

# Client Classification Policy



**Gildencrest Capital Limited**

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## I. Introduction

Gildencrest Capital Limited (hereafter "Gildencrest" or "the Firm") is Authorised and Regulated by the UK Financial Conduct Authority (FCA), FRN 564741. You can check the details of our authorisation by searching for either our company name, "Gildencrest Capital Limited," or our FRN number, 564741, on the FCA register at <https://register.fca.org.uk>.

In accordance with FCA regulations, Gildencrest is required to inform clients about their classification as either a **Retail Client**, **Professional Client**, or **Eligible Counterparty**. Each classification provides a different level of regulatory protection, with Retail Clients enjoying the highest level of safeguards. As a standard practice, Gildencrest **will classify all clients as Retail Clients**, irrespective of the information they provide during the account opening process.

Clients have the option to request a change in their categorisation at any time, allowing them to opt-up or opt-down as needed.

- Depending on their eligibility, following an evaluation in accordance with the FCA rules, they can opt to request recategorization as a client which benefits from a lower level of protection.
- Gildencrest will allow a professional client or an eligible counterparty to request recategorization as a client that benefits from a higher level of protection. Clients can choose to be treated as a Retail Client for specific transactions while retaining a classification as Professional or Eligible Counterparty for others, or they can opt to be treated as a Retail, Professional, or Eligible Counterparty in general for all transactions.
- Any requests for reclassification will be carefully evaluated in accordance with FCA rules ensuring that the client's needs and circumstances are properly considered.

## II. Retail Clients

In accordance with FCA regulations, a retail client is defined as **a client who is neither a professional client nor an eligible counterparty**. This classification ensures that individuals with less experience or knowledge of financial markets receive the highest level of regulatory protection.

Retail clients generally consist of individual investors who may lack the expertise to assess the risks linked to complex financial products. They benefit from protections such as clear communication, appropriate risk warnings, and access to compensation schemes, which means Gildencrest must prioritise their needs and ensure that information is presented transparently, essentially enabling them to make informed decisions. For example, Gildencrest is required to provide comprehensive details about product features, fees, and potential risks in a straightforward manner, ensuring that clients fully understand the implications of their trading activities.

As an execution-only CFD broker, Gildencrest does not provide investment advice, placing the responsibility for trading decisions on the retail clients. While retail clients enjoy substantial protections, they must also be aware of the risks involved in trading CFDs. By classifying clients as retail, Gildencrest commits to providing appropriate service levels and tailored risk disclosures, maintaining high standards of conduct in the financial services industry.

### III. Professional Client

Professional clients are recognised for their expertise, knowledge, and experience in financial markets, enabling them to understand and assess the risks associated with various investment activities. Their familiarity with financial instruments and market operations separates them from retail clients, who typically require greater protection. Professional clients can be classified into two categories: **Per Se Professional Clients** and **Elective Professional Clients**.

- **Per Se Professional Clients:** These clients automatically qualify for professional status based on specific criteria set forth by regulatory frameworks, such as their authorisation, size, or institutional nature. Their classification does not require additional assessment or consent.
- **Elective Professional Clients:** These clients can request to be treated as professional clients, provided they meet certain criteria. This may involve demonstrating a sufficient level of experience, knowledge, and competence to understand the risks involved in the investment products offered to them.

#### Per Se Professional Clients

According to FCA regulations, any of the following may qualify as a Per Se Professional client:

1. **Authorised Entities:** Any entity required to be authorised or regulated to operate in the financial markets, such as:
  - **Credit Institutions**
  - **Investment Firms**
  - **Any Other Authorised or Regulated Financial Institution**
  - **Insurance Companies**
  - **Collective Investment Schemes** or their management companies
  - **Pension Funds** or their management companies
  - **Commodity Dealers** or those dealing in commodity derivatives
  - **Local Authorities**
  - **Other Institutional Investors**
2. **Large Undertakings for MiFID Business:** A large undertaking that meets two of the following size requirements:
  - Balance sheet total of **EUR 20,000,000**
  - Net turnover of **EUR 40,000,000**
  - Own funds of **EUR 2,000,000**
3. **Large Undertakings for Non-MiFID Business:** A large undertaking meeting any of the following conditions:

- A body corporate (including a limited liability partnership) with called-up share capital or net assets of at least **£5 million**.
- An undertaking meeting two of the following:
  - Balance sheet total of **EUR 12,500,000**
  - Net turnover of **EUR 25,000,000**
  - Average number of employees of **250**
- A partnership or unincorporated association with net assets of at least **£5 million**.
- A trustee of a trust (not including occupational pension schemes) with assets of at least **£10 million**.
- A trustee of an occupational pension scheme or SSAS, or trustee/operator of a personal pension scheme with:
  - At least **50 members**
  - Assets under management of at least **£10 million**

#### 4. **Government and International Bodies:**

- National or regional governments, including public bodies managing public debt, central banks, and international organizations like the World Bank, IMF, ECB, or EIB.

#### 5. **Institutional Investors:** Other institutional investors primarily focused on investing in financial instruments or designated investments, including entities dedicated to asset securitization or financing transactions.

#### **Additional Considerations**

- According to FCA regulations, a local public authority or municipality that does not manage public debt should generally be treated as a retail client unless permitted to be classified as an elective professional client.

#### **Elective Professional Clients**

Elective professional clients are clients who do not automatically qualify as professional clients under the “Per Se” classification but can request to be treated as professional clients after passing certain tests and procedures. Firms like Gildencrest may categorize such clients as elective professional clients if they meet the required conditions. This process involves a combination of qualitative and quantitative assessments, as well as specific documentation procedures.

According to the FCA’s **Conduct of Business Source Book (COBS) 3.5.3 R**, a firm like Gildencrest may treat a client as an elective professional client if the following conditions are met:

##### I. **Qualitative Test:**

- The firm must carry out an assessment of the client’s expertise, experience, and knowledge. This assessment must provide reasonable assurance that the client is capable of making informed investment decisions and understands the associated risks. This evaluation is based on the nature of the transactions or services anticipated.

II. **Quantitative Test** (for MiFID or equivalent third-country business):

- In addition to the qualitative assessment, the client must meet at least two of the following criteria:
  - The client has executed transactions, of **significant size**, on the relevant market **at an average frequency of 10 per quarter over the previous four quarters**.
  - The client's financial instrument portfolio, including cash deposits and financial instruments, exceeds **EUR 500,000**.
  - The **client works or has worked in the financial sector for at least one year** in a professional capacity, requiring knowledge of the relevant transactions or services.

III. **Procedural Requirements:**

- The client must **explicitly request** in writing to be treated as a professional client, either generally or for specific services, types of transactions, or products.
- The firm must provide the client with a **clear written warning** of the protections and investor compensation rights they may lose by being categorized as a professional client.
- The client must confirm in writing, in a separate document from the service agreement, that they are **aware of the consequences** of losing these protections (If the client is an entity, the qualitative test will be performed in relation to the person authorised to carry out transactions on its behalf).

This process ensures that clients classified as elective professional clients understand the risks and responsibilities, as well as the potential loss of retail client protections under the **COBS** framework.

**Note:** There are other criteria that firms can use to classify clients as Elective Professional Clients, but these apply specifically to local public authorities and municipalities. Gildencrest has not included these criteria in the policy as the firm does not envisage having these types of clients.

Professional clients are responsible for informing the Company of any changes that may affect their current categorisation. If the Company becomes aware that a client no longer meets the conditions for elective professional client status, appropriate action will be taken. If this action involves re-categorising the client as a retail client, the Company will notify the client of the new categorisation.

## IV. Eligible Counterparties

Clients can be classified as **Per Se Eligible Counterparties** or **Elective Eligible Counterparties** depending on their characteristics and the firm's assessment but only when engaging in eligible counterparty business. A **Per Se Eligible Counterparty** automatically qualifies based on its entity type, such as investment firms, credit institutions, or national governments. In contrast, an **Elective Eligible Counterparty** may achieve this status after being assessed by the firm, provided they meet specific criteria and request such a classification. Both categories enjoy fewer regulatory protections due to their sophistication and experience in financial markets.

### Per Se Eligible Counterparty

According to FCA regulations, the following entities automatically qualify as **Per Se Eligible Counterparties** unless they are given a different categorisation:

- **Investment firm**
- **Credit institution**
- **Insurance company**
- **Collective investment scheme** authorised under UK provisions implementing the UCITS Directive or its management company
- **Pension fund** or its management company
- **Another financial institution** authorised or regulated under UK law
- **National government or corresponding office**, including public bodies dealing with public debt at a national level
- **Central bank**
- **Supranational organisation**

Entities from outside the UK that are equivalent to the above can also be classified as per se eligible counterparties.

### Elective Eligible Counterparties

Elective eligible counterparties are clients who do not automatically qualify as eligible counterparties under the "Per Se" classification but can request to be treated as such after meeting certain criteria. Gildencrest may categorise such clients as elective eligible counterparties if they fulfil the necessary conditions. This process involves an assessment of the client's status and the adherence to specific procedures outlined by the FCA.

According to the FCA's COBS rules a firm like Gildencrest may treat a client as an elective eligible counterparty if the following conditions are met:

To qualify as an **Elective Eligible Counterparty** under FCA guidelines, clients must meet certain criteria depending on whether the business relates to MiFID or equivalent third-country regulations.

Gildencrest can categorize a client as an elective eligible counterparty if they meet the following conditions:

#### I. For Business Other Than MiFID or Equivalent Third-Country Business:

- **Client Requirements:**
  - The client must be a business entity (undertaking) and:
    - Qualify as a **Per Se Professional Client** (excluding those classified solely due to institutional investor status), and:
      - Be a body corporate (including a limited liability partnership) with a **called-up share capital** of at least £10 million (or equivalent in another currency); or
      - Meet the criteria for **two quantitative tests**, typically related to the client's financial activities or resources.
    - Request to be categorized as an eligible counterparty.

#### II. Procedural Requirements:

- Gildencrest must follow a specific procedure, which includes:
  - Providing the client with a **clear written warning** outlining the consequences of being categorized as an eligible counterparty, including the **loss of certain protections**.
  - The client must **confirm in writing** their request to be treated as an eligible counterparty, either generally or for specific services, transactions, or products, and acknowledge the **loss of protections** associated with this status.

These requirements ensure that clients understand the implications of their status and are adequately informed of the reduced regulatory protections.

## V. Differences Between Retail Clients and Professional Clients

Key Differences Between Retail Clients and Professional Clients:

### 1. Provision of Information and Risk Warnings:

- **Retail Clients:** Firms must provide detailed information, including clear risk warnings and full disclosure of costs and charges. Financial promotions must ensure that any potential benefits are balanced with fair and prominent risk disclosures, presented in a way that is easily understood by retail clients.
- **Professional Clients:** While still subject to transparency rules, professional clients are presumed to understand financial risks and may receive less detailed disclosures. Firms are not required to provide the same level of simplified explanations or risk warnings.

### 2. Appropriateness Assessments:

- **Retail Clients:** Firms must assess whether the client has sufficient knowledge and experience to understand the risks of a particular product or service before offering it. This appropriateness assessment ensures that the product or service aligns with the client's financial situation and understanding.
- **Professional Clients:** Firms can assume that professional clients possess the knowledge and experience to understand the risks involved. A formal appropriateness assessment is typically not required.

### 3. Complaint Handling and Financial Ombudsman Access:

- **Retail Clients:** Eligible retail clients can refer complaints to the Financial Ombudsman Service (FOS) and have their complaints handled according to specific FCA rules.
- **Professional Clients:** Professional clients do not have access to the Financial Ombudsman Service and may not be eligible for the same level of complaint handling protections.

### 4. Financial Services Compensation Scheme (FSCS):

- **Retail Clients:** Retail clients are more likely to be eligible for compensation under the FSCS in the event of firm insolvency or other financial issues.
- **Professional Clients:** Professional clients are typically not eligible to claim compensation under the FSCS.

### 5. Safeguarding of Client Money:

- **Retail Clients:** Client money must be segregated from the firm's own funds. This ensures the client's money is protected in the event of the firm's insolvency or financial distress.
- **Professional Clients:** There is no requirement for professional clients' money to be segregated, as they are considered to have the ability to assess the associated risks.

### 6. Best Execution Requirements:

- **Retail Clients:** Firms are required to prioritise the overall costs of the transaction to ensure "best execution" for retail clients. This means considering all associated costs and taking extra care to provide the best possible outcome for the client.
- **Professional Clients:** Firms are not required to prioritise overall transaction costs in achieving best execution. Professional clients are deemed capable of understanding execution outcomes without the need for stringent cost considerations.

#### 7. **Packaged Investment Products:**

- **Retail Clients:** When selling packaged retail investment products (PRIIPs) to retail clients, firms must provide a Key Information Document (KID) that clearly outlines the product's risks, benefits, and costs.
- **Professional Clients:** Professional clients are not entitled to the same level of detailed disclosure when purchasing packaged investment products, as they are assumed to have the expertise to understand the risks involved without a KID.

## VI. **Key Differences between Eligible Counterparties and Professional Clients**

- **Client Best Interests:** Regulations mandate that firms must act in the best interests of their clients.
- **Pre-Service Disclosure:** Firms are required to disclose specific information to clients prior to offering services.
- **Inducement Restrictions:** There are rules in place that limit firms' abilities to accept and offer inducements.
- **Client Communication Standards:** Regulations govern how firms communicate with clients, including marketing and promotional activities.
- **Cost and Charge Disclosures:** Requirements for disclosing information about costs and charges are less stringent for Eligible Counterparties.
- **Client Agreement Regulations:** There are established rules that dictate how client agreements should be structured and provided.
- **Assessment of Appropriateness:** Firms are obligated to evaluate the appropriateness of products or services for their clients.
- **Best Execution Obligations:** Firms must take reasonable measures to achieve the best possible outcomes when executing or managing client orders (best execution).
- **Order Execution Conditions:** Specific conditions must be followed when executing client orders, including timely recording, allocation, sequential execution, and order aggregation.
- **Investment Risk Disclosure:** Firms must provide clients with clear descriptions of the nature and risks associated with investments.
- **Trade Confirmation and Statements:** Regulations around providing trade confirmation details and periodic statements may apply with limited scope.

## VII. Record Keeping

Gildencrest will keep a record of each categorisation, including information to support the categorisation, evidence of despatch of any notices required and a copy of any client agreement for a period of five years after Gildencrest ceases to carry on business with the client.

## VIII. Contact Information

For any queries about this policy, please contact:

Compliance Department

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