where a company, a net turnover of, or the equivalent in any other currency; and
- (c) before commencing securities investment business with the client on a market counterparty basis, we are required to advise the client in writing of the protections under the laws of Mauritius or any regulations made thereunder the client will lose as a result, and the client does not object to being classified as a market counterparty.

Where we have classified a client as a professional client or a market counterparty, in accordance with the Client Categorisation Policy we shall review such classifications at least annually, to ensure that the classifications remain appropriate. Protections waived by Professional Clients:

- (a) Risk Warnings – We will not be obliged to restrict the client account with standardised risk warnings and rules that protect Private Clients.
- (b) Communications – When we communicate with the client, we may assume that his/her level of experience is sufficient to use language that is more complex than with Private Clients.
- (c) Experience – We may assume the client level of experience when determining if our products and services are suitable for the client.
- (d) Best Execution – We owe the client a duty when executing his/her orders. As a Professional Client, we may look at other factors when processing trades such as speed and likelihood of execution. For Private Clients, we are required to prioritise overall cost of the transaction.
- (e) No Leverage Restrictions – The client might be exposed to higher leverage that can amplify his/her losses.

3. Protection Rights

3.1 Private Clients

Where the Company treats a Client as a Private Client, the Client is entitled to more protections under the relevant laws of Mauritius (the “Law”), than if the Client was treated as a Professional Client. In summary, the protections which Private Clients are entitled to are as follows (the list may not be exhaustive):

- (a) a Private 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 Private 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 envisaged 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 Private Client, it shall warn the Client accordingly. 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);
- (c) 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 Private 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;
- (d) 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; and
- (e) where the Company executes an order of a Private 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.

The Company must inform Private Clients of material difficulties relevant to the proper carrying out of their order(s) promptly upon becoming aware of the difficulty.

3.2 Professional Clients

Where the Company treats the Client as a Professional client, the Client will be entitled to fewer protections under the Law than he/she/they would be entitled to as a Private Client. In particular and in addition to the above paragraph (the list may not be exhaustive):

- (a) the Company is not required to provide the Client with best execution in executing the Client’s orders;

- (b) the Company is not required to disclose Client Information regarding any fees or commissions that the Company pays or receives;
- (c) the Company is not required to implement procedures and arrangements which provide for the prompt, fair and expeditious execution of its Client orders, relative to other Client orders or its trading interests;
- (d) the Company is not required to assess the appropriateness of a product or service that it provides to Client but can assume that the Client has the expertise to choose the most appropriate product or service for itself and that he/she/they has/have the ability to bear losses;
- (e) the Company is not required to provide the Client with information about the Company's, execution venues, the arrangements through which the Company will be remunerated and other relevant information;
- (f) the Company is not required to ensure that its financial instruments are designed to meet the needs of an identified target market of eligible counterparties;
- (g) the Company, when dealing with eligible counterparties, is not required to ensure that it does not remunerate its staff in a way that conflicts with its duty to act in the best interests of its clients and that it does not accept any fees/commissions in relation to the provision of services to clients;
- (h) 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;
- (i) the Company is not required to provide reports to the Client on the execution of his/her/their orders; and
- (j) 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.

However, Professional Clients will be entitled to the same reporting obligations as they apply to Private Clients.