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## HF Markets (DIFC) Ltd

# CLIENT CATEGORISATION POLICY

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## 1. Introduction

1.1. HF Markets (DIFC) Ltd (hereinafter referred to as the “Company”) which is a member of HF Markets Group, is incorporated under the laws of the Dubai International Financial Centre (DIFC) with registration number CL3013. The Company is authorised and regulated by the Dubai Financial Services Authority (hereinafter referred to as the “DFSA”), with License No. F004885.

1.2. Under the Conduct of Business Module (hereinafter referred to as the “COB”) of the DFSA Rulebook, the Company is required to classify all its Clients into one of the following three categories:

- a. **Retail Client** is a Client who is not classified as a Professional Client or a Market Counterparty. A retail Client receives the highest possible level of protection.
- b. **Professional Client** is a Client who meets the requirements to be: a “deemed” Professional Client; a “service-based” Professional Client; an “assessed” Professional Client. In Order to be considered a professional Client, the Client must comply with the criteria set out in paragraph 2 below.
- c. **Market Counterparty** is a type of Professional Clients. In Order to be considered a Market Counterparty, the Client must comply with the criteria set out in paragraph 4 below.

## 2. Categories of Clients who are considered to be professionals by Default

2.1. The following should all be regarded as professionals in all investment services and activities and financial instruments.

2.2. A Client is a “deemed” Professional if it is:

- a. a supranational organisation whose members are either countries, central banks or national monetary authorities;
- b. a properly constituted government, government agency, central bank or other national monetary authority of any country or jurisdiction;
- c. a public authority or state investment body;

- d.** an Authorised Market Institution, Regulated Exchange or regulated clearing house;
- e.** an Authorised Firm, a Regulated Financial Institution or the management company of a regulated pension fund;
- f.** a Collective Investment Fund or a regulated pension fund;
- g.** a Large Undertaking; A Client is a Large Undertaking if it met, as at the date of its most recent financial statements, at least two of the following requirements:
  - i.** it has a balance sheet total of at least \$20 million;
  - ii.** it has a net annual turnover of at least \$40 million; or
  - iii.** it has own funds or called up capital of at least \$2 million.
- h.** a Body Corporate whose shares are listed or admitted to trading on any exchange of an IOSCO member country;
- i.** any other institutional investor whose main activity is to invest in financial instruments, including an entity dedicated to the securitisation of assets or other financial transactions;
- j.** a trustee of a trust which has, or had during the previous 12 months, assets of at least \$10 million; or
- k.** a holder of a licence under the Single Family Office Regulations with respect to its activities carried on exclusively for the purposes of, and only in so far as it is, carrying out its duties as a Single Family Office.

2.3. A Client is a “service-based” Professional client if:

- a.** the Financial Service provided to that Client is Providing Credit;  
the Client is an Undertaking; and  
the Credit Facility in question is provided for use in the business activities of:
  - i.** the Client;
  - ii.** a controller of the Client;
  - iii.** any member of the Group to which the Client belongs; or
  - iv.** a joint venture of a Client referred to in (i) – (iii).

- b.** the Financial Service provided to that Client is “Advising on Financial Products”, “Arranging Deals in Investments”, or “Arranging Credit and Advising on Credit”; the service is provided for the purposes of corporate structuring and financing.
- c.** the Financial Service being provided to the Client is Loan Crowdfunding or Investment Crowdfunding; and the Client is a Body Corporate and is using the service to borrow funds from lenders or to obtain funds from investors.

**2.4. A Client is an “assessed” Professional Client if:**

- a.** the Client has net assets of at least \$1 million; and  
either:
  - i. the Client is, or has been, in the previous two years, an Employee in a relevant professional position of an Authorised Firm or a Regulated Financial Institution; or
  - ii. the Client appears on reasonable grounds, to have sufficient experience and understanding of relevant financial markets, products or transactions and any associated risks.
- b.** The Company may classify any legal structure or vehicle, such as an Undertaking, trust or foundation, which is set up solely for the purpose of facilitating the management of an investment portfolio of a Client assessed as meeting the requirements in 2.4(a) as a Professional Client.
- c.** The Company may also classify as a Professional Client another Client (the “joint account holder”) who has a joint account with a Client assessed as meeting the requirements in 2.4(a) (the “primary account holder”) if:
  - i. the joint account holder is a family member of the primary account holder;
  - ii. the account is used for the purposes of managing investments for the primary account holder and the joint account holder; and
  - iii. the joint account holder has confirmed in writing that investment decisions relating to the joint account are generally made for, or on behalf of, him by the primary account holder.

**2.5. An undertaking is an “assessed” Professional Client if the Undertaking:**

- a. has own funds or called up capital of at least \$1 million;
- b. appears, on reasonable grounds, to have sufficient experience and understanding of relevant financial markets, products or transactions and any associated risks, following an assessment analysis of knowledge and experience according to COB.
- c. has a controller; a Holding Company; a Subsidiary; or a joint venture partner; who meets the requirements to be classified as an “assessed” Professional Client pursuant to paragraphs 2.4 (a) (ii) or 2.5(i) and (ii), or a “deemed” Professional Client pursuant to paragraph 2.2 (a)-(k).

2.6. Professional Clients requesting to be treated as Retail:

- a. The Clients mentioned above in paragraph 2.2 and 2.3 are considered to be professionals by default. They are however allowed to request non-professional treatment and the Company may agree to provide a higher level of protection.
- b. Where the Client of the Company is a client referred to above, the Company shall inform him in writing of:
  - i. The Client’s right to be classified as a Retail Client;
  - ii. The higher level of protection available to Retail Clients; and
  - iii. The time within which the Client may elect to be classified as a Retail Client.

Also, the Company shall inform the Client 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. 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 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.

- c. 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.

### **3. Clients who may be treated as professionals on request**

#### **3.1. Procedure**

The Clients defined in section 2.4 and 2.5 may request to be treated as Professionals instead of Retail and hence waive the benefit of the detailed rules of conduct only when the procedure below is followed:

- a. they must state in writing to the Company that they wish to be treated as a professional Client, either generally or in respect of a particular investment service or transaction, or type of transaction or product,
- b. they must state in writing, in a separate document from the contract, that they are aware of the consequences of losing such protection. Before deciding to accept any request for waiver, the Company is required to take all reasonable steps to ensure that the Client requesting to be treated as a professional Client meets the relevant requirements stated above under paragraph 2.4 and 2.5.

### **4. Market Counterparties**

#### **4.1. A Client is a Market Counterparty if that Client is:**

- a. a deemed Professional Client pursuant to paragraph 2.2;
- b. an assessed Professional Client pursuant to 2.5(c) which is wholly owned by a Holding Company that is a deemed Professional Client pursuant to 2.2(g);

AND

the Client has been given a prior written notification of the classification as a Market Counterparty. This notification may be given in respect of particular Financial Services or Transactions or in respect of all Financial Services and Transactions but need only to be given in Funds or Pension Funds; and that Client has not requested to be classified otherwise within the period specified in the notice.

- c. An Insurer, Insurance Intermediary or Insurance Manager:
  - i. If it is a ceding insurer; and

- ii. in respect of the services provided to that ceding insurer, any reinsurer, insurance agent or insurance broker that facilitates the provision of the services to the ceding insurer.

## **5. Request for Different Classification**

5.1. The following types of requests are provided under the COB:

- a. A Retail Client has the right to request a different classification to become a Professional Client but he will be afforded a lower level of protection, see paragraph 2.4 and 2.5 above.
- b. A Professional Client has the right to request a different classification as a Retail Client in Order to obtain a higher level of protection, see paragraph 2.6. above.
- c. A Professional Client has the right to request to be treated as a Market Counterparty, obtaining therefore a lower level of protection, see paragraph 4. above.
- d. A Market Counterparty has the right to request a different classification of either a Professional Client or Retail Client in Order to obtain a higher level of protection.

5.2. The Company has the right to decline any of the above Client's requests for different classification.

5.3. Professional Clients and Market Counterparties are responsible for keeping the Company informed of any change which could affect their categorisation as such. If the Company becomes aware that a Professional Client or Market Counterparty no longer fulfils the initial conditions that made him eligible for a Professional Client/Market Counterparty treatment, the Company must inform the Client that this is the case and the measures that are available to the Client to address that situation. The Company may take appropriate action, including re-categorising the Client as a Professional Client or a Retail Client.

## **6. Multiple classifications**

6.1. In some circumstances, the Company may provide a Financial Service to a Person who qualifies under more than one category of Professional Client.



6.2. The Company may provide a range of Financial Services to a single Client. If the Client can be classified as a Professional Client with regard to certain Financial Services, and not so with regard to other Financial Services, the Company takes care that the Client is appropriately and correctly classified with respect to each Financial Service. This means that the same Client may receive both Professional Client treatment with regard to some Financial Services and Retail Client treatment with regard to other Financial Services.

## **7. Protection Rights**

### **7.1. Retail and Professional Clients**

Where the Company treats a Client as a Retail Client, the Client is entitled to more protections under COB, 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 and the safeguarding of Client financial instruments and Client funds, including summary details of any relevant investor compensation or deposit guarantee scheme, as applicable.
- 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 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 Retail Client, it shall warn the Client accordingly.

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 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.

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. The Company shall also send a notice to a Retail Client confirming execution of the Order as soon as possible and no later than the first business day following execution or, if the confirmation is received by the Company from a third party, no later than the first business day following receipt of the confirmation from the third party, as applicable.

Professional Clients are also entitled to a confirmation for the execution of their Orders however there is no specific timeframe involved as to when the Professional Client will receive this information. Nevertheless, this confirmation shall be provided promptly.

- 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. The Company is required to provide Retail Clients with more information than Professional Clients as regards the execution of their Orders.
- f. The Company is obliged to enter into a written basic agreement with the retail Client, setting out the essential rights and obligation of both parties.

## 7.2. Market Counterparties

Where the Company treats the Client as an Market Counterparty, the Client will be entitled to fewer protections than it would be entitled to as a Retail or Professional Client. In particular and in addition to the above of paragraph 7.1 (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 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.
- c. 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 have the expertise to choose the most appropriate product or service for itself.
- d. the Company is not required to provide the Client with information about the Company, its services, financial instruments and proposed investment strategies, execution venues, the arrangements through which the Company will be remunerated and other relevant information.
- e. the Company is not required to provide reports to the Client on the execution of its Orders or the management of his investments.

## 8. General Information

8.1. The above information is based on the COB. For more detailed information, you can visit the Dubai Financial Services Authority website at <http://www.dfsa.ae/>.

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