



# LHCM Ltd (“LHCM”) Client Categorisation Policy Statement

01<sup>st</sup> September 2022

## Introduction

Following the implementation of the Markets in Financial Instruments Directive 2014/65/EU (“MiFID II”) and in accordance with the Financial Conduct Authority (“FCA”) Handbook rules (the “regulations”), LHCM LTD (the “Company”) is required to categorise Clients as either Retail, Professional or Eligible Counterparty and notify clients on their categorisation.

## A. Categorisation criteria

The criteria for categorising Clients based on the relevant regulations are described below.

### 1. “Retail Client”

Is a Client who is neither a Professional nor an Eligible Counterparty.

### 2. “Professional Client”

Is a client who possesses the experience, knowledge and expertise to make their own investment decisions and properly assess the risks that they incur. Such Clients must fall under one of the following categories:

#### 2.1. Clients considered to be Professionals - “per se Professional Client”

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

- 2.1.1. Entities which are required to be authorised or regulated to operate in the financial markets. The list below should be understood as including all authorised entities carrying out the characteristic activities of the entities mentioned, whether authorised in the UK or a third country:
  - a. Credit Institutions;
  - b. Investment Firms;
  - c. Other Authorised or regulated financial institutions;
  - d. Insurance undertakings;
  - e. Collective Investment Schemes and management companies of such schemes;



- f. Pension funds and management companies of such funds;
- g. Commodities and commodity derivatives dealers;
- h. Local authorities;
- i. Institutional Investors.

2.1.2. Large undertakings meeting two of the following size requirements, on a company basis:

- a. balance sheet total at least €20,000,000;
- b. net turnover at least €40,000,000;
- c. own funds at least €2,000,000.

2.1.3. National and regional governments, including public bodies that manage public debt at national and regional level, central banks, international and supranational institutions such as the World Bank, the International Monetary Fund, the European Central Bank, the European Investment Bank and other similar international organisations.

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

2.2. Clients who may be treated as Professionals on request - “elective Professional Client”

Clients other than those mentioned in section 2.1, including public sector bodies, local public authorities, municipalities and private individual investors, may request to be treated as Professionals clients (to waive some of the protection) provided that the criteria and procedure mentioned below are fulfilled.

2.2.1. The Company shall undertake an assessment of expertise, experience and knowledge of such client to obtain a reasonable assurance that the client is capable of making investment decisions and understanding the risks involved. If the client is an entity, then the individual subject to the assessment shall be the person authorised to carry out transactions on behalf of the entity. In the course of the assessment, as a minimum two of the following criteria shall be satisfied:

- a. 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;
- b. the size of the client's financial instrument portfolio, defined as including cash deposits and financial instruments exceeds €500,000;
- c. 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.

2.2.2. Clients defined above may waive some of the protection where the following procedure is followed:

- a. the client must state in writing to the Company that it wishes to be treated as professional client, either generally or in respect of a particular investment service or transaction, or



type of transaction or product;

- b. the Company must give the client a clear written warning of the protections and investor compensation rights the client may lose;
- c. the client must state in writing, in a separate document from the contract, that it is aware of the consequences of losing such protections.

Before deciding to accept any request for waiver, the Company must take all reasonable steps to ensure that the client requesting to be treated as a professional client meets the relevant requirements stated above.

However, if clients have already been categorised as professionals under parameters and procedures similar to those above, it is not intended that their relationships with the Company should be affected by any new rules adopted pursuant to the regulations.

All Professional clients are responsible for keeping the Company informed about any change which could affect their categorisation.

### 3. “Eligible Counterparty”

Any of the following entities: Investment firms, credit institutions, insurance undertakings, UCITS and their management companies, pension funds and their management companies, other financial institutions authorised or regulated under the law of the United Kingdom, national governments and their corresponding offices, including public bodies that deal with public debt at national level, central banks and supranational organisations.

It is noted that the Company will assess specified quantitative and qualitative criteria in accordance with the regulations and changes to categorisation will depend on its absolute discretion.

## B. Information on the level of protection

The additional protection afforded to a Retail Client compared to a Professional Client or an Eligible Counterparty includes without limitation the following:

- a. Retail Clients are provided with more information regarding the Company’s fees, charges, and expenses;
- b. Retail Clients provide more information regarding their knowledge and experience in the Investment field so as to enable the Company to assess whether the investment service or product envisaged is appropriate for the Client;
- c. The Company must take all sufficient steps to ensure that a Retail Client’s order is executed as such in order to obtain best possible results. It is noted that Clients who are classified as Professional Clients are also subject to certain protections under the Best Execution Regime as this is stated within the Company’s Order Execution Policy;



- d. A Retail Client will receive information regarding its executed order timely and with more detail as to the content;
- e. A Retail Client who is provided the service of Portfolio Management will receive more detailed and frequent information;
- f. A Retail Client will be informed of the Company's liability in relation to possible solvency of the custodian where Clients' financial instruments are held;
- g. A Retail Client is eligible for possible coverage from the Financial Services Compensation Scheme.