

On the basis of Article 210 of the Financial Instruments Market Act (Official Gazette of the Republic of Slovenia, no. 67/2007, as amended; hereinafter referred to as ZTFI) the two Executive Directors of ALTA Invest, investicijske storitve, d.d., Železna cesta 18, Ljubljana (hereinafter referred to as BPD), hereby adopt the following:

CLIENT CLASSIFICATION POLICY
(hereinafter referred to as the Policy)

Article 1
(general provision)

With this Policy BPD defines its client classification procedures and policy.

'Client' means any natural or legal person, or total assets without legal personality, for whom or which, BPD provides investment or ancillary investment services. BPD classifies clients into non-professional, professional, eligible counterparties, and qualified investors.

Article 2
(professional client according to the ZTFI)

BPD treats as 'professional clients' those clients who are considered professional clients in accordance with Article 207 of the ZTFI. These are:

1. persons that must obtain appropriate authorisation from the competent supervisory authority of a Member State of European Union (hereinafter referred to as a Member State), or a third country, or in any other way obtain the right to operate on financial markets, namely:

- credit institutions,
- investment firms,
- other regulated financial institutions,
- insurance companies, reinsurance companies and pension companies,
- collective investment undertakings and companies for managing such undertakings,
- pension funds and companies managing them,
- commodity and commodity derivatives dealers,
- local companies in the sense that the company performs only the following activities:
 1. trading in derivatives markets and in cash markets: for its own account solely for the purpose of hedging positions on these derivatives markets, or for the account of other members of these markets, and
 2. liabilities incurred by this company in the performance of such activities are guaranteed by clearing members of these markets by assuming the responsibility for performing contracts concluded by the local company, and other institutional investors,

2. large companies that meet at least two of the following criteria at the level of the company:

- the balance value of their total assets reaches 20,000,000 euros,
- their net annual sales income reaches 40,000,000 euros,
- the value of proprietary capital reaches 2,000,000 euros.

3. The Republic of Slovenia and other countries, or national and regional authorities, public entities exercising public debt, the Bank of Slovenia and other 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,

4. other institutional investors whose regular activity is to invest in financial instruments, including entities dedicated to the securitisation of assets or other financing transactions.

Article 3 (eligible counterparties)

BPD may treat as eligible counterparties the following Member State persons and persons from third countries equivalent to the below-mentioned:

- investment firms,
- credit institutions,
- insurance companies or reinsurance companies,
- collective investment undertakings – UCITS and companies for managing such undertakings,
- pension funds and companies managing them,
- other regulated financial institutions,
- persons whose main business consists of dealing for its own account in commodities and/or commodity derivatives, unless they are part of a group, the main business of which is the provision of investment services,
- persons classified as local companies (according to Article 2 of this Policy),
- transactions provided by state bodies or public bodies in relation to the management of public debt, or members of ESCB which perform their tasks in accordance with the Treaty establishing the European Community (Official Gazette of RS – International Treaties, no. 7/04) and the Statute of the ESCB and the European Central Bank (Official Gazette of RS – International Treaties, no. 7/04) or which provide equivalent tasks in accordance with the provisions of other Member States in the capacity of a counterparty.

BPD may treat as eligible counterparty any other Member State person or person from third country, if such person meets all three below-mentioned conditions (note that the third condition applies to legal representative or plenipotentiary of such person):

- the client has already concluded several transactions of a considerable value¹ on appropriate markets with an average frequency of at least ten transactions per quarter in the last year,
- the value of its portfolio of investments in financial instruments, including cash deposits, exceeds 500,000 euros,
- the client works or has worked for at least one year in the financial sector in a professional position which requires knowledge of the activities and services the client intends to order from BPD.

Article 4 (non-professional client)

BPD shall classify all other clients, which it does not treat as professional clients or eligible counterparties, as non-professional clients.

Article 5 (qualified investors)

Qualified investors are the persons who are treated as professional clients in accordance with Article 207 and Article 208 of the ZTFI and the persons who are classified as eligible counterparties in accordance with Article 235 of the ZTFI and with this Policy.

¹ A transaction of ‘considerable value’ shall be any transaction that considerably exceeds the usual values of transactions concluded on such markets.

Article 6
(procedure for classification of clients)

BPD treats a client as a professional client, or as an eligible counterparty, or as a qualified investor when all the conditions under this Policy are met. All other clients are non-professional clients.

Clients must inform BPD promptly of all changes that impact, or could impact on their current classification.

Classification in professional clients

BPD classifies the persons under points 2 and 4 of Article 2 of this Policy as professional and non-professional clients with regard to the test of suitability and appropriateness performed on the basis of the questionnaire filled in by such clients, and on the presentation of other supporting documents.

BPD shall inform the clients under the Article 2 of the Policy, prior to their classification as professional clients, on the following:

- that according to the data at its disposal, it is considered that the client is a professional client and that it shall be treated as such, if BPD and the client do not agree otherwise,
- that the client may request to be treated as non-professional client and that the terms and conditions of the agreement on investment services (which includes the agreement on brokerage services, agreement on investment advice, portfolio management, and so on) are modified accordingly in order to ensure the higher level of security, which is used for non-professional clients.

BPD shall consider the client under Article 2 of this Policy as a professional client, unless it demands to be treated as non-professional client. If a professional client requests a higher level of security, the written service agreement concluded between BPD and such client shall specify:

- that the person is treated as non-professional client, and
- whether the treatment set out in the preceding indent is used for all for individual services, or activities, or for all, or individual types of products, or transactions.

BPD shall start to treat new clients as professional clients under this Article of the Policy as of the date of concluding the agreement on investment services, and cease to treat them as professional clients as of the date of receiving a request for such treatment.

BPD may also start to treat as professional such clients starting to fulfil the conditions, or meeting the criteria under this Policy during the duration of the business relationship.

Treatment as a professional client may also be requested by a person who does not have the position of a professional client as set out in Article 2 of this Policy (hereinafter referred to as: a request to be treated as a professional client). BPD may treat such persons as a professional client if the following conditions are met:

- in the treatment of person as a professional client, BPD may not assume that such a person has the same knowledge and experience as professional clients;
- the request to be treated as a professional client has a legal effect of the waiver of protection, and other rights guaranteed by BPD to non-professional clients on the basis of its General Terms and Conditions in line with section 7.2 of the ZTFI (“Rules of safe and diligent operations in the provision of investment services for clients”) only if BPD performed an adequate assessment of the expert knowledge and experience of the client (hereinafter referred to as

assessment) which, taking into account the characteristics of activities and services that a client plans to order from BPD, gives reasonable assurance that the client is capable of making his own investment decisions and understands the risks involved. In the assessment, BPD must assess the expert knowledge and experience of the members of the management of the client and its other managers according to the criteria comparable with those that serve as the basis for assessing the appropriateness of the members of the management of regulated financial institutions. If the client is a micro or small company according to the Companies Act (ZGD-1), the assessment must comprise the persons authorised to conclude transactions on behalf of such company.

In the assessment of level and depth of the client's expert knowledge and experience, at least two of the following conditions must be met:

- the client has already concluded several transactions of a considerable value² on appropriate markets with an average frequency of at least ten transactions per quarter in the last year,
- the value of its portfolio of investments in financial instruments, including cash deposits, exceeds 500,000 euros,
- the client works or has worked for at least one year in the financial sector in a professional position which requires knowledge of the activities and services the client intends to order from BPD.

The request to be treated as a professional client has a legal effect of the waiver of protection and other rights guaranteed by BPD to non-professional clients on the basis of its General Terms and Conditions in line with section 7.2 of the ZTFI ("Rules of safe and diligent operations in the provision of investment services for clients") only if the following request procedures have been complied with:

- the client submitted a written request in which it explicitly specifies that it wishes to be treated as a professional client either in general, or in respect to a certain service, or activity, or the type of services, or products specified in the request, has completed the questionnaire, and submitted supporting documents proving that it meets the criteria for a professional client,
- BPD has issued a clear warning to the client about the protection and rights guaranteed by BPD to non-professional clients on the basis of its General Terms and Conditions in line with section 7.2 of the ZTFI ("Rules of safe and diligent operations in the provision of investment services for clients") and the rights based on the guarantee for the investors' claims that the client might lose if it is treated as a professional client,
- the client must issue a written statement which is not comprised in the agreement on the services, saying that they understand the consequences of losing the protection and rights from the previous point.

Clients treated by BPD as professional in accordance with the above-mentioned criteria must inform BPD of all changes that impact, or could impact on their current classification. If BPD establishes, on the basis of client notification, or on the basis of other available information, that the client no longer meets the conditions on the basis of which BPD started treating it as a professional client, it must undertake the appropriate procedures that ensure the client be treated as non-professional. In such cases, BPD shall assess the expert knowledge and experience of the members of the management of the client and its other managers according to the criteria comparable with those that serve as the basis for assessing the appropriateness of the members of the management of regulated financial institutions. If the client is a micro or small company according to the Companies Act (ZGD-1), BPD's assessment must be comprised of the persons authorised to conclude transactions on behalf of such a company.

Classification in eligible counterparties

² A transaction of 'considerable value' shall be any transaction that considerably exceeds the usual values of transactions concluded on such markets.

Eligible counterparty may request that BPD treats them as a professional client or as a non-professional client. In the classification and treatment of eligible counterparties, BPD follows the procedure set out in Article 6 of this Policy (“classification in professional clients”).

BPD may also treat as eligible counterparty a person that meets the conditions set out in Article 2 of this Policy or conditions set out in eighth and ninth paragraph of Article 6 of this Policy (“classification in professional clients”). BPD may treat a person from eighth and ninth paragraph of Article 6 of this Policy as an eligible counterparty only in relation to investment services, or transactions for which it meets the conditions for a professional client.

If an eligible counterparty requests treatment as a client for whom apply the provisions set out in Article 7 of this Policy (eligible counterparty), but does not explicitly request to be treated as a non-professional client, BPD shall treat it as a professional client. If an eligible counterparty requests to be treated as a non-professional client, BPD must act in compliance with the third paragraph of Article 6 of this Policy (“classification in professional clients”).

Eligible Counterparties Classification shall not exclude the right of the said persons to demand either in general, or in relation to a specific transaction, that BPD treats them as clients to which the provisions of ZTFI stated in point III of Article 7 of this Policy (“eligible counterparties”) apply. If the said person exercises this right, and if BPD treats such person as a professional client, the agreement may exclude or limit the application of other provisions of Section 7.2 of ZTFI, with the exception of the provisions in point III of Article 7 of this Policy.

If BPD plans to conclude a transaction with a counterparty for which the laws of another Member State or third country apply, the assessment and its treatment as eligible counterparty shall be based on the laws of the Member State or third country in which it has its registered office.

Prior to the execution of the order for person from second paragraph of Article 3 of this Policy, BPD must obtain the express consent from this person that BPD treats it as eligible counterparty. Such consent can either be issued as a general consent for all activities, or for each individual activity.

Classification in qualified investors

The persons who are treated as professional clients in accordance with Article 207 and Article 208 of the ZTFI and the persons who are classified as eligible counterparties in accordance with Article 235 of the ZTFI and with this Policy are automatically considered qualified investors.

Article 7

(application of the rules of safe and diligent operations for certain client categories)

I. Professional clients

The application of the provisions of Section 7.2. of the ZTFI (“Rules of safe and diligent operations in the provision of investment services for clients”) may be excluded for professional clients; and their claims are not included in the system of guarantees for investor's claims pursuant to ZTFI concurrently, even if they have requested that BPD treats them as non-professional clients.

II. Non-professional clients

For non-professional clients, BPD is obliged to consider the provisions of Section 7.2 of the ZTFI (“Rules of safe and diligent operations in the provision of investment services for clients”) in their entirety; at the same time their claims are included in the system of guarantees for investors’ claims pursuant to ZTFI.

For non-professional clients, BPD has to set up, or join an efficient out-of-court dispute resolution between brokerage companies and their non-professional clients from their contractual relationships in relation to brokerage services, keeping dematerialised securities accounts or portfolio management. BPD must publish the information on their method for the out-of-court settlement of disputes at a visible location in all of their premises in which they operate with clients, and inform each non-professional client before the conclusion of an appropriate agreement on services about such schemes and their rights arising from it, whereby the notification may be in a standardised form.

III. Eligible counterparties

Eligible counterparties are the persons for which the provisions of the ZTFI applicable to executions of orders are not applicable:

- separate keeping of all clients' documents on agreements relating to investment services concluded with BPD as well as other documents specifying mutual rights and obligations between BPD and the clients, and other conditions under which BPD provides the services for such clients (paragraph seven of Article 202)
- client information and market communications (Article 212)
- obligation to provide explanations, and exemptions from the obligation to provide explanations (Articles 214 and 215),
- contracts for the provision of investment services (Article 216),
- obligation to report to the client on services provided (Article 217),
- exemptions from obligations to provide explanations and reports (Article 218),
- executing orders under the most favourable conditions for the client (Article 226),
- policy for the execution of clients' orders (Article 227),
- location of the execution of clients' orders (Article 228),
- monitoring and assessing the efficiency of the policy of executing orders (Article 229),
- procedures and measures for the implementation of client orders (Article 231).

The client may explicitly request the application of the above-mentioned provisions. If an eligible counterparty is at the same time treated as a professional client, the agreement may also exclude, or limit, the application of other provisions of Section 7.2 of the ZTFI.

Article 8 (assessment of suitability and appropriateness)

BPD shall, based on the questionnaire with which it obtains the following data:

1. in relation to the client’s knowledge and experience:

- types of services, transactions and financial instruments that the client is familiar with;
- nature, quantity and frequency of the transactions that the client has already concluded;
- the client’s level of education and profession;

2. in relation to the client’s financial situation:

- sources and size of the client’s regular income;
- the client’s liquid assets, his investments, and immovable property;

- client's financial liabilities;

3. in relation to the client's investment objectives:

- purpose and anticipated duration of the investment;
- client risk profile and its preferences with regard to accepting risks,

assess the client's expert knowledge and experience, its financial situation and its investment objectives, taking into consideration the characteristics of the transactions, and services that the client intends to order from BPD.

If a client decides not to provide BPD with the information for the questionnaire, or to provide incomplete information, BPD shall warn the client that due to this decision it is not able to assess whether a certain type of investment product, or service is suitable for the client.

BPD may classify non-professional clients into sub-groups on the basis of the information collected in the questionnaire.

Article 9

BPD must keep a client record with the information on the classification of clients into non-professional, professional, and eligible counterparties, including the reasons for classification.

Article 10 (final provisions)

This Policy shall enter into force as of 4th August 2012. As of that date, the Client Classification Policies of 23rd January 2012 shall cease to be valid.

The Policy shall be modified or amended following the same procedure as when adopted.

ALTA Invest, investicijske storitve, d.d.
Executive Directors

Ljubljana, on 23rd July 2012

This English version is an informative translation. Please note that only Slovene version of this document is official and applicable for interpretation.