

## SUMMARY OF MAIN DIFFERENCES BETWEEN TREATMENT OF PROFESSIONAL CLIENTS AND RETAIL CLIENTS

Under the UK's financial regulatory regime, retail Clients are subject to the highest level of client protection. Professional Clients are subject to a more limited level of client protection under rules of the Financial Conduct Authority (FCA) than Retail Clients.

Where we agree to re-categorise you as a Professional Client, you are responsible for informing us about any change in your circumstances which could affect your categorisation at any time. Please note that under the FCA rules, Professional client is a client that is either a per se Professional client or an Elective Professional Client.

If you opt up to the Professional Client category, many rules under the FCA's Conduct of Business Sourcebook (COBS) will not apply in respect of our dealings with you as a Professional Client, including (but not limited to) the following provisions:

### ***Rules that will not apply***

You will lose the protection of rules which:

- Set the requirements to protect Client Money. For the avoidance of doubt, this means that we will acquire full ownership of your funds and will not hold such money in accordance with the Client Money Rule. **Your money will not be segregated from ours and the statutory trust provided for under the Client Money Rules will not apply.**

You will not have any interest in or proprietary claim over such money transferred to us pursuant to this Term 18.3 (Professional Clients and Eligible Counterparties) and we can deal with it as our own. In the event of our insolvency you rank as a general creditor of ours in relation to such money.

- Set certain general requirements for communications with Retail Clients.
- Cover the Financial compensation scheme. Professional Clients may not be eligible to benefit from compensation scheme(s) which may benefit Retail Clients (Footnote 1).

### ***Rules that are limited or modified***

Certain rules are limited or modified in their application to Professional Clients, as follows:

- The rule whereby firms in conducting certain investment business must act in the best interests of their client applies to a narrower range of business conducted with or for Professional Clients;
- Rules that regulate the contents of financial promotions which contain offers or invitations. Promotions directed at Professional Clients are simply subject to the high level requirement that they are fair, clear and not misleading;

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<sup>1</sup> Please note that whether or not you are eligible to claim under the UK Financial Services Compensation Scheme (FSCS) depends on a number of factors.

- A communication addressed to a Professional Client from us need not include the same information, or be presented in the same way;
- As a professional client, it is possible that you may not fulfil the definition of a “consumer” according to the FCA rules. If this is the case, the requirements relating to distance communications will not apply.
- A firm need not comply with detailed disclosure rules where it compares investments;
- A firm need not provide to Professional Clients the same level of information as to Retail Clients. If we are holding money on behalf of a Retail Client we must notify the client of whether interest is payable (which is not required for Professional Clients); and we cannot transfer the money to a third party without notifying a Retail Client and must explain who is responsible for that third party's actions or omissions, and the consequences where that third party becomes insolvent;
- The rule on client agreements applies to a narrower range of business conducted with or for Professional Clients, and certain requirements are disapplied.
- Some appropriateness rules apply only to dealings with or for a Retail Client, or are modified in their application to Professional Clients (at least in respect of certain products): for example (i) the appropriateness rule in relation to derivatives or warrants in response to a direct offer financial promotion applies only to Retail Clients, and (ii) a firm may assume that a Professional Client has the necessary experience and knowledge to understand risks involved with services/transactions/products for which the client is so classified (Footnote2); and
- Firms' obligations to report to Professional Clients are modified, particularly in terms of the speed at which confirmations of trades are sent, the detail provided.
- Certain professional clients, and not just retail clients will be able to have their complaints referred to the Financial Ombudsman Service (FOS) if not otherwise resolved. This is dependent upon whether they fit the definition of a ‘Consumer’ under DISP 2.7.9A.
- The rules regarding information/disclosures with regards to the Company, its services, and its remuneration are less prescriptive compared to retail clients.

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<sup>2</sup> Please note that a firm may generally have regard to your expertise when complying with requirements under the regulatory system.