



OTC Markets

Client Categorization Policy

Client Categorization Policy Version 1.1

1. Introduction OTC Markets (EU) LTD (hereinafter, the “Company”) is incorporated in Cyprus under registration number HE 356877 through the Department of Companies and Official Receiver (<http://www.mcit.gov.cy/drcor>). The Company is authorized and regulated by the Cyprus Securities and Exchange Commission (<http://www.cysec.gov.cy>) to act as a Cyprus Investment Firm (CIF) with CIF License Number 362/18. The Company operates under the Investment Services and Activities and Regulated Markets Law of 2017 (Law 87(I)/2007, as subsequently amended from time to time (hereinafter, the “Law”) and the 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, modified or amended from time to time (the ‘Markets in Financial Instruments Directive (2014/65/EU)’ or ‘MiFID II’). It is stressed that different rules and different levels of protection apply to Clients depending on their categorization.

2. General

For the provision of Investment services to its Clients, the Company requires the submission of information, prior to the provision of services, which is vital for the Company to understand the principal circumstances associated with the potential Client. Moreover, such submission of information is necessary for the Company to be provided with reasonable grounds to believe that the Client has the necessary knowledge and background experience to enable him/her to understand the risks associated with the product or investment service offered or requested by the Client. This Client categorization policy (hereinafter, the “Policy”) is provided to the Company’s Clients and potential Clients in accordance to the Law. The Policy forms part of the Client’s agreement, namely the Terms and Conditions with the Company, thus the Client is also bound by the terms of the Policy, as set out herein.

2.1 Submission of Information

For the determination of the investment knowledge and experience of the Client, the Company shall request and obtain information, which shall at least cover the following aspects to the extent that is relevant in terms of the Client’s categorization, the scope and nature of the services provided, the complexity and type of the envisaged service, transaction and product, and the risks involved:

- a. The types of the investment services, transactions and securities of which the Client has sufficient knowledge;
- b. The nature, volume and frequency of the Client’s transactions in securities and the period over which they were conducted;
- c. The Client’s level of education, profession and, where necessary, previous profession of the Client.

3. Client Categorization

3.1 Definitions

"Retail Client" is a Client who is neither a Professional Client nor an Eligible Counterparty. Except for Clients who meet the requirements set out in point 3 below or unless informed otherwise in writing, all Clients are categorized as Retail Clients. "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: i. Entities which are required to be authorized or regulated to operate in the financial markets. The list below should be understood as including all authorized entities carrying out the characteristic activities of the entities mentioned: entities authorized by a Member State under the Markets in Financial Instruments Directive, entities authorized or regulated by a Member State without reference to the above Directive, and entities authorized or regulated by a non-Member State:

- a) Credit Institutions;
- b) Investment Firms;
- c) Other Authorized 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; and
- i) Other Institutional Investors. ii. 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 40,000,000
- c) own funds: EUR 2,000,000

iii. 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. iv. Other institutional investors whose main activity is to invest in financial instruments, including entities dedicated to the securitization of assets or other financing transactions. The entities mentioned above from

(i) to (iv) are considered to be professionals in relation to all investment services and activities and financial instruments. "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, other investment firms, credit institutions, insurance companies, UCITS and UCITS management companies, pension funds and their management companies, other financial institutions authorised by a Member State or regulated under the laws of Cyprus or under European Union law, national governments and their correspond offices, include public bodies that deal with public debt at national level, central banks and supranational organizations. Moreover, those included in Section 31(2)(b), (31)(3) and 31(4) of the Law. The Company does not provide any of its services to Eligible Counterparties. 4. Request for Different Categorizations Retail Clients can request to be categorized and treated as Professional Clients; in which case they will be afforded a lower level of protection. Professional Clients can request to be categorized and treated as Retail Clients; in which case they will be afforded a higher level of protection. Eligible Counterparties can request to be categorized and treated as either Retail or Professional Clients; in which case they will be afforded a higher level of protection. It is noted that the Company will assess specified quantitative and qualitative criteria in accordance with the provisions of the Law and the change of categorization will depend on its absolute discretion.

4.1 OPT-DOWN

4.1.1 Professional Client Request to be treated as a Retail Client Clients are allowed to request non-professional treatment and the Company may agree to provide a higher level of protection. Where the Client of the Company is an undertaking referred to above, the Company shall inform him prior to any provision of services that, on the basis of the information available to the Company, the Client is deemed to be a Professional Client, and will be treated as such unless the Company and the Client agree otherwise. The Client may request a variation of the terms of the agreement in Order to secure a higher degree 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 should specify whether this applies to one or more particular services or transactions, or to one or more types of products or transaction.

4.2 OPT-UP

4.2.1 Retail Client Request to be treated as a Professional Client Upon a written request, a Retail Client can request to be treated as a Professional Client, either generally or in respect of a particular investment service or transaction, or product. The Company is not obliged to deal with the Client under a different categorization. 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 affected 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.

The Clients defined above may waive the benefit of the detailed rules of conduct only when the procedure below 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 must give them a clear written warning of the protection 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 protection.



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 requirements stated above. All Clients are responsible for keeping the Company informed about any change, which could affect their current categorization. Should the Company become aware however that the Client no longer fulfils the initial conditions, which made him eligible for professional treatment, then the Company will take appropriate action. However, if the above-mentioned criteria are not met, the Company reserves the right to choose whether to provide services under the requested categorized. The Company will notify the Client if and when it agrees to categorize the Client as a Professional Client.

5. Protection Rights of a Retail Client

Where the Company treats a Client as a Retail Client, the Client is entitled to more protections under the Law, than if the Client was treated as a Professional Client. In summary, the protection Retail Clients are entitled to the following (the list may not be exhaustive): (a) A Retail Client will be given more information disclosures with regards to the Company, its services, its financial instruments and their performance, the nature and risks of financial instruments, its costs, commissions, fees and charges and the safeguarding of Client financial instruments and Client funds, including summary details of any relevant investor compensation or deposit guarantee scheme, as applicable. (b) Where the Company is providing the services of Reception & Transmission of orders and/or Execution of Client orders, the Company shall ask a Retail Client to provide information regarding his knowledge and experience in the investment field relevant to the specific type of product or service offered or demanded, so as to enable the Company to assess whether the investment service or product envisaged is appropriate for the Client. In case the Company considers, on the basis of the information received, that the product or service is not appropriate to a Retail Client, it shall warn the Client accordingly. Please note that the Company is not required to assess appropriateness in certain cases specified by the Law 144(l)/2007 (for example but not limited to the situation where on an execution only basis the financial instrument concerned is not complex). On the other hand, the Company shall be 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. Consequently, and unlike the situation with a Retail Client, the Company should not generally need to obtain additional information from the Client for the purposes of the assessment of appropriateness for those products and services for which they have been classified as a Professional Client.

(c) When executing Client orders, the Company must take all reasonable steps to achieve what is called "best execution" of the Client's orders that is to obtain the best possible result for its Clients. Where the Company executes an order of a Retail Client, the best possible result shall be determined in terms of the total consideration, representing the price of the financial instrument and the costs related to execution, which shall include all expenses incurred by the Client which are directly related to the execution of the order, including execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order. The Company shall also send a notice to a Retail Client confirming execution of the order as soon as possible and no later than the first business day following execution or, if the confirmation is received by the Company from a third party, no later than the first business day following receipt of the confirmation from the third party, as applicable.

(d) Professional Clients are also entitled to a confirmation for the execution of their orders however there is no specific timeframe involved as to when the Professional Client will receive this information. Nevertheless, this confirmation shall be provided promptly.

(e) The Company must inform Retail Clients of material difficulties relevant to the proper carrying out of their order(s) promptly upon becoming aware of the difficulty.

(f) The Company is required to provide Retail Clients with more information than Professional Clients as regards the execution of their orders.

(g) The Company is obliged to enter into a written basic agreement with the retail Client, setting out the essential rights and obligation of both parties.

(h) Retail Clients may be entitled to compensation under the Investor Compensation Fund ("ICF") for Clients of Investment Firms, while Professional Clients are not entitled to compensation under the ICF.

Should you have any questions about our "Client Categorization Policy", kindly e-mail your request to the Compliance Department at compliance info@otcmarkets.pro