

FREEDOM FINANCE EUROPE LTD

CLIENT CATEGORIZATION POLICY

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1. Introduction

Freedom Finance Europe Ltd (hereinafter - “the Company” or “FFEU”) is an Investment Firm incorporated and registered under the laws of the Republic of Cyprus with registration number HE 324220. The Company is regulated by the Cyprus Securities and Exchange Commission under [license number 275/15](#) as amended and is authorized to provide investment services and perform investment activities specified in our license.

The purpose of the Client Categorization Policy document (the “Policy”) of Freedom Finance Europe Ltd (hereinafter “the Company” or “FFEU”) is to set the Company’s arrangements and mechanisms for the categorization of prospective clients as well as counterparties (i.e. when dealing on own account) under the Markets in Financial Instruments Directive II (Directive 2014/65/EU) of the European Parliament and of the Council of 15 May 2014 and the Law 87(I)/2017 on the provision of investment services, the exercise of investment activities and the operation of regulated markets of 2017.

Under Law 87(I)/2017, Clients can be classified into one of the following three categories, either for a specific service or product, where each client category entails different levels of investor protection:

- (a) Retail Clients who are afforded the highest level of protection;
- (b) Professional Clients (both “Per-se” and “Elective Professional”) who benefit from an intermediate level of protection;
- (c) Eligible Counterparties (“ECPs”), which receive the minimum level of protection.

The Policy sets out the principles and provides guidance as to the process to be followed during the Client categorization in accordance with the applicable regulatory framework as well as the Company’s current business model.

This Policy is approved by the Board of Directors (“BoD”) and is reviewed annually or more frequently, should the need arise.

In cases where there are references in any of the internal policies and procedures of

the Company in relation to issues covered by this Policy, which were approved prior to the approval of this Policy, the provisions of this Policy will prevail.

Regulatory Framework

The Policy has been prepared in accordance with the following laws, regulations, directives, and guidelines:

- Law regarding the provision of investment services, the exercise of investment activities and the operation of regulated markets of 2017 (L. 87(I)/2017) (the Law”);
- ESMA Questions and Answers document “On MiFID II and MiFIR investor protection and intermediaries’ topics”;
- Other laws, directives and circulars issued by the EU, ESMA and CySEC from time to time in relation to the client categorization-related provisions.

2. Definitions

Investment Services / Investment Activities – means any of the services/activities specified in Section 4.2.1 of this document offered by the Company.

Ancillary services – means any of the services listed in Section 4.2.1 of this document, offered by the Company in accordance with ESMA definitions, Article 4, Section B of Annex I.

Client – means any natural or legal person to whom FFEU provides Investment and/or Ancillary Services.

Retail Client – means a Client who is not a Professional Client or an Eligible Counterparty who fulfills any of the criteria stipulated in Section 6.1 of this document.

Elective Professional Client – means a Retail Client who may be treated as a Professional Client on request, following the fulfillment of two out of three criteria, stipulated in Section 6.2.2 of this document.

“Per-se” Professional Client – means a Client meeting the criteria laid down in Section 6.2.1 of this document.

Eligible Counterparty – means a Client who fulfills any of the criteria stipulated in Section 6.3 of this document.

Financial Instrument – means an asset or evidence of the ownership of an asset or a contractual agreement between two parties to receive or deliver another financial instrument; in other words, any of the instruments listed in Section C of the MiFID II Directive.

3. General principles

3.1. Policy Statement

This Policy applies to all relevant staff members of the Company who are involved in the client categorization process. All concerned employees should be aware of the provisions of this document and understand the role and importance of client categorization in determining the level of investor protection required to be offered.

The Policy constitutes part of the overall compliance framework of FFEU. The BoD must approve any exemptions to this Policy.

3.2. Current business model

3.2.1. Investment and Ancillary Services offered by the Company

The Company currently offers the following type of Investment Services:

- a) Reception and transmission of orders in relation to one or more Financial Instruments;
- b) Execution of orders on behalf of Clients;
- c) Dealing on own account;
- d) Portfolio Management;
- e) Provision of investment advice;

In addition, the following Ancillary Services are provided:

- a) Safekeeping and administration of Financial Instruments, including custodianship and related services;
- b) Granting credits or loans to one or more Financial Instruments, where the firm granting the credit or loan is involved in the transaction;
- c) Foreign exchange services that are connected to the provision of investment services.
- d) Investment research and financial analysis or other forms.

4. Client Categorization

4.1. *Retail Clients*

Under MiFID II, Retail Clients are those Clients who cannot be categorized as “Per-se” Professional Clients or Eligible Counterparties and receive the highest level of investor protection under MiFID II.

Retail Clients cannot be **presumed** to possess adequate knowledge or experience to assess the risks they incur in investment services, activities and financial instruments in contrast to Professional Clients or Eligible Counterparties and depending on the

specific Investment Service to be provided and the complexity of the Financial Instrument involved they are subject to the Appropriateness Assessment.

Under the Company's Client Categorization procedure, the following actions shall be taken:

- All clients are treated as Retail clients by default, the only exception is ECP clients;
- In the event that a Retail client requests to obtain a Professional client category, a client shall provide his wish accompanied by a fulfilled and signed Professional Client Application Form (Appendix 1);
- The Form shall be collected by the Company, 2 of 3 Professional client criteria need to be met;
- Further, the Company's Compliance Department shall analyze and assess the Form. If it is deemed necessary, documentary evidence will be collected. At the latest stage of the categorization procedure, the obtained Professional client status needs to be reflected in all the Company's internal systems and databases.

Client Categorization

Once the Client is categorized as a Retail Client, a client categorization shall be reflected in the Company's Tradernet system.

4.2. Professional Clients

A Professional Client is a client who possesses the knowledge, experience, and expertise to make its own investment decisions and properly assess the risks that it incurs.

4.2.1. "Per-se" Professional Clients

The following categories of Clients are considered to be Professional Clients in all Investment Services and Financial Instruments:

- (1) Entities that are required to be authorized or regulated to operate in the financial markets. The list below shall be understood as including all authorized entities carrying out the characteristic activities of the entities mentioned: 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 third country:
 - (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) Commodity and commodity derivatives dealers;
 - (h) Local companies;
 - (i) Other institutional investors;

- (2) Large undertakings meeting two of the following size requirements on a company basis:
 - balance sheet total: EUR 20 million;
 - net turnover: EUR: 40 million;
 - own funds: EUR: 2 million;

- (3) National and regional governments, including public bodies that manage public debt at the national or regional level, Central Banks, and international and supranational institutions such as the World Bank, the IMF, the ECB, the EIB and other similar international organizations.

- (4) Other institutional investors whose main activity is to invest in financial institutions,

including entities dedicated to the securitization of assets or other financing transactions.

The entities referred to above are considered to be Professional Clients. Prior to any provision of services, the Company will inform the Client that, based on 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.

“Per-se” Professional Clients are responsible for keeping the Company informed about any change that could affect their current categorization. However, appropriate action will be taken should the Company become aware that the Client no longer fulfills the initial conditions, which made it eligible for professional treatment.

Client Categorisation

Once the Client is categorized as a “Per-se” Professional Client, it shall be specified in the Company’s Tradernet system accordingly.

4.2.2. “Elective” Professional Clients

Clients who would otherwise be categorized as Retail Clients may be allowed to waive some of the protection afforded by the conduct of business rules by requesting to be categorized as “Elective” Professional Clients. However, such Clients will not be presumed to possess market knowledge and experience compared to Per-se Professional Clients and/or Eligible Counterparties.

Retail Clients choosing to be treated as “Elective” Professional Clients, can waive the benefit of the detailed rules of conduct only where the following procedure is followed:

- Clients must state in writing to FFEU that they wish to be treated as Professional Clients;

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

Once a client is classified as an “Elective” Professional Client, the range of protections provided by MiFID II will be waived.

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, considering the nature of the transactions or services envisaged, that the Client can make his own investment decisions and understands all the risks involved.

A test is an assessment of expertise and knowledge.

Clients applying for the re-categorization procedure shall demonstrate sufficient knowledge and experience in each type of Financial Instrument the Company is offering. Assessment of the knowledge and experience, for re-categorization purposes, is performed by the Company based on information collected using the *FFEU_Professional Client Application Form (Appendix 1)*.

The Compliance Officer shall implement the Suitability Test to assess the Client’s knowledge, experience, and expertise.

The Suitability 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 authorized to carry out

transactions on behalf of the entity.

The Company will be allowed to treat such Clients as Professional Clients, provided that, as a minimum, two of the following criteria should be satisfied:

1. the Client has carried out transactions, in significant size, the Company defines that as a threshold which is not less than 50K Euro, on the relevant market at an average frequency of 10 per quarter over the previous four quarters; For assessment of the above general criteria, the Company shall use the following criteria:

Trading Volume - The Client needs to have made an average of 10 transactions of significant size per quarter over the last 4 quarters. The minimum values for a significant size position on the different types of Financial Instruments offered by the Company are indicated in the below table:

2. the size of the Client's financial instrument portfolio, defined as including cash deposits and financial instruments exceeds EUR 500K;
3. the Client or its Authorized Person 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 fulfillment by a Client of at least two out of the three criteria set out above, as assessed as part of the Company's *FFEU_Professional Client Application Form (Appendix 1)*, is a pre-requisite for an otherwise Retail Client to be treated as an "Elective" Professional Client.

The Company is required to take all reasonable steps to ensure that the Client requesting to be treated as a Professional Client meets a minimum 2 of 3 of the

relevant requirements stated and should not automatically accept to treat as a Professional Client before the decision of the acceptance of any request for a waiver is made. Moreover, the Company does not base its assessment only on the Suitability test criteria as stated above to avoid relying solely on self-certification by the client.

The Company should take appropriate measures for obtaining further evidence to support assertions that the Client meets the identification criteria, in a form of additional documents or information, to be able to make an assessment and receive reasonable assurance that the Client can make investment decisions and understands the risks involved.

The level of detailed evidence required to support a Retail Client's request to be treated as an "Elective" Professional Client will be relevant and proportionate to the complexities and risks involved in the Financial Instruments and Investment Services offered by the Company and for which the client requested to become an "Elective" Professional Client.

Cross-check with other information:

The information provided by the Client as part of the general onboarding process, such as KYC/CDD parameters or appropriateness assessment, including information on the Client's wealth size, Client's portfolio size, and the holding of liquid assets shall be cross-checked with the information included in the Client's re-categorization request.

If there are inconsistencies indicating that the answers are not genuine, then a Retail Client's request to be treated as an Elective Professional Client will be declined.

In particular, the following table illustrates the type of evidence that the Company needs to obtain, according to the criterion involved, to ensure that a Retail Client who requested to be treated as a Professional Client meets the relevant requirements that will allow him to be qualified as such.

“Elective“ Professional Clients are responsible for keeping the Company informed about any change that could affect their current categorization. However, appropriate action shall be taken if the Company becomes aware that the Client no longer fulfills the initial conditions, which made it eligible for professional treatment.

Prohibition to incentivize the Clients

The Company should strictly refrain from implementing any form of practice that incentivizes, induces, or pressures an investor to request to be treated as a Professional Client. The information about Elective Professional status should be purely informative.

In this respect, any form of promotional language in relation to the status of a Professional Client shall be seen as incentivizing a Retail Client to request a professional client status.

Client Categorization & Professional Client Application

For more details, please refer to *sub-section 5.1 Re-categorization requests of a Retail Client to Elective Professional*.

a. Eligible Counterparties

Under MiFID II, investment firms, credit institutions, insurance companies, UCITS and their management companies, pension funds, and their management companies, other financial institutions authorized or regulated under Union law or under the national law of a Member State, national governments and their corresponding offices including public bodies that deal with public debt at the national level, central banks and supranational

organizations may be considered as the Eligible counterparties. They are considered the most mature investors and are presumed to be able to assess and manage the risks involved in the service or product obtained. The categorization of Eligible Counterparty is only available for brokerage-related services (reception, transmission, and execution of orders). A Client cannot be treated as an Eligible Counterparty when he is provided with an Investment Service of Investment Advice or Portfolio Management. Also, if the Client is a natural person, then this Client is not allowed to be treated or request to be treated as an Eligible Counterparty. Overall, Eligible Counterparties receive the lowest level of protection compared to Retail and Professional Clients.

A Client can be classified as an Eligible Counterparty if it falls under the categories (1) – (3) mentioned in *sub-section 4.2.1 “Per-se Professional Clients”*.

However, a Client can be an ECP only in relation to the Investment Services of:

- Reception and transmission of orders in relation to one or more Financial Instruments;
- Execution of orders on behalf of Clients;
- Dealing on own account;
- Portfolio Management;
- Provision of investment advice

It is the Company’s policy to classify its Clients who fall under categories (1) – (3) mentioned in *sub-section 4.2.1 “Per-se Professional Clients”* as Per-se Professional Clients unless otherwise requested by the Client.

Client Categorisation

Once the Client is categorized as an ECP, client categorization is reflected in the Company’s Tradernet system accordingly.

5. Client Re-categorisation

5.1. *Re-categorisation requests of a Retail Client to Elective Professional*

The Company, as a matter of its policy, will accept Retail's Client request to be re-categorized to an "Elective" Professional Client only in cases where such request is general and applicable to all the Investment Services provided by the Company and to all Financial Instruments, the Company is dealing with. The Company will not categorize a Retail Client as an "Elective" Professional Client only with respect to a particular Investment Service or transaction, type of transaction, or financial instrument.

In order for a Retail Client to be re-categorized as an "Elective" Professional Client, the Client shall request in writing to be treated as a Professional Client. Such a request shall be submitted to the Company, using the *Request for Treatment as a Professional Client*, which will accompany the *Client Questionnaire Form (natural & legal persons)*.

Once such a request is obtained, the prospective Client will be provided with a clear written warning via the *Warning letter for Professional Clients* to inform the Client about the protections and investor compensation rights that he/she will lose. The Client shall declare in writing that he/she is aware of the consequences of losing such protections.

In the event that the Client's requests to be treated as an "Elective" Professional Client are not accepted, the Company shall notify the Client accordingly.

5.2. *Re-categorization requests of a Per-se Professional to Eligible Counterparty*

The Clients who have been categorized as Professional Clients can after, with their express consent, request to be treated as Eligible Counterparties. Either for all services for which such opt-up is permitted by Law and/or in respect of a particular

Investment Service and/or transaction and/or type of transaction and/or Financial Instrument.

If the “Per-se” Professional Client prefers to be re-categorized as an ECP, the Client shall request to be treated as an ECP in writing.

The Company shall take all reasonable steps to ensure that the Client requesting to be treated as an ECP meets the relevant requirements under the Law stated above in *Section 4.2 a Eligible Counterparties*. If the Client cannot satisfy the requirements under the applicable requirements, the Company reserves all its rights to decline such request.

It should be noted that a Retail client and an “Elective” Professional Client should never be classified as an ECP.

The Client submitting such a request is obliged to provide all required documentation and information to the Company.

If the Company accepts such a request, the Client shall be provided with a clear written warning via the *Warning letter for ECPs*, to ensure that the Client is informed about the range of protections the Client will lose.

The Client shall declare in writing that it is aware of the consequences of losing such protections.

5.3. *Re-categorization requests of an Eligible Counterparty to Per-se Professional*

Clients that have been categorized as ECPs may, with their express consent, request to be treated as Professional Clients for all services for which the Law permits such opt-down.

In such cases, the ECP shall sign and return to the Company the *Request for re-categorization from an Eligible Counterparty to a Professional Client*.

According to MiFID II, an ECP may also request to be re-categorized to Retail Client.

For the Company to accept such requests, the Company shall consider factors such as any special agreements in terms of commissions already agreed with the Client and any additional administrative work that the specific request might entail.

If FFEU accepts an ECP Client's request to be treated as either a "Per-se" Professional Client or a Retail Client, the Client shall confirm that in a written agreement with FFEU. The agreement shall specify the particular services or transactions or the types of products or transactions to which the opt-down applies. In cases where such a request is not accepted, the Company shall notify the Client via the *Notification letter for non-acceptance of a categorization request for treatment as a Professional Client*.

5.4. *Re-categorization requests of a Per-se Professional to a Retail Client*

Clients categorized as Per-se Professional Clients are allowed to request non-professional treatment and, instead, be treated as Retail Clients to obtain a higher level of protection.

In such cases, the Per-se Professional Clients shall sign and return to the Company the *Request for re-categorization from Per-se Professional Client to Retail Client*.

The Company shall assess all factors, such as any special agreements in terms of commissions already agreed upon with the Client and any additional administrative work that the specific request might entail, before accepting such requests.

If FFEU accepts a Per-se Professional Client's request to be treated as a Retail Client, the Client shall enter into a new written agreement with FFEU. In cases where

such a request is not accepted, then the Company shall notify the Client accordingly.

6. Monitoring of the Client's categorization status

During the Client re-assessment process, the Company shall monitor any changes concerning the Client's profile changes. In the event, that the Company's responsible employee becomes aware that the Client's circumstances are not valid compared to the information initially indicated in the *Client Categorization Questionnaire Form (natural & legal persons)*, the responsible employee shall follow up with the Client in order to establish the new circumstances and re-categorize the Client accordingly.

The Company's responsible employee should send the relevant documentation/notification to the Compliance Department for approval.

Examples of circumstances that a Client's categorization may be affected are described below, but not limited to:

- A Professional Client informs the Company that the circumstances around its initial categorization have been changed, for example:
 - the authorized person status change (for elective professional clients);
 - license has been revoked/suspended;
 - the Client submits a request for re-categorization to the Company.

- The Company becomes aware that the client no longer fulfills the initial conditions, which made him eligible to be treated as a Professional Client ("elective" or "per-se") or Eligible Counterparty. Such criteria may include:
 - the authorized person status change (for elective professional clients);
 - license is revoked/frozen
 - the Client's financial position has been changed, and the criteria used for

categorization of the Client as a Professional Client (large undertaking) are no longer fulfilled.

- sanctions imposed on Client;
- the Client submits a request for re-categorization to the Company;
- other reasons/events that may come to the Company's attention.

7. Client Categorization Policy update

The Policy shall be reviewed and updated at least annually or where the need arises.

The Board shall approve any amendment or the abolition of this Policy of Directors, the Executive Director and the Compliance Officer of FFEU.

Professional Client Application Form

Client Name _____

Client ID _____

I hereby confirm my request to be classified as a Professional client.

Made trades in a significant volume in relevant markets with an average frequency of at least 10 trades per quarter for the period of the previous four quarters Yes No

The volume of my portfolio of securities, including free funds and financial instruments, exceeds 500,000 euros _____ Yes No

I have worked for at least one year in the finance sector in a professional position that requires knowledge of the proposed transactions or services _____ Yes No

I hereby confirm that I want to be considered as a Professional Client.

I hereby confirm that I want to be considered a Professional Client in relation to the following services, or transaction, or type of transaction, or product:

Bonds _____ Yes No

Shares _____ Yes No

Derivative financial instruments _____ Yes No

ETF _____ Yes No

IPO _____ Yes No

REPO _____ Yes No

I have read the Client Categorization Policy, and I am aware of the measures of protection and compensation that I may lose as a Professional Client _____ Yes No

Attached files:

Date _____

Client _____

Loss of Protection Notice

Please be informed that as a Professional Client you will lose some investor protections such as:

Access to the Financial Ombudsman Service

As a result of a re-categorization as a Professional Client you may be restricted or lose the right access to the Financial Ombudsman Service. Professional clients and eligible counterparties where the person is an individual acting for purposes outside his trade, business, craft or profession may still be classified as eligible complainants. Nonetheless, Freedom Finance Europe Ltd operates a 'treating customers fairly' policy, and an impartial compliance officer will deal with any complaint.

Financial Promotions

Certain rules regarding the form and content of financial promotions will not be applicable. All the financial promotions we communicate to approve. In the event that a specific investment appears we will not be required to provide you with a comprehensive description of the nature of the investment, the commitment required and the risks.

Disclosure of charges, remuneration or commission

The rules of the Cyprus Securities and Exchange Commission do not require us to inform you, in writing, of the basis or amount of our charges applicable to the services we will be providing and the nature or amount of any other income receivable by ourselves or our associates which is attributable to those services.

Customer's understanding of risk

We do presume that you understand the nature of any risks involved in any specific investments or transactions that we recommend to you. We will assume that you are able to judge the types and degree of risks stemming from the various types of investments.

Suitability

We will assume that you are able to judge the suitability of our recommendations and that you have or can obtain any information we have not provided, which is necessary to make an informed decision about whether to invest.



Clear Fair and Not Misleading Communications

We will consider your expertise to stay compliant with the requirement under the regulatory system that communications must be clear, fair, and not misleading.

Compensation

You will not be eligible to seek the services of the Investor Compensation Fund and may not be eligible for compensation under its protection and the Cyprus Securities and Exchange Commission.

Request for change in classification

After Freedom Finance Europe Ltd has categorized you as a Professional Client, you may request for the category to be changed. It is the responsibility of 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. The higher degree of protection will only be approved if, after your request, a written agreement is signed between Freedom Finance Europe Ltd and your confirmation that you no longer wish to be treated as a Professional Client.