



January 2018

## **INFORMATION ON CLIENT CLASSIFICATION**

### **1. Classification**

NRP Finans (“The Investment Firm”) is by law required to classify all clients in different client categories depending on professionalism. Clients are to be classified as non-professional clients, professional clients or eligible counterparties.

The extent to which the client is protected by legislation depends on the client category. Below is an account of the main features of the investor protection applicable to each client category. This account is not exhaustive.

To a certain extent, the legislation allows clients that so wish to ask the Investment Firm for a transfer to a different client category. We underline that a transfer to a different client category must be approved by the Investment Firm. Even if the conditions for a reclassification stated below are met, we are nonetheless free to decide whether or not we wish to comply with a request.

### **2. Non-professional client**

#### **2.1 Degree of investor protection**

Clients classified in this client group have the highest level of investor protection. This means, among other things, that the investment firm is obliged, to a greater extent than for the other client categories, to adapt the services it provides to the client’s individual needs and qualifications.

The Investment Firm’s is required in all services to the client to adhere to the general code of good business conduct.

When providing the investment services Reception and transmission or Execution of Orders, the investment firm will consider, before any trading takes place, whether a service/transaction, including a financial instrument, is appropriate for the Client (appropriateness test). Exceptions may apply when it comes to non-complex financial instruments, if the service is provided on the initiative of the Client and the Client is properly informed that the Company thus is not required to perform the appropriateness test and that the Client’s investor protection is waived (“execution only”). If the Client still wants to execute a trade when the Investment Firm claims the trade does not pass the appropriateness test, the investment Firm has a duty to dissuade the Client to trade. The trade may still be executed if the Client persists.

When providing the investment service Investment advice, the Investment Firm will consider whether the service or the financial instruments are suitable for the Client. The Company will require information and collect information about the Client in order to be able to perform the suitability test, including the

Client's investment goals, financial position, and experience and knowledge about the relevant service or transaction. If the service is not deemed suitable, the service will not be provided. When providing the service investment Advice to non-professional clients, these clients are entitled to receive a suitability report which will include a summary of the advice given, how the advice is suitable for the Client, including how the advice comply with the Clients investment goals, investment time horizon, and knowledge and experience including risk appetite and ability to handle losses.

Status as a non-professional client also entails an extensive right to receive information from the investment firm. The Investment Firm is obliged, among other things, to inform the client of the financial instruments in question and of the risks relating to these, of the trading systems and marketplaces the investment firm uses, and of the prices and other costs of all transactions so that the client is enabled to make an informed investment decision.

## **2.2 Reclassification**

Non-professional clients may ask to be treated as professional clients or as eligible counterparties provided more detailed conditions are met and a further specified procedure is followed. Such a reclassification results in a lower level of investor protection.

### **2.2.1 From non-professional client to professional client**

#### **1) The absolute requirements**

The client must meet at least two of the following criteria:

1. 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,
2. the size of the client's financial instruments portfolio, defined as cash deposits and financial instruments, exceeds an amount which in NOK equals €500,000,
3. the client works or has worked in the financial sector for at least one year in a professional position, which requires knowledge of the relevant transactions or investment services.

#### **2) Procedure**

Clients must inform the Investment Firm in writing that they wish to be treated as a professional client. The client will be asked to document that the requirements stated in item 1 above are met. In addition, clients must in a separate document declare in writing that they know the consequences of losing the protection which is afforded by being classified as a non-professional client and which are mainly stated in this letter. The Investment Firm may be contacted for further information.

Reclassification may be done generally, in relation to a specific investment service, or in relation to a transaction, type of transaction, product or segment.

The investment firm must carry out a specific assessment of whether the client – based on the client's expertise, experience and knowledge and the planned transactions – is capable of making own investment decisions and understands the risk involved.

### **2.2.2 From non-professional client to eligible counterparty**

Should a non-professional client ask to be reclassified as an eligible counterparty, the client must first become a professional client. For a reclassification from a non-professional client to an eligible counterparty, refer therefore to the information on reclassification from a non-professional to a professional client in item 2.2.1 to the extent it is applicable

## **3. Professional client**

### **3.1 Level of investor protection**

Clients classified as professional clients are protected by the legislation to a slightly less extent than non-professional clients.

Basically, the code of good business conduct applies in full to professional clients. However, the extent of the Investment Firm's obligations is slightly reduced.

The requirements of performing appropriateness- and suitability tests is valid also for professional clients, but the Investment Firm may assume that the professional client has the requested knowledge and experience required to understand the risk involved in the areas where the Client is classified as professional.

The Investment Firm has some increased flexibility to agree limits to the information provided on costs and charges when the Investment Firm provides the services Reception and Tans

Professional clients are also assumed to be able to determine the information that is necessary in order to make an investment decision. This means that professional clients must, to a greater extent than non-professional clients, themselves obtain the information they regard as necessary. However, professional clients will receive reports on services that have been carried out and other important information, such as the investment firm's order execution policy and security rights or possessory liens in financial instruments or assets.

### **3.2 Reclassification**

Professional clients may ask to be classified as non-professional clients and thus achieve a higher level of investor protection. Professional clients may also ask to be classified as eligible counterparties and thus achieve a lower level of investor protection. Professional clients are responsible for the Investment Firm being kept continuously informed of any change that may affect their classification.

#### **3.2.1 From professional client to non-professional client**

Professional Clients may request the Investment Firm in writing to be classified as non-professional. Reclassification may be done generally, in relation to a specific investment service, or in relation to a transaction, type of transaction, product or segment.

Reclassification is subject to approval from the Investment Firm and that a separate agreement is entered into between the Client and the Investment Firm.

It is the Client's responsibility to request to be classified as non-professional when the Client assess that he is not able to evaluate or manage the risks involved.

### **3.2.2 From professional client to eligible counterparty**

Professional clients that are legal entities and meet two of the three criteria stated in item 2.2.1, no. 1) above, may ask to be treated as eligible counterparties. The procedures in item 2.2.2 shall be followed to the extent applicable..

## **4. Eligible counterparty**

### **4.1 Level of investor protection**

An eligible counterparty has the lowest level of investor protection.

Clients with the status of an eligible counterparty basically have the same protection as a professional client, refer to item 3. However, the investor protection for this group is reduced when the Investment Firm provides the following investment services: the receipt and imparting of orders, execution of orders for the client's account and the own-account sale of financial instruments. When providing such services to eligible counterparties, the Investment Firm is not subject to the Norwegian Securities Trading Act's provisions regarding good business conduct, best execution (including the Investment Firm's order execution policy) and certain rules linked to order processing. The Investment Firm may also agree to reduced reporting arrangements with eligible counterparties. The Investment firm is required to trade and serve eligible counterparties honestly and professionally, and communicate in a real and not misleading way.

### **4.2 Reclassification**

Eligible counterparties may ask to be reclassified as a professional client or non-professional client and thus achieve a higher level of investor protection.

#### **4.2.1 From eligible counterparty to professional client**

Eligible counterparties may ask to be treated as a professional client if they wish a higher level of investor protection.

The procedure outlined in item 3.2.1 shall be followed to the extent applicable.

#### **4.2.2 From eligible counterparty to non-professional client**

Should clients that are initially classified as eligible counterparties wish a higher level of investor protection, they may ask to be treated as a non-professional client. Item 3.2.1 above will apply correspondingly in the case of such a request.

The procedure outlined in item 3.2.1 shall be followed to the extent applicable.

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