# CLIENT CATEGORISATION NOTICE

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When providing financial services, the Corporations Act 2001 ("Corporations Act") distinguishes between two different types of clients: Retail and Wholesale.

Distinguishing correctly between retail and wholesale clients is important for financial service providers such as Vantage Global Prime Pty Ltd (hereafter referred to as "Vantage", "Us" and "We") as compliance obligations and processes differ significantly between these two types of clients. Requirements applicable to retail clients relate to areas such as disclosure, conduct, training, and remuneration.

The retail/wholesale test applies to the status of the client in relation to each product or service being provided to them. A client may be, at the same time, wholesale for one product, but retail for another.

We categorised all clients as Retail Clients prior to the launch of our Wholesale Client offering – 8 March 2021. As of March 8, 2021, existing and new Clients of Vantage may request to receive a different classification at any time, either generally or in respect of specific circumstances.

For your information, we have included below an explanation of the differences in classification and the protections afforded to each level.

## Retail Client

A Retail Client is a client who is not a Wholesale Client.

As a Retail Client, you are entitled to the statutory protections afforded under the Corporations Act, including protections under the ASIC Corporations (Product Intervention Order – Contracts for Difference) Instrument 2020/986 and the right to access dispute resolution through the Australian Financial Complaints Authority ("AFCA").

With regards to funds held with us, any money we receive from or hold on behalf of a Retail Client will be treated as "client money" under the Corporations Act and will be segregated from our money and held in a pooled trust account. This means that any money we receive from or hold on behalf of a Retail Client will not be used to meet our operating costs or to meet obligations incurred by us when hedging with other counterparties.

Retail Clients will also be provided with disclosure documents (such as the Product Disclosure Statement ("PDS") and Financial Services Guide ("FSG")) before a trading account can be opened with Vantage Global Prime.

## Wholesale Client

To be categorised as wholesale client, an applicant must meet one of the following requirements:

| Individual Wealth Test | Sophisticated Investor Test |
|---|---|
| **Criteria 1**<br><br>Clients have net assets of at least AUD 2.5 million, as certified by a Qualified Accountant. | **Criteria 1**<br><br>Pass the Sophisticated Investor knowledge quiz |
| **OR** | **AND** |
| **Criteria 2**<br><br>Clients have Gross Income for each of the last two financial years of at least AUD 250,000 per annum, as certified by a Qualified Accountant. | **Criteria 2**<br><br>You've traded leveraged FX or CFDs 20 times per quarter for at least 4 quarters in the preceding 2 years with a notional value of AUD$50,000 for each of the 4 quarters or more<br>*(Clients can demonstrate this experience from either their Vantage account, another provider, or a combination of both)*<br><br>**OR**<br>• Work or have worked in the financial sector for at least one year in a professional position which requires knowledge of FX or CFDs. |

### A. Wealth Test

Section 761G(7)(c) of the Corporations Act allows a client to be categorised as a Wholesale Client if the client provides Vantage with a copy of a certificate from a Qualified Accountant that certifies that the client:

(i) Has net assets of at least A$2.5 million; ***or***
(ii) Has gross income for each of the last 2 financial years of at least A$250,000 a year.

The certificate is valid for two years from the date of issue before requiring renewal[1].

[1] Section 761G(7)(c) of the Act, as modified by regulation 7.6.02AF of the Regulations

In determining the net assets or gross income of a person, the net assets or gross income of a company or trust controlled by that person can be included[2]. Similarly, if a person is eligible to be a wholesale client, then a company or trust controlled by that person is also a wholesale client[3].

Control is defined as the capacity of one entity to determine the outcome of decisions about another entity's financial and operating policies[4]. The control test applies only to companies and trusts – it cannot be extended to individuals, that is, one individual cannot be deemed to have control over another.

It is unlikely that a trustee will meet the Individual Wealth test even if the trust's net assets exceed the relevant dollar amount. Even though it is the legal owner of the trust assets, the trustee has an equal corresponding liability representing the beneficial interest of the trust's beneficiaries. Accordingly, the trustee's net assets are likely to be only a nominal amount.

Further, a trustee and trust are considered to be a single entity for control purposes such that the control test cannot be used by the trustee in relation to the trust assets[5]. However, if the trust is controlled by another person that meets an Individual Wealth test, then the trustee can also be treated as a wholesale entity as a 'controlled entity' of that person.

You have or control a company or trust that has:

- Net assets of at least A$ 2.5 million; or
- Gross annual income of A$ 250,000 for each of the last two (2) financial years as certified by an accountant. The certificate is valid for two years from the date of issue before requiring renewal[6].

*In addition, in order to be classified as a Wholesale Client under the Individual Wealth test, the client cannot use Vantage's products or services in connection with a business.*

| **The following are acceptable qualifications for accountants to provide this certificate** | |
|---|---|
| ***Australian Professional Bodies*** | ***Declared Membership Designations*** |
| Chartered Accountants Australia and New Zealand | CA, ACA, FCA |
| CPA Australia | CPA, FCPA |
| Institute of Public Accountants (IPA) | AIPA, MIPA, FIPA |

[2] Sections 761G(7A) and (7B) of the Act, inserted by regulation 7.6.02AC of the Regulations, compared with sections 708(9B) and (9C) of the Act
[3] Section 761G(7)(ca) of the Act, inserted by regulation 7.6.02AB of the Regulations, compared with section 708(8)(d) of the Act
[4] Section 50AA of the Act
[5] Section 64A of the Act
[6] Section 761G(7)(c) of the Act, as modified by regulation 7.6.02AF of the Regulations

### B. Sophisticated Investor

In 2007, a definition of '**Sophisticated Investor**' was introduced to Chapter 7 of the Corporations Act (section 761GA) in recognition of the fact that there are investors who have the necessary experience to access wholesale products and services, but not the wealth as required by the Individual Wealth Test set out above.

Section 761GA allows a client to be categorised as a Wholesale Client in relation to a specified financial product or financial service if Vantage is satisfied on reasonable grounds that the client has previous experience in using financial services and investing in financial products that allows the client to assess:

(i) The merits of the product or service; and
(ii) The value of the product or service; and
(iii) The risks associated with holding the product; and
(iv) The client's own information needs; and
(v) The adequacy of the information given by Vantage.

In order for Vantage to make these determinations about the client:

I. He or she must pass a quiz - the Sophisticated Investor Quiz made available during the application process;

II. Demonstrate his or her experience in Marign Forex and CFDs by providing Vantage the necessary documents to prove:

   a. He or she has traded at least 20 times per quarter in the preceding 2 years; and traded at least $50,000 notional value in each of the 4 quarters; **or**

   b. He or she works or has worked in the financial sector for at least one year in a professional position which requires knowledge of FX or CFDs

The Sophisticated Investor Quiz comprises of 10 questions, which are randomly generated from a bank of some 30 questions. The Quiz tests client's knowledge and experience on the following topics:

1- General knowledge about CFD trading;

2- Leverage;

3- Margin;

4- Position sizing; and

5- Risk management.

An applicant must answer all 10 questions correctly to pass i.e., they must achieve a score of 100%.

Each application under the Sophisticated Investor test is assessed individually. Vantage must satisfy itself that the client is experienced in using financial services and investing in financial products having carefully assessed the applicant's previous experience, and that the client successfully completed the Quiz.

Vantage is required to provide the client with a written statement setting out the reasons Vantage considers that the client satisfied the above criteria, which the client must then acknowledge in writing.

*In order to be classified as a Wholesale Client under the Sophisticated Investor test, you cannot use our products in connection with a business.*

## Wholesale Client Money Treatment

***Individual Wealth test***
If Vantage classifies a Wholesale Client under the Wealth test, any money we receive from this type of client will also be treated in accordance with the ASIC Client Money Reporting Rules 2017.

***Sophisticated Investor***
If Vantage classifies a Client as a Wholesale Client under the Sophisticated Investor test in accordance with section 761GA of the Corporations Act, it will continue to treat any money it receives from this type of Client or hold on their behalf as "**client money**" under the Corporations Act.

## Changes in Regulatory Protections

As a Wholesale Client, you will forego certain statutory protections afforded to Retail Clients including:

- protections under ASIC's ASIC Corporations (Product Intervention Order – Contracts for Difference) Instrument 2020/986 including leverage restrictions and negative balance protection (commencing on 29 March 2021);
- you may not be eligible to access the dispute resolution services offered by AFCA;
- you will not receive a PDS or FSG;
- if you are classified as a wholesale client under the Sophisticated Investor test, we will continue to segregate your money and assets in the same way as before in accordance with the client money provisions of the Corporations Act 2001 (Cth). If we classify you as wholesale client under the Wealth test, your client money will also be dealt with in accordance with the ASIC Client Money Reporting Rules 2017.
- where we assess whether a product or service is appropriate for you, we can assume that you have the necessary level of knowledge and experience to understand the risks involved and protect your own interests. Note that you are

responsible for informing Vantage if you no longer meet the eligibility criteria to be considered a Wholesale Client. If you wish to be categorised as a Retail Client, you can do so at any time by contacting us at support@vantagemarkets.com.au.