

CLIENT CATEGORISATION POLICY

1. GENERAL

- 1.1. According to the Provision of Investment Services, the Exercise of Investment Activities, the Operation of Regulated Markets and Other Related Matters Law 144(I)/2007, as subsequently amended from time to time (“the Law”), VPR Safe Financial Group Ltd (“the Company”) is required to categorize its Clients into one of the following three categories: retail, professional or eligible counterparty.
- 1.2. VPR Safe Financial Group Ltd is authorized and regulated by the Cyprus Securities and Exchange Commission (CySEC), with License Number 236/14 and the operations of the Company are governed by the Markets in Financial Instruments Directive (MiFID). The foundations of the services offered to clients are based on the license granted to the Company by CySEC.
- 1.3. As part of the account opening procedure, the Company performs an Appropriateness Test, where the Client is asked a number of questions to enable the Company to assess the Client’s experience and knowledge of trading. Based on the outcome of this test, MiFID requires that Clients are categorised into Retail, Professional or Eligible Counterparty. The Company initially categorises all Clients by default as Retail irrespective of the information provided. The Client may request to be re-classified as Professional or Eligible Counterparty thereafter.

2. CATEGORISATIONS

- 2.1. The categorization criteria provided in MiFID are the following:
 - I. **“Retail Client”** is a Client who is not a Professional Client, nor an Eligible Counterparty as defined in paragraph 3 further below. It is noted that Retail Clients are afforded with the highest level of protection.
 - II. **“Pre Se Professional Client”** is a Client who possesses the experience, knowledge and expertise to make their own investment decisions and properly assess the risks that incur. In order to be considered a professional client, a Client must fall into one of the following classes:
 - a) 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 above Directive, entities authorized or regulated by a non-Member State.

This list includes:

- 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 funds
- Commodity and commodity derivatives dealers
- Locals: firms which provide investment services and/or perform investment activities consisting exclusively in dealing on own account on markets in financial futures or options or other derivatives and on cash markets for the sole purpose of hedging positions on derivatives markets or which deal for the accounts of other members of those markets or make prices for them and which are guaranteed by clearing members of the same markets, where responsibility for ensuring the performance of contracts entered into by such firms is assumed by clearing members of the same markets.
- Other institutional investors (like Portfolio Investment Companies)

b) Large undertakings meeting two of the following size requirements, on a portfolio basis:

- Balance sheet total at least EUR 20.000.000
- Net turnover at least EUR 40.000.000
- Own funds at least EUR 2.000.000.

- c) National and regional governments, public bodies that manage public debt, Central Banks, international and supranational institutions such as the World Bank, the International Monetary Fund (IMF), the European Central Bank (ECB), the European Investment Bank (EIB) 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.
- e) Clients who may be treated as professionals on request, following approval by the Company (please see further below under section 3 “Request for Different Categorisation”).
- f) The entities mentioned above from (a) to (d) are considered to be professional in relation to all investment services and financial instruments. The Clients mentioned in (e) may be treated as professionals generally or in respect of a particular investment service or transaction, or type of transaction or product.

III. “**Professional Client / Elective Professional Clients**)” Before a client can be categorized as a Professional the Client, must meet two of the following criteria:

- The Client has entered into transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous consecutive quarters;
- The size of the Client’s financial instruments portfolio, defined as including both cash deposits and financial instruments, exceeds EUR 500,000; and
- 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.

Clients 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

As a **Professional Client**, the Client will lose the following protections afforded to Retail Clients.

- The client is not eligible to seek the services of the Financial Ombudsman (FOS) and will not be eligible for compensation under the Investors Compensation Fund (ICF).



- Company's communications, including financial promotion will not be subject to all the retail regulatory requirements.
 - Where the Company assess whether a product or service is appropriate for the Client, the Company can assume that the client has the necessary level of knowledge and experience to understand the risks involved.
 - When providing clients with Best Execution, the Company is not required to prioritise the overall costs of the transactions as being the most important factor in achieving Best Execution for the client.
 - As a professional client, clients will still be covered by the Negative Balance protection as per applicable Laws and Regulations.
- IV. **"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 Firm
 - Credit institutions
 - Insurance Companies
 - UCITS and their management companies
 - Portfolio Investment Companies
 - Pension Funds and their management companies
 - 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 section 3, subsection 2, paragraphs

(k) and (l), national governments and their corresponding offices, including public bodies that deal with public debt, central banks and supranational organisations.

3. REQUEST FOR DIFFERENT CATEGORISATION

3.1. A Retail Client has the right to request a different categorisation as a Professional Client but they will be afforded a lower level of protection as well. The Company is not obliged to grant a different category.

3.2. Tests and Criteria

3.2.1. The Company is allowed to treat any of the retail clients as professional provided the relevant criteria and procedures mentioned below are fulfilled.

3.2.2. 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 to be undertaken by the Company, will give reasonable assurance, in light of the nature of the transactions or services envisaged, that the Client is capable of making their own investment decisions and understanding the risks involved.

3.2.3. The fitness test applied to managers and directors of entities licensed under Directives in the financial field could be regarded as an example of such an assessment should be the person authorised to carry out transactions on behalf of the entity.

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

- The Client has entered into transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous consecutive quarters;
- The size of the Client's financial instruments portfolio, defined as including both cash deposits and financial instruments, exceeds EUR 500,000; and
- 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.

3.3. Procedure

3.3.1. In order to waive the benefits for the detailed rules of conduct for the Clients provided under MiFID II regulations, the following procedure needs to be followed:

- Clients 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;
- The Company will give Clients a clear written warning of the protections and investor compensation rights they might lose; and
- Clients must accept in writing in a separate document from the contract, that they are aware and acknowledge the consequences of losing such protections and accept them.

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.

3.4. 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 outlined in sections 3.2 – 3.3 above.

3.5. 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 they deem they are 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 product or transaction.

3.6. On request, the Company may also recognise as an Eligible Counterparty which fall within a category of Clients who are to be considered professional Clients in accordance to the fitness test. In such cases, however, the undertaking concerned shall be recognised as an Eligible Counterparty only in respect of the services or transactions for which it could be treated as a Professional Client.

3.7. The Company reserves the right to decline any of the above requests for different categorisation.

3.8. [Keeping the Company Informed](#)

All Clients are responsible for keeping the Company informed about any change which could affect their current categorisation. However, if the Company becomes aware that the Client no longer fulfils the initial conditions which made it eligible for a professional treatment, the Company should take appropriate action.

4. [TYPES OF REQUESTS FOR DIFFERENT CATEGORISATION](#)

4.1. The following requests may be submitted to the Company should a Client wish to change its categorisation:

- a) A Retail Client can request to be categorised as a Professional Client. The Client therefore accepts a lower level of protection.
- b) A Professional Client can request to be categorised as a Retail Client. The Client therefore obtains higher level of protection.
- c) An Eligible Counterparty can request to be categorised as a Professional Client or a Retail Client. The Client therefore obtains higher level of protection.

4.2. It is noted that the Company is not required to agree with a request for non-professional or non-Eligible Counterparty treatment. In addition, the Company may, on its own initiative, treat as a Professional or Retail Client an Eligible Counterparty or treat as a Retail Client a Professional Client.

4.3. Clients wishing to change their Client Categorisation may advise the Company in writing stating the categorization they require.

5. [PROTECTION RIGHTS](#)

5.1. [Retail Clients](#)

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 and or an

Eligible Counterparty. In summary, the protection rights Retail Clients are entitled to are as follow: (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.
- 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 are be entitled to compensation under the Investor Compensation Fund (“ICF”) for Clients of Investment Firms.

5.2. Professional Clients and Eligible Counterparties

Where the Company treats the Client as a Professional client and or Eligible Counterparty, the Client will be entitled to fewer protections under the Law than it would be entitled to as a Retail. In particular and in addition to the above of paragraph 5.1 (the list may not be exhaustive):

- a) The Company is not required to provide the Client with best execution in executing the Client’s orders.
- b) The Company is not required to implement procedures and arrangements which provide for the prompt, fair and expeditious execution of its Client orders, relative to other Client orders or its trading interests.
- c) The Company is entitled to assume that a Professional Client and or Eligible Counterparty have 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 and or Eligible Counterparty. Consequently, and unlike the situation with a Retail Client.
- d) The Company is not required to assess the appropriateness of a product that it provides to Client but can assume that the Client have the expertise to choose the most appropriate product or service for itself.
- e) The Company is not required to provide the Client with information about the Company, its services, financial instruments and proposed investment strategies, execution venues, the arrangements through which the Company will be remunerated and other relevant information.



- f) The Company is not required to provide reports to the Client on the execution of its orders or the management of his investments.
- g) The client is not eligible to seek the services of the Financial Ombudsman (FOS) and will not be eligible for compensation under the Investors Compensation Fund (ICF).

6. REVIEW OF THE POLICY

The Policy is reviewed by the Compliance Function on a regular basis and at least once a year.

The Company will update the Policy whenever necessary. Updates may occur in case of:

- changes in legislation
- changes in the Company's business operations, including the implementation of new systems
- organisational changes within the Company
- new internal rules, procedures or policies within the Company
- emergence of new risks
- changes in technologies.

The previous list is not exhaustive.