



CLIENT CATEGORISATION

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Notesco Financial Services Limited (the “Company”), whose registered office is at 2, Iapetou street, 4101, Limassol, Cyprus is authorised and regulated by Cyprus Securities and Exchange Commission under licence number 125/10.

Following the implementation of the Markets in Financial Instruments Directive of 2014/65/EU (MiFID II) as well as the Investment Services and Activities and Regulated Markets Law of 2017 (Law 87(I)/2017), the Company is required to classify its Clients into one of the following three categories: retail, professional or eligible counterparty.

A. **Retail Client** is a client who is not a professional client or an eligible counterparty.

A retail client receives the highest possible level of protection pursuant to Law 87(I)/2017 and shall be entitled to the below (list not exhaustive):

- to receive information from the Company in relation to the provided investment services and financial instruments;
- to receive information from the Company in regards to the fees and charges and the treatment of client funds;
- the assessment of the appropriateness of the products and services provided to him in accordance with his knowledge and experience;
- to receive appropriate warnings in relation to the product or service offered;
- to receive the best possible result for his order (“best execution”) in accordance with the Company’s order execution policy;
- to be compensated under the Investor Compensation Fund in accordance with the Company’s Investor Compensation Fund notice.

B. **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, the client must comply with the following criteria:

I. Categories of clients who are considered to be professionals

The following should all be regarded as professionals in all investment services and activities and financial instruments:

(1) Entities which are required to be authorised or regulated to operate in the financial markets. The list below should be understood as including all authorised entities carrying out the characteristic activities of the entities mentioned: entities authorised by a Member State

under a Directive, entities authorised or regulated by a Member State without reference to a Directive, and entities authorised or regulated by a non-Member State (Third Country):

- 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) Locals
 - i) Other institutional investors
- (2) Large undertakings meeting two of the following size requirements on a company basis:
- a) balance sheet total at least EUR 20,000,000
 - b) net turnover at least EUR 40,000,000
 - c) own funds at least EUR 2,000,000
- (3) 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, 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.

The entities mentioned above are considered to be professionals. They are however 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 must 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 product or transaction.

II. Clients who may be treated as professionals on request

II.1. *Identification criteria*

Clients other than those mentioned in section I, including public sector bodies, local public authorities, municipalities and private individual investors, may also be allowed to waive some of the protections afforded by the conduct of business rules of the Company.

The Company should therefore be allowed to treat any of the above clients as professionals 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 in section I.

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, 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 understands the risks involved.

The fitness test applied to managers and directors of entities licensed under European 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:

- 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 EUR 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.

II.2. *Procedure*

The clients defined above may waive the benefit of the detailed rules of conduct only when the procedure below is followed:

1. 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,

2. the Company must give them a clear written warning of the protection and investor compensation rights they may lose,
3. 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.

Professional clients are responsible for keeping the Company informed about any change, which could affect their current categorisation. 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.

C. **Eligible Counterparty** for the purposes of Law 87(I)/2017 is any of the following entities to which the Company 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:

- a) Cyprus Investment Firms and other Investment Firms
- b) Credit institutions,
- c) Insurance companies,
- d) UCITS and their management companies,
- e) Pension funds and their management companies,
- f) other financial institutions authorised by a Member State or regulated under the Laws of Cyprus or under European Union Law
- g) National governments and their corresponding offices, including public bodies that deal with public debt, central banks and supranational organisations.

Third country entities equivalent to those categories of entities stated in paragraph C can also be recognised as Eligible Counterparties.

The Company may recognise an undertaking as an eligible counterparty if that undertaking falls within a category of clients who are to be considered professional clients in accordance with Second Appendix Part I of the Law 87(I)/2017, excluding any category which is explicitly mentioned in Section 31(2)(a) of the Law.

The Company may also recognise as eligible counterparties undertakings which fall within a category of clients who are to be considered professional clients in accordance with Part B of Annex II of the Law. 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.

When dealing with eligible counterparties, the Company is not obliged to comply, for instance with obligations under section 25 (General Principles and information to clients)

with the exceptions of subsections (4) and (5), section 26 (Assessment of suitability and appropriateness and reporting to clients), with the exception of subsection (6), section 28 (Obligation to execute orders on terms most favourable to the Client) and section 29.1 (Client handling rules) of the Law 87(I)/2017.

Request for Different Classification

A Retail Client has the right to request a different classification to become a Professional Client but he will be afforded a lower level of protection.

A Professional Client has the right to request a different classification as a Retail Client in order to obtain a higher level of protection.

An Eligible Counterparty has the right to request a different classification of either a Professional Client or Retail Client in order to obtain a higher level of protection.

The Company has the right to decline any of the above Client's requests for different classification.

General Information

The above information is based on the Markets in Financial Instruments Directive of 2014/65/EU (MiFID II) as well as the Investment Services and Activities and Regulated Markets Law of 2017 (Law 87(I)/2017). For more detailed information you can visit the Cyprus Securities and Exchange Commission website at <http://www.cysec.gov.cy>.

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