



# Client Categorisation Notice

## More Than Trading

PU Prime Trading PTY LTD

ACN 151 613 839 | AFSL 410681

**Email:** [info@puprime.au](mailto:info@puprime.au)

**Web:** [www.puprime.au](http://www.puprime.au)

**Address:** Level 1, 17 Castlereagh Street, Sydney, NSW 2000, Australia

Under the Corporations Act 2001 ("Corporations Act"), financial services providers such as PU Prime Trading Pty Ltd ("PU Prime", "We", "Us") are required to distinguish between two types of clients: Retail Clients and Wholesale Clients.

This distinction is essential as the compliance obligations and regulatory requirements differ significantly between the two client categories. For example, retail clients benefit from additional protections in areas such as disclosure, conduct, training, and remuneration.

It is important to note that the classification of a client as retail or wholesale applies to each individual product or service being provided. A client may be classified as wholesale for one product, but retail for another, depending on the circumstances.

Both existing and new clients of PU Prime have the option to request a different classification, either generally or for specific products or services.

For your convenience, we have provided an explanation below outlining the key differences in classification and the protections available to each category of client.

### **Retail Client**

A Retail Client is defined as a client who is not classified as a Wholesale Client.

As a Retail Client, you are entitled to the statutory protections provided under the Corporations Act, which includes 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).

Any funds we receive or hold on behalf of a Retail Client will be treated as "client money" under the Corporations Act. These funds will be segregated from our own money and held in a pooled trust account. This ensures that client funds will not be used for our operating costs or to cover obligations incurred when hedging with other counterparties.

In addition, Retail Clients will receive essential disclosure documents, such as the Product Disclosure Statement (PDS) and Financial Services Guide (FSG), before opening a trading account with PU Prime.

### **Wholesale Client**

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

<b>Individual Wealth Test</b>	<b>Sophisticated Investor Test</b>
<b>Criteria 1</b>  Clients have net assets of at least AUD 2.5 million, as certified by a Qualified Accountant.	<b>Criteria 1</b>  Pass the Sophisticated Investor knowledge quiz
<b>OR</b>	<b>AND</b>

<p><b>Criteria 2</b></p> <p>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.</p>	<p><b>Criteria 2</b></p> <p>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  <i>(Clients can demonstrate this experience from either their PU Prime account, another provider, or a combination of both)</i></p> <p style="text-align: center;"><b>OR</b></p> <ul style="list-style-type: none"> <li>• Work or have worked in the financial sector for at least one year in a professional position which requires knowledge of FX or CFDs.</li> </ul>
---	---

## 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 PU Prime 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<sup>1</sup>.

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<sup>2</sup>. 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<sup>3</sup>.

Control refers to the ability of one entity to determine the outcome of decisions regarding another entity's financial and operating policies. The control test applies exclusively to companies and trusts, and cannot be extended to individuals. This means that one individual cannot be considered to have control over another individual.

In the context of trusts, it is unlikely that a trustee would meet the Individual Wealth Test, even if the trust's net assets exceed the relevant threshold. Although the trustee is the legal owner of the trust assets, they hold an equal corresponding liability due to the beneficial interests of

<sup>1</sup> Section 761G(7)(c) of the Act, as modified by regulation 7.6.02AF of the Regulations

<sup>2</sup> 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

<sup>3</sup> 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

the trust's beneficiaries. As a result, the trustee's net assets are generally minimal, and may only represent 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<sup>4</sup>. 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<sup>5</sup>.

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

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

## **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 PU Prime 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 PU Prime.

In order for PU Prime to make these determinations about the client:

<sup>4</sup> Section 64A of the Act

<sup>5</sup> Section 761G(7)(c) of the Act, as modified by regulation 7.6.02AF of the Regulations

- 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 Margin Forex and CFDs by providing PU Prime 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. PU Prime 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.

PU Prime is required to provide the client with a written statement setting out the reasons PU Prime 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 PU Prime 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 PU Prime 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, the following applies to you:

- You will not benefit from the protections under ASIC's Corporations (Product Intervention Order – Contracts for Difference) Instrument 2020/986, including leverage restrictions and negative balance protection, which will commence on 29 March 2021.
- You may not be eligible to access AFCA's dispute resolution services.
- You will not receive a Product Disclosure Statement (PDS) or Financial Services Guide (FSG).
- If classified as a wholesale client under the Sophisticated Investor test, your funds will continue to be segregated and managed in accordance with the client money provisions of the Corporations Act 2001 (Cth). If classified under the Wealth test, your client money will be managed according to the ASIC Client Money Reporting Rules 2017.
- When we assess whether a product or service is appropriate for you, we will assume you possess the required knowledge and experience to understand the risks involved and protect your interests.

**Responsibility to Inform Us:** You are responsible for informing PU Prime if you no longer meet the eligibility criteria to be considered a Wholesale Client. If you wish to change your classification to a Retail Client, you can do so at any time by contacting us at [info@puprime.au](mailto:info@puprime.au).