

1. PURPOSE AND OBJECTIVE

These rules concern the categorization of clients receiving investment services from Arion Bank and are established in accordance with the Market for Financial Instruments Act No. 115/2021.

The categorization of clients is an important part of investor protection as the legal protection afforded to clients differs depending on which category the client is in. Retail clients enjoy the greatest level of protection by law, and professional clients and eligible counterparties enjoy less protection.

The objective of these rules is to ensure a consistent approach to categorizing clients and to specify the criteria which clients need to meet if they wish to be placed in a different category.

2. DEFINITIONS

For the purpose of these rules the following definitions shall apply:

1. **Client:** A client to whom Arion Bank provides investment services. Investment services mean any services and activities relating to transactions with financial instruments, cf. Paragraph 15 of Article 4 of the Act.
2. **Retail client:** A client who is not a professional client or who has requested to be categorized as such.
3. **Professional client:** A client who possesses the experience, knowledge and expertise to make their own investment decisions and properly assess the risks involved. The following are regarded as professional clients:
 - a. Entities which have operating licences or engage in regulated activities in financial markets, including financial institutions, insurance companies, pension funds and funds for collective investments, sellers of commodities and commodity derivatives, and other institutional investors.
 - b. Large companies that meet at least two of the following size requirements:
 1. balance sheet total of the equivalent of €20,000,000 or more
 2. net annual turnover of the equivalent of €40,000,000 or more
 3. own funds of the equivalent of €2,000,000 or more
 - c. National and regional governments, central banks and international institutions such as the International Monetary Fund, the European Investment Bank and similar institutions.
 - d. Other institutional investors whose main activity is to invest in financial instruments, including entities dedicated to the securitization of assets or other financial transactions.
 - e. Other clients who have been accepted as professional clients.
4. **Eligible counterparty:** A client who falls under section a, b, or c of the definition of professional clients, and agrees or requests to be categorized as an eligible counterparty.

3. CLIENT CATEGORIZATION

All clients shall be categorized before they are provided with investment services.

Arion Bank categorizes all clients as retail clients, unless available information shows that a different categorization is appropriate, e.g. annual financial statement or verification of an operating licence. Information on the criteria on which categorization is based shall be archived.

Arion Bank shall inform the client which category the client belongs to. Furthermore, the client shall be informed of their right to request to be placed in a different category. Eligible counterparties shall confirm their categorization in advance in a veritable manner.

4. APPLYING FOR A DIFFERENT CATEGORY

4.1 GENERAL

Clients are entitled to ask to be placed in a different category. Any such request should be made in writing.

All applications to change category, with applicable documents and a record of the Bank's approval or rejection, shall be archived.

4.2 OPTING DOWN

A client shall always be given a greater level of protection if requested. Therefore, a professional client may always request to be treated as a retail client, and an eligible counterparty may always request to be treated as a professional client or retail client.

Arion Bank may at any time opt a client down, at its own initiative. Clients shall be informed of any such change.

4.3 OPTING UP

A retail investor may request to be treated as a professional client, if two of the following criteria have been met:

- a) The client has carried out at least forty transactions, of a significant size, in the last 12 months on the relevant market.
- b) The size of the client's financial instrument portfolio 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.

When evaluating criterion a), the client shall submit a statement containing information on transactions. It is not possible to fulfil the conditions unless the client has been active in the relevant market for at least four quarters.

When evaluating criterion b), the net value of the client's financial instrument portfolio, including cash deposits and foreign exchange in a portfolio, is used as a reference. The client shall submit a statement containing information on the financial instrument portfolio. Assets belonging to a spouse, dependent children or related undertakings are not considered.

When evaluating criterion c), the client shall provide information and/or material on which professional position they have held on a financial market which they believe meets the stipulated criterion and when they held this position. Examples of positions which meet this criterion are: fund manager, broker, position in asset management, direct involvement in a company's securities issues etc.

If a client is a legal entity, when evaluating criterion c), the Bank shall consider the experience of the agent acting on the entity's behalf.

The client's contact person gathers the required information and material from the client to assess the above. A comprehensive assessment shall be made of whether the available information provides sufficient certainty that the client in question has sufficient specialist knowledge. The client's contact person and a manager shall confirm whether the client meets the criteria set out in these rules on changing category. The client shall be informed in writing of the conclusion reached and its legal effect.

Should the Bank become aware that a client no longer meets certain criteria, appropriate actions shall be taken. Arion Bank can at any time request information to confirm that a client meets the applicable criteria.

5. ENTRY INTO FORCE AND PUBLICATION

These rules enter into force on 1 September 2021. The rules shall be reviewed as often as deemed necessary, but at least every three years. The rules shall be published on Arion Bank's intranet and website.