

The logo for HF Markets, featuring the letters 'HF' in a bold, red, sans-serif font, followed by the word 'Markets' in a white, italicized, sans-serif font, all set against a black rectangular background.

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**HF Markets (UK) Ltd**

## **CLIENT CATEGORISATION POLICY**

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## 1. Introduction

- 1.1. This Client Categorisation Policy is provided to you alongside the HF Markets Client Opening Agreement and contains further information on how we will conduct business with you as a Client of HF Markets (UK) Ltd.
- 1.2. **For your protection, we recommend that you take sufficient time to read this and any other additional documentation and information available to you via our Company Website, prior to opening an account and/or carrying out any activity with us. You should contact us for any further clarification or seek independent professional advice (if necessary).**
- 1.3. HF Markets (UK) Ltd (hereinafter referred to as the “**Company**”, is authorised and regulated by the Financial Conduct Authority (“**FCA**”), with License No. 801701 .
- 1.4. The Company is required to classify all its Clients into one of the following three categories:
- (a) Retail Client** is a Client who is not a professional Client by default or an eligible counterparty. A retail Client receives the highest possible level of protection.
  - (b) Professional Client** is a Client that is either a per se professional client or an elective profession client. In Order to be considered a professional Client, the Client must comply with the criteria set out in paragraph 2 and 3 below.
  - (c) Eligible Counterparty** is a client that is either a per se eligible counterparty or an elective eligible counterparty (see paragraph 4 below).

## 2. Categories of Clients who are considered to be professionals by Default

- 2.1. The following should all be regarded as professionals in all investment services and activities and financial instruments:
- (a) Entities which are required to be authorised or regulated to operate in the financial markets. The list below should be understood as including all authorised entities carrying out the characteristic activities of the entities mentioned, whether authorised by an EEA State or a third country and whether or not authorised by reference to a directive:
    - Credit institutions;

- Investment firms;
  - Other authorised or regulated financial institutions;
  - Insurance companies;
  - Collective investment schemes and management companies of such schemes;
  - Pension funds and management companies of such funds;
  - Commodity and commodity derivatives dealers;
  - Locals: firms which provide investment services and/or perform investment activities consisting exclusively in dealing on own account on markets in financial futures or options or other derivatives and on cash markets for the sole purpose of hedging positions on derivatives markets or which deal for the accounts of other members of those markets or make prices for them and which are guaranteed by clearing members of the same markets, where responsibility for ensuring the performance of contracts entered into by such firms is assumed by clearing members of the same markets;
  - Other institutional investors.
- (b) In relation to business that is not MiFID or equivalent third country business a large undertaking meeting any of the following conditions:
- a body corporate (including a limited liability partnership) which has (or any of whose holding companies or subsidiaries has) (or has had at any time during the previous two years) called up share capital or net assets of at least £5 million (or its equivalent in any other currency at the relevant time);
  - an undertaking that meets (or any of whose holding companies or subsidiaries meets) two of the following tests: balance sheet total at least EUR 12,500,000; net turnover at least EUR 25,000,000; an average number of employees during the year of 250.
  - a partnership or unincorporated association which has (or has had at any time during the previous two years) net assets of at least £5 million (or its equivalent in any other currency at the relevant time) and calculated in the case of a limited partnership without deducting loans owing to any of the partners;

- a trustee of a trust (other than an occupational pension scheme, SSAS, personal pension scheme or stakeholder pension scheme) which has (or has had at any time during the previous two years) assets of at least £10 million (or its equivalent in any other currency at the relevant time) calculated by aggregating the value of the cash and designated investments forming part of the trust's assets, but before deducting its liabilities;
  - a trustee of an occupational pension scheme or SSAS, or a trustee or operator of a personal pension scheme or stakeholder pension scheme where the scheme has (or has had at any time during the previous two years): (i) at least 50 members; and (ii) assets under management of at least £10 million (or its equivalent in any other currency at the relevant time);
- (c) National and regional governments, public bodies that manage public debt at national or regional level, Central Banks, international and supranational institutions such as the World Bank, the International Monetary Fund, the European Central Bank, the European Investment Bank and other similar international organisations.
- (d) Other institutional investors whose main activity is to invest in financial instruments (in relation to the firm's MIFID or equivalent third country business) or designated investments (in relation to the firm's other business). This includes entities dedicated to the securitisation of assets or other financing transactions.

## 2.2. Professional Clients requesting to be treated as Retail:

- (a) The entities mentioned above in paragraph 2.1 are considered to be professionals by default. They are however allowed to request non-professional treatment and the Company may agree to provide a higher level of protection.
- (b) Where the Client of the Company is an undertaking referred to above, the Company shall inform him prior to any provision of services that, on the basis of the information available to the Company, the Client is deemed to be a Professional Client, and will be treated as such unless the Company and the Client agree otherwise. The Client may request a variation of the terms of the agreement in order to secure a higher degree of protection. It is the responsibility of the Client, considered to be a professional Client, to

ask for a higher level of protection when it deems it is unable to properly assess or manage the risks involved. This higher level of protection will be provided when a Client who is considered to be a professional enters into a written agreement with the Company to the effect that it shall not be treated as a professional for the purposes of the applicable conduct of business regime.

- (c) Such agreement should specify whether this applies to one or more particular services or transactions, or to one or more types of product or transaction.

### **3. Elective Professional Clients**

- 3.1. Clients other than those mentioned in paragraph 2.1 above, may also be allowed to be treated as Professional Clients and hence waive some of the protections afforded by the conduct of business rules of the Company.
- 3.2. The Company should therefore be allowed to treat any of the above Clients as professionals provided the relevant criteria and procedure mentioned below are fulfilled. These Clients should not, however, be presumed to possess market knowledge and experience comparable to that of the categories listed paragraph 2.1.
- 3.3. Any such waiver of the protection afforded by the standard conduct of business regime shall be considered valid only if an adequate assessment of the expertise, experience and knowledge of the Client, undertaken by the Company, gives reasonable assurance, in light of the nature of the transactions or services envisaged, that the Client is capable of making his own investment decisions and understands the risks involved.
- 3.4. The Company may categorize a Client as an elective professional client if it complies with a) and c), and where applicable b):
  - (a) The Company undertakes an adequate assessment of the expertise, experience and knowledge of the client that gives reasonable assurance, in light of the nature of the transactions or services envisaged, that the client is capable of making his own investment decisions and understanding the risks involved (the "qualitative test");
  - (b) In relation to MiFID or equivalent third country business in the course of that assessment, at least two of the following criteria are satisfied:

- (i) the client has carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous four quarters;
- (ii) the size of the client's financial instrument portfolio, defined as including cash deposits and financial instruments, exceeds EUR 500,000;
- (iii) 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;  
(the "quantitative test"); and
- (iv) The following procedure is followed:
  - the client must state in writing to the Company that it wishes to be treated as a professional client either generally or in respect of a particular service or transaction or type of transaction or product;
  - the Company gives the client a clear written warning of the protections and investor compensation rights the client may lose; and
  - the client must state in writing, in a separate document from the contract, that it is aware of the consequences of losing such protections Before deciding to accept any request for waiver, the Company is required to take all reasonable steps to ensure that the Client requesting to be treated as a professional Client meets the relevant requirements stated above under paragraph 3.4.

3.5. The fitness test applied to managers and directors of entities licensed under European Directives in the financial field could be regarded as an example of the assessment of expertise and knowledge involved in the qualitative test.

3.6. Professional clients are responsible for keeping the Company informed about any change that could affect their current categorisation. The Company reserves the right to undertake an annual review of their categorisation status.

#### **4. Eligible Counterparties**

4.1. Each of the following is a per se eligible counterparty (including an entity that is not from

an EEA State that is equivalent to any of the following) unless and to the extent it is given a different categorisation:

- (a) an investment firm;
- (b) a credit institution;
- (c) an insurance company;
- (d) a collective investment scheme authorised under the UCITS Directive or its management company;
- (e) a pension fund or its management company;
- (f) another financial institution authorised or regulated under EU legislation or the national law of an EEA State;
- (g) a national government or its corresponding office, including a public body that deals with public debt at national level;
- (h) a central bank; and
- (i) a supranational organisation.

4.2. The Company may treat a client as an elective eligible counterparty in relation to business other than MiFID or equivalent third country business if:

- (a) the client is an undertaking and:
  - is a per se professional client (except for a client that is only a per se professional client because it is an institutional investor under 2.1(d)) and: either is a body corporate (including a limited liability partnership) which has (or any of whose holding companies or subsidiaries has) called up share capital of at least £10 million (or its equivalent in any other currency at the relevant time); or meets the criteria in the rule on meeting two quantitative tests as per paragraph 2.1(b), second point;
  - requests such categorisation; and
- (b) the following procedure is adhered: the Company shall provide the client with a clear written warning of the consequences for the client of such a request, including the protections they may lose and the client shall confirm in writing the request to be treated as an eligible counterparty either generally or in respect of one or more investment services or a transaction or type of transaction or product and that they are

aware of the consequences of the protection they may have lost as a result of the request.

- 4.3. The Company may treat a client as an elective eligible counterparty in relation to MiFID or equivalent third country business if the client:
- (a) is an undertaking;
  - (b) is a per se professional client, except for a client that is only a per se professional client because it is an institutional investor under paragraph 2.1(d);
  - (c) requests such categorisation;
  - (d) the procedure in paragraph 4.2 is followed.

## **5. Request for Different Classification**

5.1. The following types of requests are provided under the Law:

- (a) A Retail Client has the right to request a different classification to become a Professional Client but he will be afforded a lower level of protection.
- (b) A Professional Client has the right to request a different classification as a Retail Client in order to obtain a higher level of protection, see paragraph 2.2 above.
- (c) A Professional Client has the right to request to be treated as an Eligible Counterparty, obtaining therefore a lower level of protection, see paragraph 4.2 and 4.3 above.
- (d) An Eligible Counterparty has the right to request a different classification of either a Professional Client or Retail Client in order to obtain a higher level of protection.

5.2. The Company has the right to decline any of the above Client's requests for different classification.

5.3. Professional Clients and Eligible Counterparties are responsible for keeping the Company informed of any change which could affect their categorisation as such. If the Company becomes aware that a Professional Client or Eligible Counterparty no longer fulfils the initial conditions that made him eligible for a Professional Client/Eligible Counterparty treatment, it may take appropriate action, including re-categorising the Client as a Professional Client or a Retail Client. The Company shall inform the Company about the re-categorization.

## 6. Protection Rights

### 6.1. Retail and Professional Clients

Where the Company treats a Client as a Retail Client, the Client is entitled to more protections under the Law, than if the Client was treated as a Professional Client. In summary, the protections Retail Clients are entitled to, are as follows (the list may not be exhaustive):

- (a) A Retail Client will be given more information disclosures with regards to the Company, its services, its financial instruments and their performance, the nature and risks of financial instruments, its costs, commissions, fees and charges and the safeguarding of Client financial instruments and Client funds, including summary details of any relevant investor compensation or deposit guarantee scheme, as applicable.
- (b) Where the Company is providing the services of Reception & Transmission of Orders and/or Execution of Client Orders, the Company shall ask a Retail Client to provide information regarding his knowledge and experience in the investment field relevant to the specific type of product or service offered or demanded, so as to enable the Company to assess whether the investment service or product envisaged is appropriate for the Client. In case the Company considers, on the basis of the information received, that the product or service is not appropriate to a Retail Client, it shall warn the Client accordingly. Please note that the Company is not required to assess appropriateness in certain cases specified by the Law (for example but not limited to the situation where on an execution only basis the financial instrument concerned is not complex).

On the other hand, the Company shall be entitled to assume that a Professional Client has the necessary experience and knowledge in Order to understand the risks involved in relation to those particular investment services or transactions, or types of transaction or product, for which the Client is classified as a Professional Client. Consequently, and unlike the situation with a Retail Client, the Company should not generally need to obtain additional information from the Client for the purposes of the assessment of appropriateness for those products and services for which they have been classified as a Professional Client.

- (c) When executing Client Orders, the Company must take all reasonable steps to achieve what is called “best execution” of the Client’s Orders that is to obtain the best possible result for its Clients.

Where the Company executes an Order of a Retail Client, the best possible result shall be determined in terms of the total consideration, representing the price of the financial instrument and the costs related to execution, which shall include all expenses incurred by the Client which are directly related to the execution of the Order, including execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the Order. The Company shall also send a notice to a Retail Client confirming execution of the Order as soon as possible and no later than the first business day following execution or, if the confirmation is received by the Company from a third party, no later than the first business day following receipt of the confirmation from the third party, as applicable.

Professional Clients are also entitled to a confirmation for the execution of their Orders however there is no specific timeframe involved as to when the Professional Client will receive this information. Nevertheless, this confirmation shall be provided promptly.

- (d) The Company must inform Retail Clients of material difficulties relevant to the proper carrying out of their Order(s) promptly upon becoming aware of the difficulty.
- (e) The Company is required to provide Retail Clients with more information than Professional Clients as regards the execution of their Orders.
- (f) The Company is obliged to enter into a written basic agreement with the Retail Client, setting out the essential rights and obligation of both parties.
- (g) Retail Clients and Elective Professional Clients, that are either an individual or a micro-enterprise (micro-enterprise criteria: fewer than 10 employees and an annual turnover or balance sheet below €2 million) may be entitled to compensation under the Financial Services Compensation Scheme (“FSCS”), while other Professional Clients are not entitled to compensation under the FSCS.
- (h) Only Retail and Elective Professional Clients, that are either an individual or a micro-enterprise that are dissatisfied with the Company’s handling of a complaint and/or the

Company's findings of a complaint, may refer the matter to the Financial Ombudsman Service (FOS). Other Professional Clients and Eligible Counterparties are not eligible to refer complaints to the FOS.

## 6.2. Eligible Counterparties

Where the Company treats the Client as an Eligible Counterparty, the Client will be entitled to fewer protections under the Law than it would be entitled to as a Retail or Professional Client. In particular and in addition to the above of paragraph 6.1(the list may not be exhaustive):

- (a) the Company is not required to provide the Client with best execution in executing the Client's Orders.
- (b) the Company is not required to implement procedures and arrangements which provide for the prompt, fair and expeditious execution of its Client Orders, relative to other Client Orders or its trading interests.
- (c) the Company is not required to assess the appropriateness of a product or service that it provides to Client but can assume that the Client have the expertise to choose the most appropriate product or service for itself.
- (d) the Company is not required to provide the Client with information about the Company, its services, financial instruments and proposed investment strategies, execution venues, the arrangements through which the Company will be remunerated and other relevant information.
- (e) the Company is not required to provide reports to the Client on the execution of its Orders or the management of his investments.
- (f) the FSCS does not cover Eligible Counterparties.

## 7. General Information

7.1. For more detailed information, you can visit the FCA website at <https://www.fca.org.uk/>.

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