

DISCLOSURE RELATING TO THE CATEGORIZATION OF CLIENTS

This disclosure document has been drawn up in accordance with Law 144(I)/2007 which provides for the Provision of Investment Services, the Exercise of Investment Activities, the Operation of Regulated Markets, and other Related Matters (the “MiFID Law”) and has no contractual value between BrokerCreditService (Cyprus) Limited (“BCS Cyprus” or the “Company”) and any interested parties.

This disclosure document deals with the following issues:

- The categorization of clients by BCS Cyprus;
- The possibility and options for the clients to change category; and
- The consequences due to the change of category in terms of the level of protection offered to the client.

Categorization of Clients by BCS Cyprus

BCS Cyprus will categorize any interested party into one of the following three categories: Retail Client, Professional Client or Eligible Counterparty in accordance with the regulations set within the MiFID Law and the deriving Directives of the Cyprus Securities & Exchange Commission.

Retail Clients

A retail client is a client who is neither a professional client nor an eligible Counterparty.

Professional Clients *per se*

A professional client is a client who possesses the experience, knowledge and expertise to make his/her own investment decisions with the ability to properly assess the risks incurred. A professional client is not covered by the Investor Compensation Fund.

In order for a client to be considered as a professional client, there exist certain criteria that the client must fulfill. The following should be regarded as *per se* professional clients:

- 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 cited: whether entities authorized by a Member State under a Directive, entities authorized or regulated by a Member State without reference to a Directive, and entities authorized or regulated by a non-Member State:
 - credit institutions
 - investment firms
 - other authorized or regulated financial institutions
 - insurance companies
 - collective investment schemes and management companies of such schemes
 - pension funds and management companies of such schemes
 - commodity and commodity derivatives dealers
 - locals
 - other institutional investors
- Large undertakings (i.e. body corporates or partnerships; or incorporated associations carrying on a trade or business, with or without a view to profit) meeting two of the following size requirements on a company basis:

Balance sheet total:	€20m
Net turnover:	€40m
Own funds:	€2m

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

Professional Clients on Request – ‘Elective’ Professional Clients (opting-up)

Retail clients can request treatment as professional clients. These clients are referred by the MiFID Law as professional clients on request.

Clients other than those mentioned above, including public sector bodies and private individual investors, may also be allowed to waive some of the protections afforded by regulatory authorities. Investment firms are therefore allowed to treat any of these clients as professional clients on request provided the relevant criteria and procedure mentioned below are fulfilled. These clients should not, however, be presumed to possess market knowledge and experience comparable to that of the categories listed above.

Any such waiver of the protection afforded by regulatory authorities shall be considered valid only if an adequate assessment of the expertise, experience and knowledge of the client, undertaken by the investment firm, 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.

Investment firms must take reasonable care to ensure that a retail client requesting treatment as a professional client on request is able to meet the 'qualitative' criteria and, as part of this, a separate 'quantitative' test.

The qualitative assessment requires the Company to undertake an adequate assessment of the expertise, experience and knowledge of the client that 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 of understanding the risks involved.

In relation to MiFID business, at least two of the following quantitative 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 client's 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.

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 authorized to carry out transactions on behalf of the entity.

Therefore, if a client wishes to be treated as a professional client the following procedure must be followed:

- he must state in writing to the investment firm 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 investment firm shall give him a clear written warning of the protections and rights that he may lose;
- he must state in writing, in a separate document from the Agreement, that he is aware of the consequences of losing such protections.

Professional clients are responsible for keeping the Company informed about any change, which could affect their current categorization. Should the investment firm become aware, however, that the client no longer fulfills the initial conditions, which made him eligible for a professional treatment; the Company will take appropriate actions.

Eligible Counterparties

An Eligible Counterparty (ECP) is a client that is either a *per se* ECP or an ECP on request. A client can only be an ECP in relation to ECP business.

ECP business is defined as the following services and activities carried on by a Company:

- (a) dealing on own account, execution of orders on behalf of clients or reception and transmission of orders; or
- (b) any ancillary service directly related to a service or activity referred to above.

It should be noted to interested parties that when carrying out the activities referred to above with an ECP, the Company is released from the specified obligations deriving from the Sections 36, 38 and 39(1) of the MiFID Law 144(l)/2007. Accordingly a client cannot be an ECP for the purposes of portfolio management and/or investment advice.

Outside the limited range of ECP business, an undertaking will need to be categorized as a professional or retail client for MiFID business.

ECPs can be any of the following:

- investment firms;
- credit institutions;
- insurance companies;
- UCITS and management companies of such schemes;
- pension funds and management companies of such funds;
- other financial institutions authorized or regulated under Community legislation or the national law of a Member State;
- undertakings exempted from the application of MiFID Law 144(l)/2007 under Section 3 (2) (k) & (l);
- national governments and their corresponding offices including public bodies that dealt with public debt
- Central banks and supranational organizations;
- large undertakings meeting pre-determined proportionate requirements, including quantitative thresholds;
- third country entities equivalent to the categories of entities stated above.

If a *per se* ECP requests treatment as a client whose business with the Company is subject to conduct of business protections, but does not expressly request treatment as a retail client and the Company agrees to such request, the Company must treat that ECP as a professional client.

Eligible Counterparties on Request (opting-up)

The Company may treat a Client as an ECP on Request if:

- (a) the client is an undertaking (i.e. body corporates or partnerships, or unincorporated association carrying on a trade or business, with or without a view to profit) and:

- I. is a per se professional client except for a client that has that categorization because it is an institutional investor; or
 - II. requests such categorization and is a professional client **on request**, but only in respect of the services or transactions for which it could be treated as a professional client;
- (b) the Company has, in relation to MiFID business, obtained express confirmation from the prospective counterparty that it agrees to be treated as an ECP.

The Company may obtain a prospective counterparty's confirmation that it agrees to be treated as an ECP either in the form of a general agreement or in respect of each individual transaction.

The right to request treatment as an ECP is limited to undertakings therefore natural persons acting outside of their trade, business or profession cannot be treated as ECPs under any circumstances.

In relation to other (unregulated) institutional investors, who could be treated as retail clients, it would be possible for them to become elective professionals if they meet the appropriate criteria.

As elective professionals they could then be opted-up to elective ECPs.

What if a client wants to be considered as retail on request (opting-down)?

The Company may agree to a request from a per se professional or a per se ECP to be categorized as a retail client thereby granting them additional regulatory protections afforded to retail clients in relation to one or more particular services or transactions, or in relation to one or more types of product or transaction.

MiFID is clear that professional clients (or ECPs) are responsible for requesting to opt down their category status, when they are unable to properly assess or manage the risks involved.

The ways in which a client may be provided by the Company with additional protections includes re-categorization on:

- (a) a general basis;
- (b) a trade by trade basis;
- (c) in respect of one or more particular services or transactions; or
- (d) in respect of one or more types of products or transactions.

Notification to clients - MiFID Requirement

Investment Companies must notify new clients of their categorization as a retail client, a professional client or an eligible counterparty.

Prior to the provision of services the Company will inform the client of:

- his categorization;
- any right that the client has to request to a different categorization;
- any limitations to the level of client protection that such a different categorization would entail.

When the Company intends to re-classify or re-categorize a client, the Company will notify the client of the given re-classification or re-categorization. The Company will obtain from the client written consent to the change for this, prior to transacting any further business with the client.