

# CLIENT CATEGORISATION POLICY

## VERSION CONTROL

**Policy Owner:** Athlos Capital Investment Services Ltd

**Created on:** December 2017

**Date of approval by the Board of Directors:** 21<sup>st</sup> of November 2022

Review date	Reviewed by	Comments and suggestions for amendments	Date of approval
<b>16/04/2019 (V.01/2019/04)</b>	Compliance Function	Policy updated to include versioning as per IA 2018 review	02/05/2019
<b>04/09/2020 (V.01/2020/09)</b>	Compliance Function	Policy has been amended to include new procedures	03/01/2021
<b>05/08/2022 (V.01/2022/08)</b>	Compliance Function	Annual review of the Policy	23/08/2022
<b>16/11/2022 (V.02/2022/11)</b>	Compliance Function	Updated to include the new address details of the Company	21/11/2022

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# 1 Introduction

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## 1.1 Scope

1.1.1 The Client Categorisation Policy (herein the "**Policy**") applies to any natural or legal person who has an established Business Relationship with the Company for the provision of any of the investment services and/or activities as per the Company's license.

## 1.2 Purpose

1.2.1 The purpose of the Policy is to provide the necessary information to Clients on the specific criteria of each category of clients as established and set out in the Law and more specifically to provide information with respect to the protections and rights of the Clients under each category.

## 1.3 Definitions

1.3.1 The following terms shall have the same meaning hereof as the one in the Law:

**"Client"** means a natural or legal person with whom the Company has agreed on the basis of a written agreement to offer investment services and activities and have an established Business Relationship.

**"Eligible Counterparties"** are Cypriot Investment Firms (CIFs), other Investment Firms (Ifs), 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 corresponding offices, including public bodies that deal with public debt at national level, central banks, the Central Bank of Cyprus and supranational organisations.

**"Law"** means Law 87(I)/2017 which provides for the provision of investment services, the exercise of investment activities and the operation of regulated markets as amended from time to time.

**"Retail Client"** means a Client who is not a Professional Client or an Eligible Counterparty;

**"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. More details on who is considered to be a Professional Client can be found in paragraph 2.2 of the Policy.

**"Prospective Client"** means a natural or legal person who wishes to enter into a Business Relationship with the Company for the provision of investment services and activities and who has not yet been accepted by the Company as its Client.

## 2 Client Categorisation

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### 2.1 Retail Client

2.1.1 A Retail Client is a client who is not a Professional Client within the meaning of paragraph 2.2 or an Eligible Counterparty within the meaning of paragraph 2.3 of this Policy.

### 2.2 Professional Clients Per Se

2.2.1 The following categories of clients shall be regarded as professionals in all investment services and activities and financial instruments for the purposes of this Policy:

- (a) Entities which are required to be authorised or regulated to operate in the financial markets. The list of entities shall include entities authorised by a Member State under a Directive of the European Union, entities authorised or regulated by a Member State without reference to a Directive and entities authorised or regulated by a third country:
  - i. Credit institutions;
  - ii. IFs;
  - iii. Other authorised or regulated financial institutions;
  - iv. Insurance companies;
  - v. Collective investment schemes and management companies of such schemes;
  - vi. Pension funds and management companies of such funds;
  - vii. Commodity and commodity derivative dealers;
  - viii. Locals;
  - ix. Other institutional investors.
- (b) Large undertakings meeting two of the following size requirements on a company basis:
  - i. Balance sheet total: EUR 20, 000,000;
  - ii. Net turnover: EUR 40, 000,000;
  - iii. Own funds: EUR 2, 000, 000.
- (c) National and regional governments, including public bodies that manage 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.
- (d) Other institutional investors whose main activity is to invest in financial instruments, including entities dedicated to the securitisation of assets or other financing transactions.

### 2.3 Eligible Counterparties

2.3.1 The Company shall treat as Eligible Counterparties other Cypriot Investment Firms, other Investment Firms, Credit institutions, insurance companies, UCITS and UCITS management companies, other financial institutions authorised by a Member State or regulated under the laws of Cyprus or under European Law, national governments and their corresponding offices, including public bodies that deal with public debt at national level, central banks, the Central Bank of Cyprus and supranational organisations.

## 3 Request for different categorization

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### 3.1 Re-classification

- 3.1.1 It is noted that as per the provisions of the Law, any Client has the right to request for a different categorisation. Professional Clients shall be responsible for informing the Company that they wish to receive a higher level of protection if they deem that they are unable to assess or manage the risks involved. The Company, however, reserves the right to refuse such a request.
- 3.1.2 The Company may at its own initiative or at the request of the Client concerned, treat a Client in the following manner:
- (a) As a Professional or Retail Client where that Client might otherwise be classified as an Eligible Counterparty pursuant to paragraph 2.3 of this Policy;
  - (b) As a Retail Client where that Client is considered as a Professional Client pursuant to paragraph 2.2 of this Policy;
  - (c) As a Professional Client where the Client might otherwise be classified as a Retail Client, only upon the request of the Client concerned and provided that the criteria set out in paragraph 3.2 of this Policy are fulfilled.

### 3.2 Assessment Criteria

- 3.2.1 In order to determine whether to accept a request for different categorisation, the Company shall undertake an adequate assessment of the expertise, experience and knowledge of the Client concerned in order to determine whether in light of the nature of the transactions or the services recommended, the Client concerned is capable of making investment decisions and understand the risks involved.
- 3.2.2 In the course of that assessment, as a minimum, two of the following criteria shall be satisfied:
- (a) The Client concerned 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 concerned 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.
- 3.2.3 The Clients who wish to be re-categorised must:
- (a) State in writing that they wish to be treated as Professional Clients, either generally or in respect of a particular investment service or transaction, or type of transaction or product;
  - (b) The Company shall provide them with 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 written agreement between them, that they are aware of the consequences of losing such protections.
- 3.2.4 State in writing that they wish to be treated as Professional Clients, either generally or in respect of a particular investment service or transaction, or type of transaction or product;
- 3.2.5 The Company shall provide them with a clear written warning of the protections and investor compensation rights they may lose;
- 3.2.6 They must state in writing, in a separate document from the written agreement between them, that they are aware of the consequences of losing such protections.

## 4 Investor Protection

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### 4.1 Requirements

- 4.1.1 Retail Clients receive the highest level of protection in accordance with the provisions of the Law as they are presumed to possess limited investment knowledge and experience and are not capable of understanding the risks associated with trading.
- 4.1.2 In order for the Company to ensure investor protection, it is required to provide the following information to all of its Clients (Retail, Professionals or Eligible Counterparties):
- (a) Appropriate information to be provided in good time to Clients with regard to the Company itself and its services, the financial instruments and proposed investment strategies (where applicable), execution venues and all costs and related charges.
  - (b) Appropriate guidance on and warnings of the risks associated with investment in the financial instruments offered by the Company and whether the financial instrument is intended for Retail or Professional Clients.
- 4.1.3 The information on all costs and associated charges must include information relating to both investment and ancillary services, including the cost of advice, where relevant, the cost of the financial instrument marketed to the Client and how the Client may pay for it, also encompassing any third-party payments.
- 4.1.4 The information referred to in paragraph 4.1.2 shall be provided in a comprehensible form in such a manner that Clients are reasonably able to understand the nature and risks involved with the investment service and of the specific type of financial instrument and take investment decisions on an informed basis.
- 4.1.5 The Company 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 complexity of financial instruments offered and shall include, where applicable the costs associated with the transactions and services undertaken on behalf of the Client.
- 4.1.6 The Company must take all sufficient steps to obtain, when executing orders, the best possible result for their Clients taking into account price, costs, speed, likelihood of execution and settlement, size, nature and any other consideration relevant to the execution of an order. Where the Client has provided a specific instruction, the Company shall execute the order following the specific instruction.
- 4.1.7 The Company must have established and implement arrangements which provide for the prompt, fair and expeditious execution of Client orders, relative to other Client order or the trading interests of the Company itself.

### 4.2 Additional protections for Retail Clients

- 4.2.1 The Company shall not accept any fee or commission or any non-monetary benefit in connection with the provision of an investment or an ancillary service, except where such payment or benefit is designed to enhance the quality of the relevant service to the Client and it does not impair the Company's duty to act honestly, fairly and professionally in accordance with the best interests of the Client.
- 4.2.2 The Company shall ensure that it does not remunerate or assess the performance of its staff in a way that conflicts its duty to act in the best interests of its Clients i.e. remuneration of the staff which could otherwise provide an incentive to the staff to recommend a particular financial instrument to a Retail Client when a different financial instrument would better meet the Retail Client's needs.
- 4.2.3 The Company must assess whether a particular financial instrument is appropriate and suitable for a Retail Client based on his knowledge and experience in investments and whether the Retail Client is able to understand the risks associated with trading in those specific financial instruments. The Company shall further warn the Retail Client where on the basis of information received it has assessed that a specific financial instrument is not appropriate for the Retail Client.
- 4.2.4 The Company must provide appropriate information on the Investor Compensation Fund and the specific rights and protections which are offered to Retail Clients.
- 4.2.5 Further additional protections are provided to Retail clients as described below:

- (a) Retail Clients are provided with more information regarding the Company's fees, charges and expenses;
- (b) Retail Clients provide more information regarding their knowledge and experience in the Investment field so as to enable the Company to assess whether the investment service or product envisaged is appropriate for the Client;
- (c) The Company must take all sufficient steps to ensure that a Retail Client's order is executed as such in order to obtain best possible results;
- (d) A Retail Client will receive information regarding his executed order timely and with more detail as to the content;
- (e) A Retail Client who is provided the service of Portfolio Management will receive more detailed and frequent information;
- (f) A Retail Client will be informed of the Company's liability in relation to possible solvency of the custodian where Clients' financial instruments are held;
- (g) A Retail Client will be informed of the Company's Conflict of Interest Policy;
- (h) A Retail Client will be informed of the Company's complaint handling procedures; and
- (i) A Retail Client is eligible for possible coverage from the Investor's Compensation Fund.

## 5 Other requirements

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### **5.1 Record keeping**

5.1.1 The Company shall establish and maintain a registry to include details of the categorisation of each Client and shall keep original documentation and electronic records of the Client Categorisation Letters provided to the Clients. The Company shall maintain such records throughout the Business Relationship with its Clients.

### **5.2 Review**

5.2.1 The Company shall establish and maintain a registry to include details of the categorisation of each Client and shall keep original documentation and electronic records of the Client Categorisation Letters provided to the Clients. The Company shall maintain such records throughout the Business Relationship with its Clients.