



EBC FINANCIAL GROUP
Cayman



Client Classification

October 2023

Risk Warning: Trading Forex and Contracts for Difference (CFDs) on margin carries a high level of risk and may not be suitable for everybody. The high degree of leverage can work against you as well as for you. Before deciding to trade Forex and CFDs, you should carefully consider your trading objectives, level of experience and risk appetite. The possibility exists that you could sustain a loss of some or all of your initial trading capital. You should be aware of all the risks associated with trading Forex and CFDs and seek advice from an independent adviser if you have any doubts.

1. INTRODUCTION

- 1.1 This Client Categorization Policy (the "Policy") outlines the procedures undertaken by EBC Financial Group (Cayman) Ltd (referred to as "EBC," the "company," "us," "we," and "our") in the process of categorizing clients (referred to as "client categorization"). These categorization steps are taken before initiating a business relationship with the client and providing any investment services.
- 1.2 1.2. EBC Financial Group (Cayman) Ltd is mandated by the regulatory authorities of the Cayman Islands to categorize clients in accordance with local regulations. The Cayman Islands regulatory framework requires classification into Retail, Professional, or Eligible Counterparty categories. Before rendering our services, we are obligated to inform clients, as per the Cayman Islands regulatory guidelines, of their right to request a different categorization and any implications such a change might have on the level of client protection.
- 1.3 1.3. EBC Financial Group (Cayman) Ltd, also known as "EBC," ensures the appropriate categorization of clients before engaging in business activities. This meticulous process ensures that regulatory protections are directed towards client classes that require them the most.
- 1.4 1.4. The regulatory landscape in the Cayman Islands, in alignment with MiFID, assigns distinct regulatory protections to each category. Consequently, those falling within the Retail category will receive a higher level of protection compared to investors in the Professional or Eligible Counterparty category.

2. CLASSIFICATION

- 2.1 It is important to classify clients correctly since the classification of a client will determine the level of protection that they receive.
- 2.2 As the diagram below shows, there are two client classifications that mark two different levels of protection: professional clients and private clients. There is also a third category that mainly falls outside the definition of 'client' and that is that of market counterparty. Though a professional client can in certain circumstances be re-classified as a market counterparty, and a private clients can in certain circumstances be re-classified as a professional client, a private client can never be re-classified as a market counterparty.
- 2.3 The majority of the Conduct of Business Regulations and the protections afforded by these regulations only apply to a firm's dealing with private clients and professional clients.

2.4 Classification information

MARKET COUNTERPARTIES	CLIENTS	
(ONLY CONSIDERED CLIENTS FOR THE PURPOSE OF SECTION IV OF THE SIBL CONDUCT OF BUSINESS REGULATIONS)	(TWO TYPES OF CLIENTS EXIST: PRIVATE AND PROFESSIONAL. <u>ALL</u> CONDUCT OF BUSINESS RULES APPLY TO BOTH PRIVATE AND PROFESSIONAL CLIENTS)	
<ul style="list-style-type: none"> • A government (including a quasi-governmental body or a government agency). • A central bank or other national monetary authority • A supranational whose members are countries or central banks (e.g. IMF) • A state investment body or public debt management body • A professional client where classified as a market counterparty under the provisions of Regulation 12 (3) 	PROFESSIONAL CLIENTS	PRIVATE CLIENTS
	<ul style="list-style-type: none"> • A public authority • Securities Investment Business Intermediary • Sophisticated person of category (a), (b) and (c) (see definition in the Law) • A high net worth person which for the purpose of this definition is a person or an individual with total assets of at least 4 million dollars • Closed-ended funds and all other funds that are not required to be licensed, administered or registered under the Mutual Funds Law. • Private client that has been re-classified as a professional client under regulation 12(2). 	<ul style="list-style-type: none"> • All individuals • Small businesses

2.5 Before entering a securities investment business relationship, a firm must take reasonable steps to determine whether the firm is dealing with a market counterparty, a professional client, or a private client.

3. MARKET COUNTERPARTIES

The reason that market counterparties are excluded from the definition of client is that market counterparties are experienced professionals who have full understanding of the way in which the market works, and the risks and

rewards involved. Market counterparty dealings are lightly regulated. In the Regulations a market counterparty is listed to be either:

- ◆ A government (including a quasi-governmental body or a government agency).
- ◆ A central bank or other national monetary authority
- ◆ A supranational whose members are countries or central banks (e.g., IMF)
- ◆ A state investment body or public debt management body
- ◆ A professional client classified as a market counterparty under the provisions of Regulation 12

3.1 Client

Client is an encompassing term that includes everyone from the smallest retail customer through to the largest investment firm. However, for the purpose of this regime, it does not include market counterparties.

3.2 Professional Clients

3.2.1 Professional clients are clients that have more experience than a private client but do not qualify as market counterparties. The Regulations allow the firm to classify clients in the list below as professional clients. Professional clients shall be informed in writing of the protection under the regulatory regime that they lose by being classified as such. They shall be informed that the protection afforded to them is lower than that offered to a private client..

3.2.2 Professional clients are:

- ◆ A public authority
- ◆ Securities Investment Business Intermediary
- ◆ Sophisticated person of categories (a), (b) or (c) (see definition in the Law)
- ◆ A high-net-worth person which for the purpose of this definition is a person or an individual with total assets of at least 4 million dollars.
- ◆ Closed-ended funds and all other funds that are not required to be licensed, administered, or registered under the Mutual Funds Law.

Private client that has been re-classified as a professional client under regulation 12(2) This applies only to clients that by virtue of their experience can be re-classified, see definition in the Law under Sophisticated Persons, category (d)

3.2.3 Regulation 12 of the Conduct of Business Regulations under 12(3) allows certain types of professional clients to be re-classified as market counterparties provided that the licensee has advised the professional client in writing of the protections it will lose as a result and the client does not object to being classified as a market counterparty. The types of professional client that can opt up to market counterparty are the following:

- ◆ A public authority
- ◆ Securities Investment Business Intermediary

- ◆ Sophisticated Person by virtue of being regulated by the Authority or by a Recognized Overseas Regulatory Authority.
- ◆ Company or partnership with a net worth of 12 million dollars, or a company with a net turnover of 22 million dollars or equivalent in any other currency.

3.3 Private Clients

3.3.1 All individuals that are not market counterparties or professional clients are private clients. Typically, this would be individuals and small businesses.

3.3.2 Also, a firm may classify individuals who would otherwise have been a professional client as a private client if it notifies the client of this fact, some firms find it easiest to classify all clients as private clients.

3.3.3 Individuals and small businesses are normally considered private clients. However, it is undoubtedly the case that certain private customers have a good appreciation of risks and rewards for investment business.

3.3.4 4. A firm may treat a client who would otherwise be a private client as a professional client if the client is a high net worth individual or a sophisticated person (as defined above) AND the firm has taken reasonable care to determine that the client has sufficient experience and understanding so as not to need the protection afforded to a private client.

3.3.5 The exercise of reasonable care in this regard may entail consideration of the following:

- ◆ The client's length of time in the market, and whether active dealing
- ◆ in the securities involved can be demonstrated.
- ◆ Frequency of dealings.
- ◆ Size and nature of the transactions.
- ◆ Client's financial standing.

3.3.6 If a firm is to treat a private client as a professional client, it must give a written warning of the protections that are lost and get written consent from the private client. By being re-classified, the client receives more freedom to trade and may attract lower commission rates.

4. CUSTOMER IDENTIFICATION AND VERIFICATION

Anti-Money Laundering ("AML") and Counter Terrorism Financing ("CTF") regulations necessitate that EBC Financial Group (Cayman) Ltd carries out Client Due Diligence ("CDD") measures to ensure that the firm's clients are accurately identified. This Client On-Boarding policy and procedures manual outlines the firm's client identification and verification processes.

In practical terms, this entails collecting the following information from the client:

- ◆ Name

- ◆ Date of Birth
- ◆ Photograph on an official document confirming their identity.
- ◆ Residential address

The extent of information required depends on the AML/CTF risk associated with EBC Financial Group (Cayman) Ltd, considering the following factors:

- ◆ Whether the prospective client (natural person, director, beneficiary, or beneficial owner) is listed in a government or credible source's list (sanctions lists) as identified by electronic reporting agencies such as GB Group or Experian.
- ◆ Identification of terrorism financing risk.
- ◆ Whether the client, who is an individual (natural person), is a Politically Exposed Person ("PEP") or has links to a PEP (domestic or foreign); enhanced due diligence will be applied to any PEPs.
- ◆ If a non-natural person (e.g., a company or trust) is a PEP or has connections to a PEP (including directors, beneficial owners, ultimate controllers, beneficiaries, and agents as applicable).
- ◆ Jurisdiction.

EBC Financial Group (Cayman) Ltd maintains distinct client identification and verification procedures for different client categories and jurisdictions based on their risk classification.

4.1 Client Categories.

The firm's clients encompass the following categories:

- ◆ Individuals
- ◆ Companies
- ◆ SIPP Funds
- ◆ Partnerships
- ◆ Unincorporated associations

4.2 Client Due Diligence:

Client verification, Know Your Client ("KYC"), and due diligence procedures are carried out when:

- ◆ Establishing a business relationship
- ◆ There are doubts about a client's identification information.
- ◆ For existing clients, when it is necessary, such as when a client's circumstances change.

The documented identification and verification procedures are obligatory and must not be deviated from. They are designed to ensure that the firm is reasonably confident about the client's identity and existence. In the case of non-individual clients, information is collected and verified concerning beneficial owners. Additional information and verification may be necessary based on the obtained information or the client's nature.

4.3 Third-Party Due Diligence

The firm conducts due diligence for all relationships related to clients and trading. For example, all Introducing Broker ("IB") due diligence checks are aligned with EBC Financial Group (Cayman) Ltd's client verification processes.

Due diligence is also performed for all outsourced providers such as IBs. All third parties are checked in the following manner:

- ◆ Conducting due diligence using the firm's AML/KYC procedures
- ◆ Performing a Google search to identify any potential issues or concern.
- ◆ Evaluating the jurisdiction of clients being referred

4.4 Beneficial Owner Due Diligence

The definition of beneficial owner includes those who have control. Therefore, EBC Financial Group (Cayman) Ltd identifies and verifies the ultimate beneficial owners for all client types.

The client is the person (or entity) named as the investor or "account holder" and any person (or entity) with control over the client. EBC Financial Group (Cayman) Ltd collects and verifies client information for beneficial owners and those with ultimate control.

4.5 Due Diligence Partners

EBC Financial Group (Cayman) Ltd has established a partnership with GB Group for electronic client identification procedures. GB Group provides accurate electronic identity verification technology, which the firm's account opening team uses for client due diligence.

- ◆ Records of each electronic check conducted are maintained by the firm.
- ◆ A written agreement is in place for the management of client identification records, granting the firm access to the partner's records and the ability to request copies of those records.
- ◆ EBC Financial Group (Cayman) Ltd is confident that the information provided by GB Group is sufficiently comprehensive, reliable, and accurate.

The firm keeps a record of approved partners of electronic verification services, ensuring compliance with regulatory guidance and criteria.

5. LOSS OF PROTECTION NOTICE FOR PROFESSIONAL CLIENTS

5.1 Access to the Cayman Islands Office of the Ombudsman

Upon the account opening as a professional client, you forfeit the right to bring your complaint against EBC Financial Group (Cayman) Ltd or the Trading Agent to the Office of the Ombudsman. However, professional clients and eligible counterparties acting outside their trade, business, craft, or profession may still qualify as eligible complainants. Additional information can be found at the Cayman Islands Office of the Ombudsman.

5.2 Financial Promotions

Certain rules governed by the Cayman Islands Monetary Authority (CIMA) regarding the form and content of financial promotions will no longer apply. While our communications remain fair, clear, and non-misleading as per CIMA requirements, your status as a Professional Client may be considered when ensuring these communications align with your expertise level. This means we may not be obligated to provide comprehensive information on specific investments in our financial promotions, as required for Retail clients.

5.3 Disclosure of Charges, Remuneration, or Commission

CIMA rules do not mandate written disclosure of the basis or number of charges applicable to our services and the income received by EBC Financial Group (Cayman) Ltd, the Trading Agent, or associates. However, EBC Financial Group (Cayman) Ltd, at its discretion, provides information on fees associated with the Account, rebated to the Trading Agent as specified in Schedule 1.

5.4 Order Handling and Reporting

CIMA does not compel us or the Trading Agent to furnish you with Account statements unless specifically requested. Upon your request, the Trading Agent can provide Account information and statements through report features provided by EBC. All clients, including professional clients, retain access to their Account and online MT4 trading platform, enabling them to view all transactions related to their managed account at any time.

5.5 Customers' Understanding of Risk

We are not obligated to ensure your understanding of risks associated with specific investments or transactions we recommend. We assume you can assess risks related to various types of investments.

5.6 Client Money Rules

As per CIMA Client Money rules, clients' funds are safeguarded by placing them in segregated accounts. Professional Clients, however, can Opt-Out of these rules, allowing them to choose not to be subject to segregation. If you wish to Opt-Out, please inform EBC Financial Group (Cayman) Ltd promptly.

5.7 Investor Compensation Rights

Certain professional clients may not be eligible claimants for compensation. However, elective professional clients with segregated bank accounts may be eligible claimants. Details on compensation in case of Insolvency or default can be found through the Cayman Islands Monetary Authority.

5.8 Modification of Certain Rules

CIMA rules permit us to modify rules related to confirmation of transactions, periodic statements, best execution, custody of assets, and client money. If any modifications apply, we will provide a detailed explanation of potential consequences.