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**RULES FOR CATEGORIZATION OF CLIENTS OF  
MATADOR PRIME LLC**



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*These Rules ("Rules") are adopted on the basis of the Markets in Financial Instruments Act and Directive 2014/65/EU, Annex II of Directive 2014/65/EU and govern the terms and conditions under which MATADOR PRIME LLC classifies its clients as professional, non-professional or acceptable counterparts.*



## **I. OBJECTIVES OF THE RULES.**

These Rules are adopted on the basis of the Markets in Financial Instruments Act and the Annex to § 1 (10) of the MFIA, and both Directive 2014/65 MIFID II and Annex II thereto and are aimed at :

- Define the way and criteria for the classification of the clients of MATADOR PRIME LLC as professional, non-professional or acceptable counterparts in compliance with the legal framework;
- Ensure a proper client classification;
- Ensure the application of a statutory level of protection and treatment;

Customer classification is determined by a number of documents that are attached at the end of this document.

## **II. PROFESSIONAL CLIENTS.**

A professional client is a client who has the experience, knowledge and expertise to make independent decisions and properly assess the risks to which it is exposed. Professional clients are divided into two main groups. Clients outside these groups will be categorized and treated as Non-Professional Clients.

### **1. Groups professional clients.**

The first group of professional clients is in relation to all investment services and activities and financial instruments and can be defined as:

- Entities that are licensed or regulated to operate in the financial markets, namely:
  - Credit institutions;
  - Investment intermediaries;
  - Other licensed or regulated financial institutions;
  - Insurance companies;
  - Collective investment schemes and companies managing such schemes;
  - Pension funds and companies managing such funds;
  - Dealers of goods and commodity derivatives;
  - Local companies;
  - Other institutional investors;
- Large companies that meet two of the following size requirements:

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- total book value: EUR 20 000 000
  - net turnover: EUR 40 000 000
  - own funds: EUR 2 000 000
- National and regional governments, including public authorities that manage public debt at national or regional level, central banks, international and supranational institutions such as the World Bank, the IMF, the ECB, the EIB and other similar international organizations.
- Other institutional investors whose main business is to invest in financial instruments, including institutions that carry out asset securitization or other financing transactions.

The second group is clients who can be treated as professional clients on request.

Clients must meet at least two of the following criteria to qualify as professional clients at their request:

- The client has executed on the relevant market in the previous four quarters an average of 10 transactions per quarter that are of considerable size;
- The size of the client's portfolio of financial instruments, which by definition includes cash deposits and financial instruments, exceeds EUR 500 000;
- The client has worked or is working for at least one year in a professional position in the financial sector that requires knowledge of planned transactions or services;

*Depending on these criteria, the client must be able to demonstrate it with a document, in particular:*

- According to the first criterion, the client must attach a document issued by another investment firm or bank through which he has performed 10 transactions per quarter on average, unless this has occurred through Matador Prime LLC.;
- According to the second criteria, the client must attach a document issued by another investment firm or bank where its portfolio exceeds EUR 500,000, unless this has occurred in Matador Prime LLC.;
- According to the third criteria, the client must provide a document issued by the relevant financial sector company that he or she works or worked for it;

*In cases where a client - legal entity, who at its request is treated as a professional, has no independent management body, the person who is entitled to conclude separate transactions on behalf of the legal person is subject to assessment.*

## **2. Categorization of professional clients procedure.**

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**CATEGORIZATION OF CLIENTS**

- Each client who wishes to be treated as a professional client in whole or in relation to certain investment services/products or transactions, regardless of the group it occupies for a professional client, must first of all have to state it in writing to the intermediary;
- Documents required for classification:
  - In case the client falls into the first group, he/she needs to provide a copy of the license issued;
  - In case that the client falls into the second group it is necessary to fill in and provide the intermediary with the Declaration of Annex 1 to these rules covering the identification criteria and to provide documents proving that the client meets the two of three criterias specified by him/her;
  - In case that the person is a potential client (applies to both groups of professional clients) and does not yet have a contractual relationship with Matador Prime LLC, besides the mentioned documents it is necessary to provide information, which defines the main characteristics of the potential client - experience, knowledge and skills for making investment decisions independently and properly assessing the risks associated with the relevant investment service or transactions, taking into account the requirements of the MFIA and the Delegated Regulation (EU) No 2017/565. This information is provided to the intermediary by completing the Questionnaires in Appendix 2 to the current Rules;
- The intermediary takes action to verify the compliance of the client with the identification criteria, namely: checks in databases, state institutions, reports on execution venues or depository institutions, requiring certified copies of documents by the client, etc.
- On the basis of the information received, the intermediary makes a reasoned conclusion about the client's ability to make investment decisions independently and categorize it;
- If the request meets the established requirements and the identification criteria are met, the client is warned in writing that he will not benefit from the relevant protection in the providing of services and the performance of activities by the investment intermediary, as well as the right to be compensated by the Fund for Compensation of Investors in Financial Instruments;
- The client expressly declares that he/she is aware of the consequences;
- The intermediary is required to:

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**CATEGORIZATION OF CLIENTS**

- Provide clear written instructions to the clients that warn of their protection and compensation rights prior to the provision of investment services and/or activities;
  - Inform that clients classified as professional clients may want to be treated as non-professional and be granted a higher level of protection in respect of all investment services and activities and financial instruments or part thereof (one or more specific services or transactions, or for one or more types of products or transactions);
- Professional clients are responsible and obliged to inform the investment intermediary of any change that might affect their current categorization.
- If the investment intermediary understands that the client no longer fulfills the initial conditions under which he was approved for professional treatment, the investment firm shall take appropriate action by informing the client that it does not meet the legal requirements and that it will treat it as a retail client. The measures under the previous sentence consist of the application of the status of a retail client and the entry into force of all rules for the provision of preliminary, follow-up information, assessment of appropriate service, execution of orders according to the implementation policy, etc. provided in the MFIA and Delegated Regulation 2017/565.

**3. Consequences of categorization of a professional client.**

- In case of an insolvency of an intermediary, the Investor Compensation Fund pays compensation to each client of an investment intermediary the amount of 90 per cent of the value of the claim but not more than 40 000 BGN. Client categorized as a professional client, will not use this right, which means that he will not be compensated.
- Investment intermediaries that provide investment services (with the exception of investment advice and portfolio management) to professional clients are entitled to negotiate with these clients limited application of the detailed requirements under Art. 50 of the Delegated Regulation (EU) No 2017/565.

**III. ACCEPTABLE COUNTERPARTIES.**

**1. Who can be categorized as an acceptable counterpart.**

**As acceptable counterpart can be categorized:**

- Investment intermediaries;
- Credit institutions;
- Insurance companies;

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**CATEGORIZATION OF CLIENTS**

- Collective investment schemes;
- Managing company;
- Pension Insurance Company;
- Pension fund;
- Other financial institutions licensed or regulated by EU, national governments, governmental authorities that manage sovereign debt, central banks and international institutions, as well as third-country nationals subject to requirements, equivalent to the requirements of EU legislation;
- For acceptable parties may be considered also other counterparts who meet the requirements set out in Article 71 of Delegated Regulation (EU) 2017/565, including persons from third countries.

**2. Consequences of categorization as acceptable counterparty (Lower Protection).**

According to Art. 89 (1) of the MFIA and according to Art. 30 (1) of Directive 2014/65/EU when the investment intermediary performs investment services under Art. 6 para. 2 (1), (2) and (3) of the MFIA (acceptance and transmission of orders in relation to one or more financial instruments, execution of orders on behalf of clients, transactions on own account with financial instruments) may carry out or conclude transactions with acceptable counterparty without complying with the requirements of Art. 70, Art. 71, para. 1, Art. 72, 73, 74, 77, 78, 82, 84, 85, 86 and 87 of the MiFIR in respect of specific orders or ancillary service directly related to those orders, namely without complying with:

- The general requirements for its activity;
- Information requirements;
- Requirements for the provision of an independent investment advice;
- Restrictions on the receipt of remuneration, commissions and non-cash benefits to and from third parties;
- Bundled services requirements;
- Requirements for appropriate and matching service, requirements for the content of the contract with the client;
- Rules for executing orders under the most favorable conditions for the client;
- Disclosure of information requirements;
- Order execution policy;
- Requirements for the publication of an outstanding limit order;

***Classification as an eligible counterparty is without prejudice to the right of such persons to request in common form or for each individual transaction to be treated as clients for which the intermediary is required to meet the above requirements of paragraph 2.***

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***When a person identified as an eligible counterparty requests NOT to be treated as such and the intermediary agrees, that person will be treated as a professional client, unless explicitly requested to be treated as a retail client.***

***The investment intermediary may, at the request of the client or on its own initiative, consider a client who would be classified as an eligible counterparty for professional or non-professional client.***

### **3. Persons from another jurisdiction or from a third party.**

- In case of an order of a client from another jurisdiction, the intermediary is required to verify that the client is designated as an eligible counterparty under the law of the country where the customer is established;
- Persons who are in another jurisdiction or from a third country and have been identified as eligible counterparties should confirm that they agree to be treated as such.

### **4. Classification procedure of acceptable counterparty.**

- The moderator provides the client with a clear written warning about the consequences for the client of such a request, including the types of protection the client may lose;
- Customer confirms in writing the request for treatment as an eligible counterparty either as a whole or in respect of one or more investment services or transaction or types of transactions or products and that it understands the consequences of the loss of protection as a result of the request.

## **IV. CONCLUDING RULES.**

1. In the daily operation of Matador Prime LLC, if circumstances are found that require these Rules to be changed or adjusted, the Managers shall make the necessary adjustments;
2. Regardless of the sentence under point 1, annually by 31 January, a review and evaluation of the current rules is carried out, including the effective and reliable functioning of the 'Internal Control' Department, in order to ensure the lawful functioning of the intermediary as incompleteness or necessity improvements are made to amendments to these rules;

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3. Managers may issue orders and instructions on the application of these rules;
4. These rules are provided for information and execution to the employees, tied agents and external contractors of critical and important operational functions;
5. The current rules have been approved by the Managing Directors of Matador Prime LLC with a protocol from 18.04.2018.

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