

Client Categorisation

The law which provides for the provision of investment services, the exercise of investment activities, the operation of regulated markets and other related matters following the implementation of the Markets in Financial Instruments Directive (MiFID) governing all EU member states, requires the categorisation of clients.

Capital Index (UK) Ltd. has proceeded with the new categorisation of clients as retail clients, professional clients or eligible counterparties in accordance with the Law.

The Company shall inform clients, in a durable medium, about any right that client has to request a different categorization and about any limitations to the level of client protection that it would entail.

"Retail Client"

is a client who is not a professional client or an eligible counterparty.

"Professional Client"

is a client who possesses the experience, knowledge and expertise to make their own investment decisions and properly assess the risks that they incur. In order to be considered a professional client, the client must comply with the following criteria:

A. Categories of clients who are considered to be professionals:

For the purposes of this Law, the following shall be regarded as professionals in relation to all investment services and activities and financial instruments:

1. Entities which are required to be authorised or regulated to operate in the financial markets. The list below should be understood as including all authorised entities carrying out the characteristic activities of the entities mentioned: entities authorized by a member state under a European Community Directive; entities authorised or regulated by a member state without reference to such Directive; and entities authorised or regulated by a non-Member State
 - a. Credit institutions;
 - b. IFs;
 - c. Other authorised or regulated financial institutions;
 - d. Insurance undertakings;
 - e. Collective investment schemes and management companies of such schemes;
 - f. Pension funds and management companies of such funds;
 - g. Commodity and commodity derivatives dealers;
 - h. Locals;
 - i. Other institutional investors.
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2. Large undertakings meeting two of the following size requirements, on a proportional basis:
 - a. balance sheet total at least: 20.000.000 euro
 - b. net turnover at least: 40.000.000 euro
 - c. own funds at least: 2.000.000 euro
3. National and regional governments, public bodies that manage public debt, central banks, international and supranational institutions such as the World Bank, the International Monetary Fund, the European Central Bank, the European Investment Bank and other similar international organisations.
4. 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. They must however be allowed to request non-professional treatment and the Company may agree to provide a higher level of protection. Where the client of Capital Index (UK) Ltd is an undertaking referred to above, the Company must inform 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 Capital Index (UK) Ltd and the client agree otherwise. The Company will also inform the customer that he can 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 risks involved. This higher level of protection will be provided when a client who is considered to be a professional enters into a written agreement with the Company to the effect that it shall not be treated as a professional for the purposes of the applicable conduct of business regime. Such agreement should specify whether this applies to one or more particular services or transactions, or to one or more types of product or transaction.

B. Clients who may be treated as professionals on request:

1. Identification criteria

Clients other than those mentioned in Part A above, including public sector bodies and private individual investors, may also be allowed to waive some of the protections afforded by the conduct of business rules of the Company.

The Company is therefore allowed to treat any of the above clients as professionals provided the relevant criteria and procedures mentioned below are fulfilled. These clients should not, however, be presumed to possess market knowledge and experience comparable to that of the categories listed in Part A above.

Any such waiver of the protection afforded by the standard conduct of business regime shall be considered valid only if an adequate assessment of the expertise, experience and knowledge of the client, undertaken by the Company, gives reasonable assurance, in light of the nature of the

transactions or services envisaged, that the client is capable of making his own investment decisions and understanding the risks involved.

The fitness test applied to managers and directors of entities licensed under European Directives in the financial field could be regarded as an example of the assessment of expertise and knowledge. In the case of small entities, the person subject to the above assessment should be the person authorised to carry out transactions on behalf of the entity.

In the course of the above assessment, as a minimum, two of the following criteria should be 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 instrument portfolio, defined as including cash deposits and financial instruments exceeds 500.000 euro;
- 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.

2. Procedure

The clients defined above may waive the benefit of the detailed rules of conduct only where the following procedure is followed:

- They must state in writing to the Company that they wish to be treated as professional clients, either generally or in respect of a particular investment service or transaction, or type of transaction or product;
- The Company must give them a clear written warning of the protections and investor compensation rights they may lose;
- They must state in writing, in a separate document from the contract, that they are aware of the consequences of losing such protections.

Before deciding to accept any request for waiver, the Company will take all reasonable steps to ensure that the client requesting to be treated as a professional client meets the relevant requirements stated in paragraph (1) of Part B above. However, if clients have already been categorised as professionals under parameters and procedures similar to those above, it is not intended that their relationships with the Company should be affected by any new rules adopted pursuant to this Directive.

Capital Index (UK) Ltd implements appropriate written internal policies and procedures to categorise clients. Professional clients are responsible for keeping the Company informed about any changes which could affect their current categorisation. Should the Company become aware however that the client no longer fulfils the initial conditions, which made him eligible for a professional treatment; the Company must take appropriate action.
