

## CUSTOMER CLASSIFICATION CRITERIA

### A. NON-PROFESSIONAL CUSTOMER

Other than a professional customer or eligible counterparty.

### B. PROFESSIONAL CUSTOMER

#### B 1. Organisations

An organisation<sup>1</sup> authorised or regulated to operate in the financial market on the basis of an operating permit and a comparable foreign organisation under regulatory supervision:

- a) an investment firm,
- b) a credit institution,
- c) a management company,
- d) an option organisation,
- e) a stock exchange,
- f) a settlement organisation,
- g) a central securities depository,
- h) an insurance company within the meaning of the Insurance Companies Act,
- i) a pension firm, pension foundation and pension fund,
- j) an organisation<sup>2</sup> referred to in the Act on Investment Firms 1 § subsection 3 paragraphs 6 and 7,
- k) a company buying and selling commodities and commodity derivatives for its own account,
- l) another institutional investor such as a special financing company, which does not apply to the Credit Institutions Act (e.g. Finnvera Oyj and Teollisen yhteistyön rahasto Oy)

#### B 2. Large companies

A company, which on the basis of the previously completed financial year meets two of the following three requirements:

- a) total assets of at least 20 000 000 euros,
- b) turnover of at least 40 000 000 euros,
- c) own resources<sup>3</sup> are at least 2 000 000 euros

#### B 3. State

- a) Government of Finland,
- b) State Treasury
- c) Åland Islands,
- d) a foreign state,
- e) an entity dealing with central government debt,

#### B 4. Central banks

- a) European Central Bank,
- b) Bank of Finland,
- c) a foreign central bank,
- d) the International Monetary Fund, the World Bank and comparable international organisations or organisations

#### B 5. Institutional investors

Companies whose principal activity is to invest in financial instruments. The company's main business industry is recorded in the Trade Register, but the customer's professionalism cannot be based solely on the industry entry in the register but the nature of the customer's actual business is determined to ensure that the classification criterion is met. The company's financial information shows the extent of the company's investment operations in relation to the rest of the business operations. For comparison, it is noted that the wording of "the company's purpose is to invest in financial instruments" is used in the directive that is based on The

Securities Markets Act's regulations.

Accordingly, the company's classification as a professional customer under The Securities Markets Act requires the clarification of the customer's actual business operations nature to the extent that the customer company can be deemed to actually engage in investment activities specifically for *financial instruments* (compare to, for example, real estate investing). The lack of an industry entry in the Register in respect of investment operations, on the other hand, does not in individual cases preclude the classification of the customer, if it can be unambiguously considered to meet the criteria on the basis of financial statements or other documented information.

However, the registration of the industry is associated to, for example, the powers of the Managing Director, in the absence of the register entry, the Managing Director does not primarily have the competence to represent the company without the Board's separate authorisation.

### B 6. Classification as a professional customer on the basis of the customer's own application

The conditions for classifying a customer as a professional customer:

- 6.1. The customer applies in writing.
- 6.2. The customer meets at least two of the following criteria:
  - a) the customer has carried out significantly large transactions<sup>4</sup> in the relevant market at an average of ten times per quarter over the previous four quarters;
  - b) the customer's investment portfolio's value<sup>5</sup> is more than 500 000 euros;
  - c) the customer works or has worked professionally in the financial sector for at least one year.
- 6.3. The stockbroker estimates that the customer is capable of making independent investment decisions and understanding the risks involved, and the stockbroker accepts the customer's application.
- 6.4. The stockbroker informs the customer in writing that the customer does not belong to the scope of The Securities Markets Act's Chapter 4's protection of the rules of procedure and the protection of the investor compensation fund.
- 6.5. The customer shall notify the stockbroker in writing that they are aware of the loss of procedural rules of protection and compensation fund protection.

### C. ACCEPTABLE COUNTERPARTY

#### C 1. Organisations

An organisation<sup>6</sup> authorised or regulated to operate in the financial market on the basis of an operating permit and a comparable foreign organisation under regulatory supervision:

- a) an investment firm,
- b) a credit institution,
- c) a management company,
- d) an option organisation,
- e) a stock exchange,
- f) a settlement organisation,
- g) a central securities depository,
- h) an insurance company within the meaning of the Insurance Companies Act,
- i) a pension firm, pension foundation and pension fund,
- j) an organisation<sup>7</sup> referred to in the Act on Investment Firms 1 § subsection 3 paragraphs 6 and 7,
- k) a company buying and selling commodities and

- commodity derivatives for its own account,
- l) another institutional investor such as a special financing company, which does not apply to the Credit Institutions Act (e.g. Finnvera Oyj and Teollisen yhteistyön rahasto Oy)

## C 2. Large companies

A company, which provides *explicit* consent to be treated as an eligible counterparty and which on the basis of the previous full financial year's financial statements *meets* at least two of the following three requirements:

- a) total assets of at least 20 000 000 euros,
- b) turnover of at least 40 000 000 euros,
- c) own assets<sup>8</sup> are at least 2 000 000 euros and

## C 3. State, municipality and their units

- a) Government of Finland,
- b) State Treasury and state enterprises,
- c) Finnish municipality and organisation of municipalities,
- d) Åland Islands,
- e) a foreign state,
- f) an entity dealing with central government debt,
- g) Foreign state's regional administrative units

## C 4. Central banks

- a) European Central Bank,
- b) Bank of Finland,
- c) a foreign central bank,

- d) The International Monetary Fund, the World Bank and comparable international organisations or organisations

## C 5. The application of an organisation investor that is classified as a professional customer must be treated as an acceptable counterparty

Conditions:

C5.1. The customer applies in writing.

C5.2. The customer meets at least two of the following criteria:

- a) the customer has carried out significantly large transactions<sup>9</sup> in the relevant market at an average of ten times per quarter over the previous four quarters;
- b) the customer's investment portfolio's value<sup>10</sup> is more than 500 000 euros;
- c) the customer works or has worked professionally in the financial sector for at least one year.

C5.3. The stockbroker has estimated that the customer is capable of making independent investment decisions and understanding the risks involved.

C5.4. The stockbroker accepts the customer's application.

C5.5. The stockbroker informs the customer in writing that the customer does not belong to the scope of The Securities Markets Act's Chapter 4's protection of the rules of procedure and the protection of the investor compensation fund.

C5.5. The customer shall notify the stockbroker in writing that they are aware of the loss of procedural rules of protection and compensation fund protection.

<sup>1</sup> Regulated entities are considered to also be insurance associations.

<sup>2</sup> A company which is trading only on its own account with options, futures, derivatives contracts, whose underlying security is a security, currency, interest, return, another derivative contract, financial market related index or other identification number, and which can be implemented by disclosing the underlying security or by paying its net asset value. The company may also trade with the previously mentioned derivatives' underlying securities exclusively to protect investments made in the derivative market and when trading has the guarantee of settling parties that they are responsible for settling the agreements. Alternatively, or in addition to the previously stated, the Company may also execute orders on behalf of other market participants referred to above or the issuing of tenders or offer proposals for financial instruments in the market concerned, where there is guarantee from the settling parties that they are responsible for settling the agreements.

<sup>3</sup> Own funds include, for example, equity capital or other similar capital, share premium account, fair value reserve, other reserves and retained earnings.

<sup>4</sup> Significantly large transactions are considered as transactions that exceed 50,000 euros.

<sup>5</sup> When calculating the value of the investment portfolio, any cash funds are also included.

<sup>6</sup> Regulated entities are considered to also be insurance associations.

<sup>7</sup> The company which is trading only on its own account with options, futures, derivatives contracts, whose underlying security is a security, currency, interest, yield, another derivative contract, financial market related index or other identification number, and which can be implemented by disclosing the underlying security or by paying its net asset value. The company may also trade with the previously mentioned derivatives' underlying securities exclusively to protect investments made in the derivative market and when trading has the guarantee of settling parties that they are responsible for settling the agreements. Alternatively, or in addition to the previously stated, the Company may also execute orders on behalf of other market participants referred to above or the issuing of tenders or offer proposals for financial instruments in the market concerned, where there is guarantee from the settling parties that they are responsible for settling the agreements.

<sup>8</sup> Own assets include, for example, equity capital or other similar capital, share premium account, fair value reserve, other reserves and retained earnings.

<sup>9</sup> Significantly large transactions are considered as transactions that exceed 50,000 euros.

<sup>10</sup> When calculating the value of the investment portfolio, any cash funds are also included.