

According to Act No. 108/2007, on Securities Transactions, financial undertakings are to classify clients according to their experience and expertise. There are three main classifications of investors: retail clients, professional clients and eligible counterparties.

Retail clients

Those clients of Arctica Finance who are classified as retail clients enjoy the greatest protection provided for in the Act. It means, for instance, that Arctica Finance will provide clients classified as retail clients with information on Arctica Finance and the services offered by the company, the investment options which are available and the risk involved in them, as well as information on the fees and commission for each investment option. When services in the form of investment advice or asset management are provided to retail clients, an assessment is made as to whether a specific type of financial instrument is compatible with the interests of the client in question. In such instances, the client's expertise, experience and financial strength is evaluated, together with his/her investment objectives.

If Arctica Finance's services involve other types of services in connection with securities transactions than asset management and investment advice, the company will assess clients' expertise and experience in order to judge whether they have the necessary knowledge to comprehend the risk involved in the transactions. Attention is drawn to the fact that clients of Arctica Finance who are classified as retail clients may request that Arctica Finance classify them as professional clients. A professional client declines part of the rights and protection which retail clients are entitled to pursuant to the Act on Securities Transactions, but have additional possibilities to invest in complex financial instruments.

For such a request to be approved, clients must provide Arctica Finance with certain information and the classification is subject to the approval of Arctica Finance.

Professional clients

Professional clients shall mean clients who possess the experience, knowledge and specialised expertise to be able to decide for themselves on their investments and assess the inherent risks.

The following parties are professional clients:

1. Legal entities which are licensed to operate or carry out regulated activities on financial markets, including financial undertakings, insurance companies, funds for collective investment (UCITS) and pension funds.
2. Large companies which fulfil certain conditions regarding their balance sheets, annual turnover and equity.
3. Central and local government, central banks and international organisations.
4. Other institutional investors whose primary activity is to invest in financial instruments.

5. Parties who have been approved as professional clients based on their application.

Arctica Finance will not therefore assess the expertise and experience of clients in the group fulfilling the conditions of Point 1 to 4 above with regard to their securities transactions.

The financial strength of Arctica Finance's clients who have been classified as professional clients at their request, as referred to in Point 5 above, is assessed when they are provided with investment advice or asset management services.

Clients classified as professional clients may request to be reclassified as retail clients and thereby enjoy greater protection. Should a party request to be reclassified as a retail client, it will lose the possibility of concluding transactions with financial instruments. Professional clients may furthermore request to be reclassified as eligible counterparties, which means they lose some of the protection which they enjoy as professional clients. Such classification is subject to the assessment and approval of Arctica Finance.

Eligible counterparties

Those clients classified as eligible counterparties enjoy the least protection according to the Act on Securities Transactions. This is based on the assumption that they have the greatest financial strength, expertise and experience of all clients and therefore do not require as extensive protection as do retail clients. Clients who are classified as eligible counterparties may request to be reclassified and thereby enjoy increased protection, either as professional clients or retail clients.

Client's consent

For securities transactions to proceed properly, Arctica Finance's clients must agree to Arctica Finance's General Terms and Conditions for Capital Markets Trading and must have acquainted themselves with and understood:

Arctica Finance's Policy on Order Execution

Arctica Finance's Policy on Measures to Prevent Conflicts of Interest

Clients classified as professional clients and eligible counterparties must give their consent for such classification. Clients must also give their consent for the execution of orders for financial instruments, which are listed on a regulated securities market or multilateral trading facility (MTF), outside of such markets. Furthermore, Arctica Finance must obtain the client's consent not to make public limit orders which have not been fully executed. This accords with current market practice and Arctica Finance's policy on this order execution reflects this.