



Client Categorisation Notice

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1. Introduction

SM Capital Markets Ltd, operating under the brand names "SCOPE MARKETS", via the domain www.scopemarkets.eu and www.smcapitalmarkets.com, and "SCOPE PRIME", via the domain www.scopeprime.eu, (hereinafter the 'Company'), is governed by the Investment Services and Activities and Regulated Markets Law of 2017 with number L.87(I)/2017 (hereinafter "Law") which transposed Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (the "Markets in Financial Instruments Directive (2014/65/EU)" as the same may be in force from time to time and modified or amended from time to time (hereinafter "MiFID II").

2. Client Categorization

One of the main consequences of MiFID II is that entities carrying on investment business are subject to specific regulatory requirements, including obligations to protect investors. A fundamental part of this regulatory framework is the requirement to categorize clients.

The Company is required under MiFID II to categorise you as a Retail Client, Experienced Retail Client, Professional Client or Eligible Counterparty so that when carrying out business with you, we can provide the level of information, services and protection that is appropriate to and consistent with your categorisation.

Retail Clients are afforded the highest possible level of protection by law and may be entitled to compensation under the Investor Compensation Funds.

Clients may request to change their Client Categorization. Nevertheless, it is up to the Company to accept or reject any such request for change of Categorization.

In the case where we decide that categorising you as a Professional Client or Eligible Counterparty is more suitable for you, based on your profile and needs, we will send you a document which explains the protections that you lose prior to the provision of any services and you will sign a declaration which states that you wish to be treated as a non-Retail Client. You may, however, request to be treated instead as a Retail Client provided the relevant criteria and procedure are fulfilled.

The criteria that will allow us to treat you as a Professional Client as well as the procedure are set out below. It is your responsibility to inform us if we have not categorised you correctly and if any change occurs which could affect your categorisation as a Retail Client.

3. Category Retail Clients/ Non-Professional Clients who may be Treated as Professional on Request Retail Clients

3.1. Retail Clients

Retail client is a client who is not professional client or an eligible counterparty and may also be allowed to be treated as Professional Clients and hence waive some of the protections afforded by the Law.

The Company is allowed to treat any such Clients as Professionals provided the relevant criteria and procedures mentioned herein below are fulfilled. These Clients should not, however, be presumed to possess market knowledge and experience comparable.

So, any waiver of the protection afforded to them 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 said Client is capable of making his own investment decisions and understanding the risks involved.

For this reason, the Company will apply a fitness/appropriateness test to assess their expertise and knowledge.

Assessment:

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 Euros;
- 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. In the case of small entities, the person subject to the above assessment should be the person authorized to carry out transactions on behalf of the entity.

Procedure:

1. The Client must state in writing to the Company that his wishes 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.

2. The Company will give the Clients a clear written warning of the protections and investor compensation rights the Client may lose.
3. The Client must state in writing, in a separate document from the contract that they are aware of the consequences of losing such protections.
4. The Client must complete successfully the Fitness Test which will allow the Company to assess the Client's expertise and knowledge. Clients wishing to be treated as Professionals may contact Backoffice at: Tel.: + 357 25281811 or e-mail at: support@scopeprime.eu

Keeping the Company Informed:

All Clients are responsible for keeping the Company informed about any change(s) which could affect their current categorization.

The Company can reclassify a professional client to retail if it is evident that the Client no longer fulfills the eligibility criteria mentioned above.

However, if the Company becomes aware that the Client no longer fulfills the initial conditions which made it eligible for a professional treatment, the Company should take appropriate action.

3.2. Experienced Retail Clients

An Experienced Retail Client is a Retail Client that resides in Poland. To qualify as an Experienced Retail Client, the Client will have to demonstrate sufficient CFDs trading experience and appropriate knowledge of derivatives.

An Experienced Retail Client will still be a Retail Client afforded by the highest regulatory protection, however, the option for a higher leverage with a maximum of 1:100 is available.

To be considered as Experienced Retail Client, the Client must comply with the criteria set out below:

- a) The Client is resident in Poland
- b) The Client must possess the requisite experience; and
- c) The Client must have knowledge of derivatives.

Assessment criteria to qualify as an Experienced Retail Client:

1. Country of Residence: Poland
2. Requisite experience of paragraph 2(b) means that the Client carried out any of the following activities over the last 24 months:
 - a) opening at least 10 transactions in CFDs with a nominal value of at least the equivalent in Polish zloty of EUR 50 000 each within the quarter in at least four quarters;
 - b) opening at least 50 transactions in CFDs with a nominal value of at least the equivalent in Polish zloty of EUR 10 000 each within the quarter in at least four quarters; or
 - c) opening at least 40 transactions in CFDs within the quarter in at least four quarters, where the total nominal value of all opened transactions for the 24 months period under assessment is at least the equivalent in Polish zloty of EUR 2 000 000.
3. Knowledge of derivatives of paragraph 2(c), means that:
 - a) The client holds appropriate professional certificates (CFA, FRM, PRM, ACI, Investment Advisor (DI), Securities Broker (MPW, etc.) or completion of a specialist field of study;
 - b) The client completed at least 50 hours of training in the last 12 months in the area of derivatives, including CFDs, to be confirmed either by the relevant certificates or confirmation issued by the relevant organizer of the training or, in each case provided that the organizer of the training has verified the client's knowledge before any such certificate or confirmation is issue; or
 - c) At least one year of work experience at a position which requires professional knowledge of transactions regarding CFDs or other derivatives.

An experienced retail client will be able to trade CFDs with a higher level of leverage only in selected assets. These assets include all currency pairs, major indices and gold as showed in the Company's website.

If Poland is client Country of Residence and the client meet at least one (1) of the three criteria of points two (2) and three (3) above, he/she could be able to become eligible as an Experience Retail Client.

Procedure:

- 1) The Client states in writing to the Company that it wishes to be treated as an Experienced Retail Client.

- 2) The Company must take all reasonable steps to ensure that the Client requesting to be treated as an Experienced Retail Client meets the requirements stated above. Clients wishing to be treated as Experienced Retail Clients. Clients wishing to be treated as Experienced Retail Clients may contact Backoffice at: Tel.: + 357 25281811 or e-mail at: support@scopeprime.eu

3.3. Professional Clients by default

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

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

Entities which are required to be authorized or regulated to operate in the financial markets. The list below should be understood as including all authorized entities carrying out the characteristic activities of the entities mentioned: entities authorised 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:

1. Entities which are required to be authorised or regulated to operate in the financial markets such as:
 - a. Credit institutions
 - b. Investment firms
 - c. Other authorised or regulated financial institutions
 - d. Insurance companies
 - 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
2. Large undertakings meeting two of the following size requirements on a proportional basis:
 - a. balance sheet total at least: EUR 20,000,000,
 - b. net turnover at least: EUR 40,000,000,
 - c. own funds at least: EUR 2,000,000.
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 (IMF), the European Central bank (ECB), the European Investment Bank (EIB) and other similar international organizations.

4. Other institutional investors whose main activity is to invest in financial instruments, including entities dedicated to the securitization of assets or other financing transactions.

The entities mentioned above are considered to be Professional Clients by default. Therefore, if a prospective client fulfils one of the criteria referred above, the Company (before providing any service to the client) shall on the basis of the information available, inform the Client that it is deemed to be a Professional Client and will be treated as such unless the Company and the Client agree otherwise.

Professional Clients are responsible for keeping the Company informed about any change which could affect their categorization. Should the Company become aware that the Client no longer fulfils the initial conditions which made him eligible for professional treatment, the Company will take appropriate action.

3.4. Eligible Counterparties

An Eligible Counterparty is an undertaking which falls within categories (1), (2) and (3) of the Clients who are considered to be Professionals by default (of paragraph 3.3. above). Further, the Eligible Counterparty category is applicable only for the following investment services:

- Reception and transmission of Client orders
- Execution of orders on behalf of Clients

On request, the Company may also recognize a Client as an Eligible Counterparty which falls within a category of Clients who are to be considered Professional Clients in accordance with the fitness test (see above). In such cases, however, the undertaking concerned shall be recognized as an Eligible Counterparty only in respect of the services or transactions for which it could be treated as a Professional Client.

In the event of a transaction where the prospective Eligible Counterparty is located in another EU Member State, the Company shall refer to the status of the other undertaking as specified by the legislation of the said Member State in which that undertaking is established.

4. Types of Requests for Different Categorization

The following requests may be submitted to the Company should a Client wish to change its categorisation:

- a) A Retail Client can request to be categorised as a Professional Client. The Client therefore accepts a lower level of protection (see above).

- b) A Retail Client can request to be categorised as an Experienced Retail Client (see above). An Experienced Retail Client enjoys the same level of protection as a Retail Client. To be classified as an Experienced Retail Client the criteria mentioned in the relevant paragraph above have to be met.
- c) A Professional Client can request to be categorised as a Retail Client. The Client therefore obtains higher level of protection (see paragraph above). A Professional Client can request to be treated as an Eligible Counterparty, obtaining therefore a lower level of protection (see paragraph 4 above).
- d) An Eligible Counterparty can request to be categorised as a Professional Client or a Retail Client. The Client therefore obtains higher level of protection. It is noted that the Company is not required to agree with a request for non-Professional or non-Eligible Counterparty treatment. In addition, the Company may, on its own initiative, treat as a Professional or Retail an Eligible Counterparty or treat as a Retail Client a Professional Client or Experienced Retail Client.

5. Protection Rights

- Retail, Experienced Retail and Professional Clients

Where the Company treats a Client as a Retail Client or an Experienced Retail Client, the Client is entitled to more protections under the Law, than if the Client was treated as a Professional Client. In summary, the protections Retail Clients and Experienced Retail Clients are entitled to are as follows (the list may not be exhaustive):

- a) A Retail Client and an Experienced 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.
- 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 and an Experienced 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 or to an Experienced Retail Client, it shall warn the Client accordingly. Please note that the Company is not required to assess appropriateness in certain cases specified by the Law (for example but not

limited to the situation where on an execution only basis the financial instrument concerned is not complex).

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 and an Experienced 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 sufficient 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 and an Experienced 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.
- d) The Company must inform Retail Clients and Experienced Retail Clients of material difficulties relevant to the proper carrying out of their order(s) promptly upon becoming aware of the difficulty.
- e) Retail Clients and Experienced Retail Clients will be entitled to compensation under the Investor Compensation Fund ("ICF") for Clients of Investment Firms, while Professional Clients are not entitled to compensation under the ICF. There are certain criteria which can be found in the Investor Compensation Fund policy.
- f) Retail Clients and Experienced Retail Clients will be given with reduced leverage limits as per CySEC laws and regulations and ESMA Guidelines.
- g) Retail Clients and Experienced Retail Clients are entitled to a "margin close-out protection" which falls below 50% of the total initial margin protection for all the open CFDs. Same protection is entitled to Professional Clients when it falls below 20%.
- h) Retail Clients and Experienced Retail Clients are entitled to a "negative balance protection" on a per account basis, in order to provide an overall

guaranteed limit on retail client losses. This is triggered whenever margin close-out protection cannot be effectively applied due to extreme market events affecting the underlying of the CFD in question.

- i) The Company should not directly or indirectly provide the Retail Client and Experienced Retail Client with a payment, monetary or excluded non-monetary benefit in relation to the marketing, distribution, or sale of a CFD, other than the realised profits on any CFD provided (prohibition of trading benefits).
- j) The Company should provide to Retail Clients and Experienced Retail Clients a standardised risk warning, including the percentage of losses on Company's retail investor accounts, which is recalculated every end of each quarter and covers a period of last 12 months from the reference date.
- k) Where the Company executes orders for Retail Clients and Experienced Retail Clients, it shall provide those clients with a summary of the relevant policy focused on the total costs they incur.
- l) The Company cannot conclude title transfer financial collateral arrangements with Retail Clients and Experienced Retail Clients for the purpose of securing or covering present or future, actual or contingent or prospective obligations of clients.

All the above protections are in accordance and full compliance with the CySEC Policy Statements PS-01-2019, PS-04-2019 and ESMA's Product Intervention Decisions in relation to contracts for differences and binary options (ESMA35-43-1135), as amended or reproduced.

- [Eligible Counterparties](#)

Where the Company treats the Client as an Eligible Counterparty, the Client will be entitled to fewer protections under the Law than it would be entitled to as a Retail or Experienced Retail or Professional Client. In particular and in addition to the above of paragraph (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 or suitability of a product or service that it provides but can assume that the Client has the expertise to choose the most appropriate product or service and that the Client has the ability to bear losses.
- d) The Company is not required to provide the Client with information about the Company's, execution venues, the arrangements through which the Company will be remunerated and other relevant information.
- e) The ICF does not cover Eligible Counterparties.
- f) The Company is not required to ensure that its financial instruments are designed to meet the needs of an identified target market of Eligible Counterparties.