

HIGH TECH INVEST LIMITED

# CLIENT CLASSIFICATION POLICY

The purpose of this document is to provide clarity on how to classify clients and what each classification means for clients falling under that definition.

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## 1. INTRODUCTION

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### 1.1 Background

Regulations specify the categorization of clients into three categories: 1) professional investors; 2) sophisticated or accredited investors; and 3) retail clients.

The category of retail clients captures every client that is not a professional client or eligible counterparty.

Clients wishing to be treated as eligible counterparties must provide written confirmation that they are requesting the new status and specify if this is in general or in relation to a specific trade, service or product. In addition, Investment Firms shall provide those clients with a clear written warning of the consequences of such a request, including the protections they may lose.

'Elective' professional clients (e.g. a retail client who has opted up to professional client status) will no longer be able to opt up to eligible counterparty status.

As regards local public authorities and municipalities these are excluded from the list of eligible counterparties and professional clients by default, therefore are deemed to be retail clients. However, such clients can still request treatment as professional clients provided they met the relevant criteria.

### 1.2 Purpose

The category of retail clients captures every client that is not a professional client or eligible counterparty. Retail client status offers the highest level of client protection. Clients are not permitted to be eligible counterparties or per se professional clients, so they are, in effect, deemed to be retail clients. They are still able to choose to be treated as elective professional clients and 'opt up' from retail client status.

## 2. CLIENT CLASSIFICATION

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It is vital that clients are properly categorized, since the category of client dictates the level of protection to which they are entitled and also the type of documentation to be used. For most practical purposes, customers can be regarded as falling into one of three basic categories.

### 2.1 Professional Investors

Clients that fall into the following categories and which are subject to licensing or regulation in The Bahamas or another jurisdiction may be regarded as Professional Investors for the purposes of these guidelines:

- Institutions defined in Regulation 2(1)(a) – (e) of the SIR;
- Pension funds; and
- Other institutional investors which are subject to licensing or regulation in The Bahamas or in another jurisdiction in order to operate in the financial markets.

These are licenced investors or capital market participants.

- 1) 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:

- Credit institutions
  - Investment firms
  - Other authorized or regulated financial institutions
  - Insurance companies
  - Collective investment schemes and management companies of such schemes
  - Pension funds and management companies of such funds
  - Commodity and commodity derivatives dealers
  - Locals
  - Other institutional investors
- 2) Large undertakings meeting two of the following size requirements on a company basis:
- balance sheet total: USD 20,000,000,
  - net turnover: USD 40,000,000,
  - own funds: USD 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 IMF, the ECB, the EIB and other similar international organisations.
- 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 following entities can be treated as Professional Investors automatically:

- Investment firms;
- Credit institutions;
- Insurance companies;
- UCITS and their management companies;
- Pension funds and their management companies;
- Other financial institutions authorized and regulated under legislation or the national law of a state;
- National governments and their corresponding offices, including public bodies that deal with public debt;
- Central banks and supranational institutions.

## 2.2 Sophisticated or Accredited Investor

Non-Professional Investors may be Sophisticated Investors for the purposes of these guidelines in that:

- 1) they meet the criteria established in the definition of an “accredited investor” in Regulation 2 of the SIR; and
- 2) they have sufficient knowledge and experience of financial products so as to understand the risks involved in investing in such products.

When classifying a client as a Sophisticated Investor the firm should obtain written representation or declaration from the client as to:

- 1) the client’s knowledge and experience in securities and his/her understanding of specific

- securities and ability to bear the financial risks associated with such products;
- 2) the client's being an accredited investor as defined in Regulation 2 of the SIR;
  - 3) the client's understanding that the effect of his/her designation as a Sophisticated Investor is to waive his/her entitlement to have the suitability of his/her securities transactions assessed in certain circumstances.

Sophisticated Investors should have the opportunity and option to be re-classified as Retail Investors at any time, upon their request to the registrant.

## 2.3 Retail Investor

A client who is not a Professional or Sophisticate investor.

Appendix B contains further details on the definitions of a Retail Investor, Sophisticated Investor and Professional Investor.

### 2.3.1 Treating Retail Investors as Sophisticated Investors

If requested by the client, and provided certain conditions are complied with, High Tech Invest may classify a Retail Investor as "elective Sophisticated Investor". The client must satisfy both a qualitative and quantitative test, the requirements of which are below for information purposes:

#### Qualitative

High Tech Invest has undertaken an adequate assessment of the expertise, experience and knowledge of the client, in light of the nature of transactions or services envisaged that the client is capable of making his own investment decisions and understanding the risks involved.

#### Quantitative

High Tech Invest must be satisfied that at least two of the following are met:

- 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; and/or
- 2) the size of the client's financial instrument portfolio, defined as including cash deposits and financial instruments, exceeds USD 500,000; and/or
- 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 transactions or services envisaged.

In addition to this:

- The client must state in writing that it wishes to be treated as a Sophisticated Investor; and
- High Tech Invest must give a clear written warning of the protection and investor compensation rights the client will lose;
- The client, in a separate document from the contract, must state that it is aware of the consequences of waiving the retail protections.

(A client's consent to being classified as a Sophisticated Investor may be limited to one or more types of designated investment or designated investment business.)

### 3. RELEVANCE

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#### 3.1 Policy

High Tech Invest's policy is to classify all clients prior doing business with them. This is to ensure that clients are afforded the maximum permitted protections available under the regulatory regime. High Tech Invest must record sufficient information to evidence:

- identify each client and contain sufficient information to support their classification;
  - keep evidence of the letter dispatched to the client informing them of their classification;
  - contain the name and address of the client;
  - contain a copy of any client agreement or terms of business letter - only if deemed relevant.
- Note that new clients need to be notified of their classification.

Prior to the provision of services, a client must be informed their classification.

This record should be maintained for a period of seven years after High Tech Invest ceases to carry on business with or for that client.

#### 3.2 Terms of Business

Terms of Business set out the basis on which regulated investment business is conducted with or for the client. Prior to commencing regulated investment business with clients, High Tech Invest will provide each client at the account application stage via the company's website a basic one-way agreement.

The agreement provided by High Tech Invest will outline the services to be provided to the client, including the actual terms of the designated activities being undertaken and information about High Tech Invest's regulated status, information relating to communications and conflicts of interest.

It is of importance that the Officers and employees of High Tech Invest act in accordance with the terms set out in the underlying client Terms of Business, (or subsequent variations where agreed upon specifically in writing). Employees may not make any amendments to the terms of the agreements without the approval of the Compliance Officer.

High Tech Invest must maintain a record of any client agreement that is provided to clients it can be (on a client individual basis or on a standardized basis if the general Terms of Business are provided to clients on a standardized basis). In the event of any alterations or changes to the standardized agreements, these must be recorded and maintain centrally by the Compliance Officer so that there is a record of:

- the old agreement;
- changes made to the new agreement;
- date of communication of the new agreement terms to new or existing clients; and
- the recording of when an updated or new agreement comes into force.

#### 4. RECORD KEEPING

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Client Categorisation will be notified to the client at the outset of the business relationship. Any amendments will be notified to the client in writing. Client classification will automatically default to retail. Alterations to the Client Categorisation status, e.g. Professional, will be sent to the client and a copy kept on the client record.

#### 5. POLICY REVIEW

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This policy will be reviewed on an annual basis by the Compliance Department and to be approved by the Board of Directors. This policy will also be updated to reflect regulatory changes or requirements as required by the regulator. The Compliance Officer will assess and review the Company's policies and procedures in implementing Client Categorisation. Any shortcomings in this policy will be identified and a remediation plan will be put in place.

The Compliance Monitoring Programme will reflect the above. The Annual Report of the Compliance Officer to the Board, will include findings of the abovementioned requirements.

Oversight of the Client Categorisation Procedure will be conducted by the Compliance Department and reviewed and approved by the Company's Board of Directors.