

## Client Categorisation

### Introduction

Following the implementation of the Markets in Financial Instruments Directive (MiFID) in the European Union and in accordance with the Investment Services and Activities and Regulated Markets Law of 2007 (Law 144(I)/2007) in Cyprus, Trading Point of Financial Instruments Limited (with license No. CIF 120/10) (hereinafter called the “Company”) is required to categorise its Clients into one of the following three categories: retail, professional or eligible counterparty.

Therefore, when the Company is considering an application for opening an account, it will classify a prospective client under any of the above categories based on the information provided by the said client.

### Categories

1. **“Retail Client”** is a client who is not a professional client or an eligible counterparty.
2. **“Professional Client”** is a client who possesses the experience, knowledge and expertise to make his own investment decisions and properly assess the risks that he incurs. In order to be considered a professional client, a client must comply with one of the following criteria:

2.1 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: entities authorised by a Member State under the above Directive, entities authorised or regulated by a Member State without reference to the above Directive, and entities authorised or regulated by a non-Member State:

- a. Credit Institutions;
- b. Investment Firms;
- c. Other Authorised or regulated financial institutions;
- d. Insurance Companies;
- e. Collective Investment Schemes and management companies of such schemes;
- f. Pension funds and management companies of such funds
- g. Commodities and commodity derivatives dealers;
- h. Locals;
- i. Other Institutional Investors (like Portfolio Investment Companies).

2.2 Large undertakings meeting two of the following size requirements on a company basis:

- a. balance sheet total: EUR 20,000,000
- b. net turnover: EUR 40,000,00
- c. own funds: EUR 2,000,000

2.3 National and regional governments, public bodies that manage public debt, Central Banks, international and supranational institutions such as the World Bank, the IMF, the ECB, the EIB and other similar international organisations.

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

2.5 Clients who may be treated as professionals on request, following approval by the Company (please see further below under 'Request for Different Classification').

The entities mentioned above from (2.1) to (2.4) are considered to be professionals in relation to all investment services and activities and financial instruments. The clients mentioned in (2.5) may be treated as professionals generally or in respect of a particular investment service or transaction, or type of transaction or product.

Professional clients are responsible for keeping the Company informed about any change, which could affect their categorisation. Should the Company become aware that the client no longer fulfils the initial conditions which made him eligible for a professional treatment, the Company will take appropriate action.

3. **“Eligible Counterparty”** is any of the following entities to which an investment firm provides the services of reception and transmission of orders on behalf of clients and/or execution of such orders and/or dealing on own account: Cyprus Investment Firm / Greek Investment Firm, other investment firms, credit institutions, insurance companies, UCITS and their management companies, Portfolio Investment Companies, pension funds and their management companies and other financial institutions authorised by a Member State or regulated under Community legislation or the national law of a Member State, undertakings exempted from the application of the Investment Services and Activities and Regulated Markets Law 144(I) of 2007 in accordance with paragraphs (k) and (l) of subsection (2) of section 3, national governments and their corresponding offices, including public bodies that deal with public debt, central banks and supranational organisations.

### **Request for Different Classification**

1. A Retail Client has the right to request a different classification as a Professional Client but he/she will be afforded a lower level of protection. The Company is not obliged to deal with him/her under a different classification.

### **Tests and Criteria**

The Company is allowed to treat any of the retail clients as professionals provided the relevant criteria and procedure mentioned below are fulfilled. Any waiver of the protection afforded by the standard conduct of business regime will be effected 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 understanding the risks involved.

The fitness test applied to managers and directors of entities licensed under Directives in the financial field could be regarded as an example of the assessment of expertise and knowledge. In the case of small entities, the person subject to the above assessment should be the person authorised to carry out transactions on behalf of the entity.

In the course of the above assessment, as a minimum, two of the following criteria should be satisfied:

- a. 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,
- b. the size of the client's financial instrument portfolio, defined as including cash deposits and financial instruments exceeds EUR 500 000,
- c. 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.

#### Procedure

The retail clients may waive the benefit of the detailed rules of conduct only where the following procedure is followed:

- a. they must state in writing to the Company that they wish to be treated as a professional client, either generally or in respect of a particular investment service or transaction, or type of transaction or product;
  - b. the Company will give them a clear written warning of the protections and investor compensation rights they may lose;
  - c. they must state in writing, in a separate document from the contract, that they are aware of the consequences of losing such protections and accept them.
  - d. 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 tests and criteria above.
2. A Professional Client has the right to request a different classification as a Retail Client in order to obtain a higher level 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. Such agreement will specify whether this applies to one or more particular services or transactions, or to one or more types of products or transactions.

- 3.** An Eligible Counterparty has the right to request a different classification either as a Professional Client or Retail Client in order to obtain a higher level of protection. Under the Law the Company is not obliged to deal with the Client on this basis.