

Information regarding client categorisation

Background

On 1st November 2007 the EU Directive “Markets in Financial Instruments Directive” (MiFID) came into force in the whole European Economic Area. The goals of the directive are amongst other to improve investor protection across borders and to establish a single market in Europe for financial services. On the same date Connectum Capital Management AS was authorised by the Norwegian Financial Services Authority as a securities company.

With MiFID as background, the new law on securities trading (“securities trading law”) came into force. The new rules cover amongst other: the organisation of securities companies, their activities, together with the classification of clients, the clarification of conflicts of interest, evaluation of suitability of applicability of products and guidelines for the execution of orders.

After examining MiFID with regard to strengthening the regulation of the market for financial instruments and increase investor protection a new directive (MiFID II) and new regulations (MiFIR) came into force in EU January 3rd, 2018. Consequently, new Norwegian rules regulating MiFID II and MiFIR have been implemented.

Client categorisation

As regulated entity Connectum Capital Management must classify its clients into non-professional clients, professional clients and qualified counterparties. The degree of investor protection varies with the degree of professionalism. Categorisation shall occur in line with more detailed conditions in the securities law and its regulations.

Categorisation is the decisive factor to determining the amount of investor protection each individual client receives. Below follows a description of the main points concerning investor protection and the various client categories. The description is not exhaustive.

We have categorised you as a non-professional client in order to provide you with the greatest degree of protection afforded by law. Should you disagree with this client classification please let us know as soon as possible.

Categorisation as a non-professional client

Non-professional clients receive the full level of investor protection afforded by the securities law and its regulations. Categorisation as a non-professional client provides the highest level of investor protection. The investment advice given to the client shall be both suitable and applicable as seen in light of the client’s individual needs and wishes.

We have a duty towards the client to maintain good business practices. There is also an obligation to ensure that the client's and the market's interests and integrity are protected in the best possible manner.

Non-professional clients have a right to comprehensive information from us, including information concerning the securities used and their risks, information on Connectum and the investment services it provides together with information on prices, charges and costs. This information is contained in our Terms of Business, a copy of which you will find enclosed hereto, and the Connectum Wealth Management Agreement.

Further, we have a duty to take every possible measure to ensure the best possible result for the client in the performance of the investment service defined under "receipt and transmission of orders". Additionally, we have a duty to take every possible measure to reduce possible conflicts of interest.

Categorisation as a professional client

Clients who are categorised as professional receive a lesser degree of investor protection under the law. In the meantime, under the general rules on investor protection in the securities law both non-professional and professional clients are afforded the same degree of protection. As a professional client, one can expect Connectum Capital Management AS to uphold the rules on good business practice and best execution.

The division between professional and non-professional clients is applicable with regard to the rules on investor protection as result of the securities regulations. Professional clients are afforded a lesser degree of information concerning amongst other things, the specific financial instruments and risks associated with them, trading systems and markets which used, together with prices, charges and costs. Professional clients are seen as having capable of evaluating what information is necessary to make investment decisions.

Categorisation as a qualified counterparty

Qualified counterparties receive the lowest degree of investor protection. Qualified counterparties are experienced professional clients considered more able to protect their own interests. The following points, among others, are applicable to qualified counterparties:

The securities company can enter into transactions with qualified counterparties without having to refer to the securities trading law's rules concerning good business practice, best execution and certain rules with regards to the handling of orders. This applies only under the execution of the investment service "receipt and transmission of orders" and 'execution of orders'. A qualified counterparty can however ask that the conditions should apply.

The requirements concerning the provision of information under the securities law are substantially reduced with regards to qualified counterparts. This implies that the information qualified counterparties receive is reduced to an absolute minimum.

Suitability and applicability

As a consequence of the securities law and its regulations we are obliged to collect information about the client such that we are in a position to evaluate what constitutes a suitable and applicable investment for you as a client. The information collected will be used to carry out the so-called suitability and applicability test.

We fulfil this requirement in that each client completes a *needs analysis* where the client's knowledge and experience of financial instruments, investment goals and financial situation is detailed. We carry out such an analysis independent of whether the client is categorised as non-professional, professional or qualified counterparty. Categorisation is therefore of no consequences for investor protection under this point.