

# **CLIENT CATEGORISATION**

## Introduction

Argus Stockbrokers Ltd (hereafter the “Company” or “IF”) is an Investment Firm incorporated and registered under the laws of the Republic of Cyprus, with registration number HE 108270. The Company is authorised and regulated by the Cyprus Securities and Exchange Commission (hereafter the “CySEC”) under the license number 010/03.

The Company is operating under the Investment Services and Activities and Regulated Markets Law 87(I)/2017 (hereinafter “Law”) which transposed by the European Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, as the same may be in force from time to time and modified or amended from time to time (hereinafter MiFID II”). Following the implementation of the MiFID II, the Company is required to categorise its Clients in to one of the following three categories: “retail”, “professional” or eligible counterparty”. In addition, following the transposition of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2015 on markets in financial instruments (MiFID II) into Cyprus law with the enactment of the Investment Services and Activities and Regulated Markets Law of 2017 (Law 87(I)/2017) and the application of relevant supplementing acts (including but not limited to the Regulation (EU) 600/2014 of the European Parliament and of the Council on markets in financial instruments and the Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive), the Company is required to classify its clients into one of the following three categories: retail, professional or under certain circumstances as eligible counterparty.

Therefore, when the Company is evaluating 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.

## Categorization Criteria

The categorisation criteria set by the relevant legislation are the following:

### ➤ **Retail Client**

‘Retail Client’ is a client who is not a professional client or an eligible counterparty.

Retail Clients are entitled to receive the highest level of protection and information from the IF.

Public sector bodies, local public authorities, municipalities and private individual investors will be classified as Retail Clients, unless they have elected to be treated as Professional Investors (as

defined below) and thus to waive some of the protections afforded to them.

➤ **Professional Client**

‘Professional Client’ is a client who possesses the experience, knowledge and expertise to make its own investment decisions and properly assess the risks that it incurs.

Certain categories of clients are considered to be Professional Clients on the basis of the provisions of MiFID II and Law 87(I)/2017. These are referred to as ‘per se’ professional clients.

Other clients may be treated as professional clients on request provided that the relevant criteria and procedures provided in MiFID II and Law 87(I)/2017 are satisfied. Those are referred to as ‘elective’ professional clients.

I. Per se professional clients

The following are all regarded as professionals in all investment services and activities and financial instruments for the purposes of MiFID II and Law 87(I)/2017:

1. Entities which are required to be authorised or regulated to operate in the financial markets (including entities authorised by a Member State under a Directive, entities authorised or regulated by an EU Member State without reference to a Directive and entities authorised or regulated by a non- EU 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) Commodity and commodity derivatives dealers
  - (h) Local enterprises
  - (i) Other institutional investors
2. Large undertakings which satisfy at least two of the following size requirements on a company basis:
  - (a) balance sheet total at least Euro 20.000.000
  - (b) net turnover at least Euro 40.000.000
  - (c) own funds at least Euro 2.000.000.
3. National and regional governments, public bodies that manage public debt at national or regional level, 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 main activity is to invest in financial instruments, including entities dedicated to the securitisation of assets or other financing transactions.

## II. Elective professional clients

Clients, other than those mentioned in paragraph I, who requested to be treated as Professional Clients, including:

- (a) Public sector bodies
- (b) Local public authorities
- (c) Municipalities
- (d) Private individual investors

Upon such request, the IF will undertake an assessment of the expertise, experience and knowledge of such client in accordance to its internal policies and procedures. In the course of that assessment, as a minimum, two of the following criteria will need to be satisfied:

- the client has carried out transactions, in significant size, on the relevant market at an average frequency of 10 per trimester over the previous four quarters,
- the size of the client's financial instrument portfolio, defined as including cash deposits and financial instruments exceeds EUR 500 000,
- the client works or has worked in the financial sector financial sector for at least one year in a professional position, which requires knowledge of the transactions or services envisaged.

Professional clients are not entitled to as high level of protection and information as the Retail Clients.

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

### ➤ ***Eligible Counterparty***

'Eligible Counterparty' is any of the following entities with whom the IF may bring about or enter into a transaction in the course of execution of orders on behalf of clients and/or dealing on won account and/or receiving and transmitting orders: investment firms, credit institutions, insurance companies, UCITS and their management companies, pension funds and their management companies and other financial institutions authorised or regulated under EU law or the national law of an EU Member State, national governments and their corresponding offices including public bodies that deal with public debt at national level, central banks and supranational organisations. Non-EU entities equivalent to the entities referred to in this paragraph are also regarded as eligible counterparties.

In essence Eligible counterparties are Professional clients of specified types who receive lower degree of protection in respect of the transaction with the IF or in respect of the ancillary service directly relating to the transaction in the course of execution of orders on behalf of clients and/or dealing on own account and/or receiving and transmitting orders and ancillary services related to any of these investment services. For any other investment or ancillary service these clients are not treated as Eligible Counterparties.

Under the Law 87(I)/2017, CySEC shall recognise as eligible counterparties other undertakings meeting pre-determined proportionate requirements, including quantitate thresholds.

Retail clients and elective Professional clients cannot be treated as Eligible Counterparties.

Classification as an Eligible Counterparty shall be without prejudice to the right of such entities to request, either in a general form or on a trade-by-trade basis, treatment as clients whose business with the IF is subject to the protection afforded to Retail Clients or Professional Clients and thus subject to higher level of protection and information.

## **Request for Different Classification**

A client has the right at any time to request in a durable medium the change of categorisation, whether generally or for a particular service or transaction or type of transaction or product or instrument. The IF reserves the right not to accept such request.

A Retail Client has the right to request to be treated as a Professional Client and in this respect to waive some of the protections afforded by the conduct of business rules. Therefore he/she will be afforded a lower level of protection. In such case the IF shall undertake an assessment of the criteria mentioned in subsection II of Section B above as well as of the expertise, experience and knowledge of the client in accordance to its internal policies and procedures. The IF is not obliged to deal with the client on this basis.

A Professional Client has the right to request to be treated 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 Client enters into a written agreement with the IF to the effect that it shall not be treated as a Professional Client for the purposes of the applicable conduct of business regime. Such agreement shall specify whether this applies to one or more particular services or transactions, or to one or more types of product or transaction.

An Eligible Counterparty has the right to request to be treated either as a Professional Client or Retail Client in order to obtain a higher level of protection. Such request may refer to one or more investment services or transactions or to one or more types of transaction or product. It is the

responsibility of the client, considered to be an Eligible Counterparty, to ask for a higher level of protection applicable to Retail Clients 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 an Eligible Counterparty enters into a written agreement with the IF to the effect that it shall not be treated as an Eligible Counterparty for the purposes of the applicable conduct of business regime. Such agreement shall specify whether this applies to one or more particular services or transactions, or to one or more types of product or transaction. The IF is not obliged to deal with the client on this basis.

*Date: 01 January 2020*

**DIFFERENCES IN PROTECTIONS**  
**between the categories of retail client, professional client and eligible counterparty**

A retail client may request to be treated as a professional client and thereby waive certain protections afforded to a retail client. In certain cases professional clients may request to be treated as eligible counterparties. Any such request by a client is subject to the discretion of the IF exercised pursuant to the provisions of the Investment Services and Activities and Regulated Markets Law of 2017, N. 87(I)/2017, (hereinafter the Law), Directive DI144-2007-02 of the Cyprus Securities and Exchange Commission for the professional competence of Investment Firms and the Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive (hereinafter the Commission Delegated Regulation).

This document is provided as a clear written warning of the protections and investor compensation rights a client might lose by being treated as a professional client as opposed to a retail client and as an eligible counterparty as opposed to a professional client or a retail client. It is not comprehensive, it merely summarises certain provisions of the applicable rules.

It is important that you read and understand this document before you decide to request to be treated as a professional client or an eligible counterparty as the case may be.

**It is noted that differences in treatment between retail clients, professional clients and eligible counterparties relating to the time prior to the signing of the Agreement are not set out below.**

<u>Type of protection</u>	<u>Summary of rules</u>	<u>Retail client</u>	<u>Professional client</u>	<u>Eligible counterparty</u>
<b>1. General principles &amp; information to clients</b>	Duty to act accordance with the best interest of the client.	Applicable.	Applicable.	Not applicable.
	Duty to act honestly, fairly and professionally.	Applicable.	Applicable.	Applicable.
	Duty to communicate in a way that is fair, clear and not misleading.	Applicable.	Applicable.	Applicable.
	Manufacturing of financial instruments: <ul style="list-style-type: none"> <li>• The IF when manufacturing financial instruments for sale to clients must ensure that</li> </ul>	Applicable.	Applicable.	Not applicable.

	<p>those financial instruments are designed to meet the needs of an identified target market of end clients within the relevant category of clients, the strategy for distribution of the financial instruments is compatible with the identified target market, and the IF takes reasonable steps to ensure that the financial instrument is distributed to the identified target market.</p> <ul style="list-style-type: none"> <li>The IF must understand the financial instruments offered or recommended, assess the compatibility of the financial instruments with the needs of the clients to whom it provides investment services, also taking account of the identified target market of end clients, and must ensure that financial instruments are offered or recommended only when this is in the interest of the client.</li> </ul>	Applicable.	Applicable.	Not applicable.
	<p>Information /communication:</p> <ul style="list-style-type: none"> <li>All information, including marketing communications, addressed by the IF to clients must be fair, clear and not misleading.</li> <li>Obligation of the IF to provide clients in good time before the provision of investment services or ancillary services to clients with a general description of the nature and risks of financial instruments, taking into account, in particular, the client's categorization. That description shall explain the nature of the specific type of</li> </ul>	Applicable.	<p>Applicable.</p> <p>The level of detail, the medium and timing of provision of information may differ.</p> <p>Applicable.</p>	<p>Not applicable.</p> <p>Applicable.</p>



	<p>instrument concerned, the functioning and performance of the financial instrument in different market conditions, including both positive and negative conditions, as well as the risks particular to that specific type of instrument in sufficient detail to enable the client to take investment decisions on an informed basis.</p> <ul style="list-style-type: none"> <li>• Obligation of the IF to disclose prior to the provision of the service to the client the existence, nature and amount of the payment or benefit, or, where the amount cannot be ascertained, the method of calculating that amount, must be clearly disclosed to the client, in a manner that is comprehensive, accurate and understandable, prior to the provision of the relevant investment or ancillary service. Where applicable, the IF shall also inform the client on mechanisms for transferring to the client the fee, commission, monetary or non-monetary benefit received in relation to the provision of the investment or ancillary service by any party except the client or a person on behalf of the client.</li> <li>• Obligation of the IF to inform the client whether it is possible to buy the different components separately and to provide for a separate evidence of the costs and charges of each component, when an investment service is offered together with another service or product as part of a package or as a condition for the same agreement or package. Also, obligation of the IF to provide an adequate description of the different components of the agreement or package and the way in which its interaction</li> </ul>	<p>Applicable.</p> <p>Applicable.</p>	<p>Applicable.</p> <p>Applicable.</p>	<p>Not applicable.</p> <p>Not applicable.</p>
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	<p>modifies the risks, where the risks resulting from such an agreement or package offered to a retail client are likely to be different from the risks associated with the components taken separately.</p>			
	<p>Information on costs and associated charges:</p> <p>Commission Delegated Regulation provides very detailed rules as to the provision of information to be provided to clients both <i>ex-ant</i> and <i>ex-post</i>.</p>	<p>Applicable.</p>	<p>Applicable.</p> <p>Yet the IF has the right to agree to a limited application of the detailed requirements. Limitation cannot be agreed when the services of investment advice or portfolio management are provided or when, irrespective of the investment service, the financial instruments concerned embed a derivative.</p>	<p>Applicable.</p> <p>Yet the IF has the right to agree to a limited application of the detailed requirements, except when, irrespective of the investment service provided, the financial instruments concerned embed a derivative and the eligible counterparty intends to offer them to its clients.</p>
	<p>Specific information about currency fluctuations: Where the information contains an indication of past performance of a financial instrument, a financial index or an investment service, the IF must ensure that certain conditions are satisfied.</p>	<p>Applicable with the following <u>additional protection</u>:</p> <p>Where the indication relies on figures denominated in a currency other than that of the Member State in which the</p>	<p>Applicable.</p>	<p>Applicable.</p>

		retail client is resident, the currency is clearly stated, together with a warning that the return may increase or decrease as a result of currency fluctuation.		
	Information about a financial instrument in respect of which prospectus is available.	Applicable.  Where an IF provides a retail client with information about a financial instrument that is the subject of a current offer to the public and a prospectus has been published in connection with that offer in accordance with Directive 2003/71/EC, that IF shall in good time before the provision of investment services or ancillary services to clients inform the client where that prospectus is made available to the public.	Not applicable.	Not applicable.
<b>2. Client</b>	The IF is required to enter into a written agreement,	Applicable.	Applicable.	Not applicable.

<b>Agreements</b>	in paper or another durable medium, with the client setting out the essential rights and obligations of the IF and the client.			Only the obligation of the IF to establish a record that includes the document or documents agreed between the IF and the client that set out the rights and obligations of the parties, and the other terms on which the IF will provide services to the client is applicable.
<b>3. Reporting</b>	<p>The Law and the Commission Delegated Regulation set out specific reporting to client requirements in relation to:</p> <ul style="list-style-type: none"> <li>• Information concerning safeguarding of client financial instruments or client funds.</li> <li>• Reporting obligations in respect of execution of orders other than for portfolio management.</li> </ul>	<p>Applicable.</p> <p>Applicable.</p>	<p>Applicable.</p> <p>Applicable.</p>	<p>Applicable but the IF may enter into agreements with eligible counterparties to determine content and timing of reporting differently than as per the relevant provisions.</p> <p>Applicable, unless the IF enters into agreements with eligible counterparties to determine content</p>

	<ul style="list-style-type: none"> <li>Special reporting obligations in respect of portfolio management.</li> </ul>	Applicable.	Applicable.	and timing of reporting.  Applicable.
<b>4. Depreciations in value reporting for portfolio management or contingent liability transactions</b>	When providing the service of portfolio management the IF must inform the client where the overall value of the portfolio, as evaluated at the beginning of each reporting period, depreciates by 10 % and thereafter at multiples of 10 %, no later than the end of the business day in which the threshold is exceeded or, in a case where the threshold is exceeded on a non-business day, the close of the next business day.	Applicable with <u>additional protection</u> :  When the IF holds a retail client account that includes positions in leveraged financial instruments or contingent liability transactions must inform the client, where the initial value of each instrument depreciates by 10 % and thereafter at multiples of 10 %. Reporting should be on an instrument-by-instrument basis, unless otherwise agreed with the client, and shall take place no later than the end of the business day in which the threshold is exceeded or, in a case where the threshold is exceeded on a non-	Applicable.	Not relevant because not possible to be treated as eligible counterparty for that service.

		business day, the close of the next business day.		
<b>5. Provision of Information on Order Execution Policy</b>	<ul style="list-style-type: none"> <li>Provision of information on Order Execution Policy: information shall explain clearly, in sufficient detail and in a way that can be easily understood by clients, how orders will be executed by the IF for the client.</li> </ul>	<p>Applicable.</p> <p>Where the IF executes orders for retail clients, it shall provide those clients with a summary of the relevant policy, focused on the total costs they incur. The summary shall also provide a link to the most recent execution quality data published in accordance with section 28(3) of the Law for each execution venue listed by the IF in its execution policy.</p>	Applicable.	Not applicable.
	<p>Systematic internalisers shall, while complying with section 28 of the Law, execute the orders they receive from their clients in relation to the shares, depositary receipts, ETFs, certificates and other similar financial instruments for which they are systematic internalisers at the quoted prices at the time of reception of the order.</p> <p>However, in justified cases, they may execute those orders at a better price provided that the price falls within a public range close to market conditions.</p>	Applicable.	<p>Applicable but deviation is possible.</p> <p>Systematic internalisers may execute orders they receive from their professional clients at prices different than their quoted ones without having to</p>	<p>Applicable but deviation is possible.</p> <p>Systematic internalisers may execute orders they receive from their professional clients at prices different than their quoted ones without having to</p>

			comply with the aforementioned requirements, in respect of transactions where execution in several securities is part of one transaction or in respect of orders that are subject to conditions other than the current market price.	comply with the aforementioned requirements, in respect of transactions where execution in several securities is part of one transaction or in respect of orders that are subject to conditions other than the current market price.
<b>6. Best execution</b>	<p>The IF is obliged to take all sufficient steps to obtain, when executing orders, the best possible result for its clients taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order. Nevertheless, where there is a specific instruction from the client the IF must execute the order following the specific instruction.</p> <p>When executing client orders, the IF shall take into account certain criteria for determining the relative importance of the factors referred to in section 28(1) of the Law among others: the characteristics of the client including the categorisation of the client as retail or professional, the characteristics of the client order, including where the order involves a securities financing transaction, the characteristics of financial instruments that are the subject of that order, the characteristics of the execution venues to which that order can be directed.</p> <p>The application of and the relative importance of</p>	<p>Applicable with the following <u>additional protections</u>:</p> <p>Where the IF executes an order on behalf of a retail client, the best possible result must be determined in terms of the total consideration, representing the price of the financial instrument and the costs related to execution, which must include all expenses incurred by the client which are directly related to the execution of the order, including</p>	Applicable.	Not applicable.

	<p>the relevant execution factors adopted by the IF vary depending on the categorisation of the client.</p>	<p>execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order.</p> <p>When the IF executes a retail client's order in the absence of specific client instructions, for the purposes of ensuring that the IF obtains the best possible result for the client, the IF should take into consideration all factors that will enable it to deliver the best possible result in terms of the total consideration, representing the price of the financial instrument and the costs related to execution. Speed, likelihood of execution and settlement, the size and nature of the order, market impact and any other implicit transaction costs</p>		
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		may be given precedence over the immediate price and cost consideration only insofar as they are instrumental in delivering the best possible result in terms of the total consideration to the retail client.		
<b>7. Client order handling</b>	The IF, authorised to execute orders on behalf of clients, is obliged to implement procedures and arrangements which provide for the prompt, fair and expeditious execution of client orders, relative to other client orders or the trading interests of the IF. Those procedures or arrangements allow for the execution of otherwise comparable client orders in accordance with the time of their reception by the IF.	Applicable with the following <u>additional protection</u> :  Obligation to inform a retail client about any material difficulty relevant to the proper carrying out of orders promptly upon becoming aware of the difficulty.	Applicable.	Applicable.
	Title transfer financial collateral arrangements: Prohibition on conclusion of title transfer financial collateral arrangements with retail clients for the purpose of securing or covering present or future, actual or contingent or prospective obligations of client.	Applicable.	Not applicable.	Not applicable.
<b>8. Assessment of suitability and suitability reports</b>	When providing investment advice or portfolio management the IF shall obtain the necessary information regarding the client's knowledge and experience in the investment field relevant to the specific type of product or service, that person's	Applicable.	Applicable.	Not relevant because not possible to be treated as eligible counterparty for those services.

	<p>financial situation including his ability to bear losses, and his investment objectives including his risk tolerance so as to enable the IF to recommend to the client the investment services and financial instruments that are suitable for him and, in particular, are in accordance with his risk tolerance and ability to bear losses.</p> <p>Assumptions:</p> <ul style="list-style-type: none"> <li>• Where the IF provides an investment service to a professional client, that in relation to the products, transactions and services for which it is so classified, the client has the necessary level of experience and knowledge to understand the risks involved in the transaction or in the management of his portfolio.</li> <li>• Where that investment service consists in the provision of investment advice to a per se professional client, that the client is able financially to bear any related investment risks consistent with the investment objectives of that client.</li> </ul>	<p>Assumption not applicable therefore increased protection.</p> <p>Assumption not applicable therefore increased protection.</p>	<p>Assumption applicable.</p> <p>Assumption applicable only in relation to a professional client covered by Section II of Annex II to the Law (i.e. per se professional client).</p>	<p>Not relevant.</p> <p>Not relevant.</p>
	<p>When providing investment services other than investment advice, the IF asks the client to provide information regarding that person's knowledge and experience in the investment field relevant to the specific type of product or service offered or demanded so as to enable the IF to assess whether the investment a service or product envisaged is appropriate for the client.</p> <p>Based on the information collected, the IF, shall determine whether that client has the necessary</p>	<p>Applicable.</p> <p>Assumption not applicable therefore</p>	<p>Applicable.</p> <p>Assumption applicable.</p>	<p>Not applicable.</p> <p>Not applicable.</p>

	<p>experience and knowledge in order to understand the risks involved in relation to the product or investment service offered or demanded when assessing whether an investment service as referred to in section 26(3) of the Law is appropriate for a client. The IF is entitled to assume that a professional client has the necessary experience and knowledge in order to understand the risks involved in relation to those particular investment services or transactions, or types of transaction or product, for which the client is classified as a professional client.</p>	increased protection.		
	<ul style="list-style-type: none"> <li>The IF shall provide the client with adequate reports on the service provided in a durable medium. Those reports shall include periodic communications to clients, taking into account the type and the complexity of financial instruments involved and the nature of the service provided to the client and shall include, where applicable, the costs associated with the transactions and services undertaken on behalf of the client.</li> <li>Written statement on suitability: When providing investment advice, the IF shall, before the transaction is made, provide the client with a statement on suitability in a durable medium specifying the advice given and how that advice meets the preferences, objectives and other characteristics of the retail client.</li> </ul>	Applicable.	Applicable.	Applicable.
	<ul style="list-style-type: none"> <li>Written statement on suitability: When providing investment advice, the IF shall, before the transaction is made, provide the client with a statement on suitability in a durable medium specifying the advice given and how that advice meets the preferences, objectives and other characteristics of the retail client.</li> </ul>	Applicable.	Not applicable.	Not relevant because not possible to be treated as eligible counterparty for that service.
	<p>When providing investment advice, IF shall provide a report to the retail client that includes an outline of the advice given and how the recommendation provided is suitable for the retail client, including how it meets the client's objectives and personal circumstances with reference to the investment</p>	Applicable.	Not applicable.	Not relevant because not possible to be treated as eligible counterparty for that service.

	<p>term required, client's knowledge and experience and client's attitude to risk and capacity for loss. IF shall draw clients' attention to and shall include in the suitability report information on whether the recommended services or instruments are likely to require the retail client to seek a periodic review of their arrangements. Where the IF provides a service that involves periodic suitability assessments and reports, the subsequent reports after the initial service is established may only cover changes in the services or instruments involved and/or the circumstances of the client and may not need to repeat all the details of the first report.</p>			
<p><b>9. Provision of services in non-complex instruments</b></p>	<p>A financial instrument which is not explicitly specified in section 26(4)(a) of the Law shall be considered as non-complex for the purposes of section 26(4)(a) (vi) of the Law if, among other criteria, adequately comprehensive information on its characteristics is publicly available and is likely to be readily understood so as to enable the average retail client to make an informed judgment as to whether to enter into a transaction in that instrument.</p>	<p>Applicable.</p>	<p>Applicable.</p>	<p>Applicable.</p>
<p><b>10. Remuneration and incentives to staff</b></p>	<p>The IF when providing investment services to clients is obliged to ensure that it does not remunerate or assess the performance of its staff in a way that conflicts with its duty to act in the best interests of its clients. In particular, the IF is obliged not to make any arrangement by way of remuneration, sales targets or otherwise that could provide an incentive to its staff to recommend a particular financial instrument to a retail client when the IF could offer a different financial instrument which would better meet that client's needs.</p>	<p>Applicable</p>	<p>Applicable but no special duty to prevent incentives for recommendations of a particular financial instrument when the IF could offer a different financial instrument which would better meet that client's needs.</p>	<p>Not applicable.</p>

<b>11. Trading obligation</b>	<p>The IF must ensure the trades it undertakes in shares admitted to trading on a regulated market or traded on a trading venue shall take place on a regulated market, MTF or systematic internaliser, or a third-country trading venue assessed as equivalent in accordance with section 26(4)(a) of the Law, as appropriate, unless their characteristics include that they:</p> <p>(a) are non-systematic, ad-hoc, irregular and infrequent; or</p> <p>(b) are carried out between eligible and/or professional counterparties and do not contribute to the price discovery process.</p>	Applicable.	Not applicable under certain conditions.	Not applicable under certain conditions.
<b>12. Compensation</b>	<p>The IF is a member of the Investors Compensation Fund of clients of CIFs. Claims for compensation from the said fund is only available for certain types of claimants and claims in respect of certain types of business. The eligibility for compensation from the said fund is determined under the rules applicable to the Investors Compensation Fund of clients of CIFs and the rights of the client to make a claim depend not on the categorisation under the Law but on the provisions of the rules applicable to the said fund.</p>	Applicable.	Not applicable to certain types of professional investors.	Not applicable to certain types of professional investors.
<b>13. Financial Ombudsman</b>	<p>The services of the Financial Ombudsman are available to consumers. For non-individuals there are eligibility thresholds on the basis of the turnover. Where the claimant is a financial institution a claim can be submitted only if the claim relates to services that the claimant does not offer to its clients.</p>	Applicable.	Applicable under certain circumstances. Limitations probably affect professional clients.	Applicable under certain circumstances. Limitations probably affect professional clients.

## RE-CATEGORISATION OF CLIENT AS PROFESSIONAL CLIENT UPON REQUEST

### CLIENTS WHO MAY BE TREATED AS PROFESSIONALS ON REQUEST

The client other than a professional client mentioned in Part I of the Second Appendix of Law 87(l)/2017, including public sector bodies, local public authorities, municipalities and private individual investors, may be permitted to waive some of the protections afforded by the conduct of business rules of the IF.

#### 1. Identification Criteria

The IF shall be allowed to treat any of those clients as professionals provided the relevant criteria and procedure mentioned below are fulfilled. Such clients shall not, however, be presumed to possess market knowledge and experience comparable to that of the professional clients of Part I of the Second Appendix of Law 87(l)/2017.

Any such waiver of the protection afforded by the standard conduct of business regime shall be considered valid only if an adequate assessment of the expertise, experience and knowledge of the client is undertaken by the IF which gives reasonable assurance, in light of the nature of the transactions or services envisaged, that the client or, in the case of a legal entity, its managers and directors, are capable of making their own investment decisions and understanding the risks involved.

The IF shall apply assessments of expertise and knowledge equivalent to the fitness test applied to managers and directors of entities licensed under Directives of the European Union in the financial field as the IF deems fit. In the case of clients which are small entities, the person subject to that assessment shall be the person authorised to carry out transactions on behalf of the client.

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

- 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,
- the size of the clients' financial instrument portfolio, defined as including cash deposits and financial instruments exceeds €500 000,

- 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.

It should be noted that even if two of the above criteria are met, **the IF is not obliged to treat the client as a professional client**. The IF reserves the right, in addition to considering the above criteria, to further undertake a proper assessment of the clients' expertise, experience and knowledge (as explained above) and only if it is reasonably satisfied that the client is capable of making investment decisions on his own, and to understand the dangers involved, may take the decision to treat such client as a professional client.

## **2. Procedure**

The client defined above may waive the benefit of the detailed rules of conduct only where the following procedure is followed:

- the client must state in writing to the IF that he wishes 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,
- the IF will give the client a clear written warning of the protections and investor compensation rights he may lose,
- the client shall state in writing, in a separate document from the contract that the client is aware of the consequences of losing such protections.

Before deciding to accept the client's request for waiver, the IF may take all reasonable steps to ensure that the client requesting to be treated as a professional client meets the relevant requirements stated above in **Section 1** (Identification Criteria). It is expected that the client submitting such a request will be in a position to supply the IF with any relevant information or document that may be required.

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