

# CLIENT CATEGORIZATION POLICY

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## 1. INTRODUCTION

Following the implementation of the Markets in Financial Instruments Directive 2014/65/EU (“MiFID II”) and in accordance to the provisions of the Financial Services and Activities and Regulated Markets Law of 2017 (the “Law”), Conotoxia Ltd (the “Company”), as a Cyprus Investment Firm, regulated by Cyprus Securities and Exchange Commission (“CySEC”) with license number 336/17, is required to categorize Clients as either (a) Retail; (b) Professional; or (c) Eligible Counterparties.

This Client Categorisation Policy (the “Policy”) outlines how clients are categorised in accordance with MiFID II requirements. The categorisation determines the level of protection provided to clients and the obligations of the Company. The Company shall inform clients of their categorisation, the implications of such categorisation, and their right to request a different status, where applicable.

## **2. CATEGORIZATION CRITERIA**

The criteria entailed for categorizing Clients based on the relevant provisions of the Law are as follows:

### **2.1 Retail Client**

Retail clients are not the Professional clients and receive the highest level of protection under MiFID II. This includes comprehensive disclosures, suitability assessments, and best execution requirements.

Retail clients are typically individuals or smaller businesses with limited investment knowledge or experience.

Key Characteristics:

- Higher level of investor protection.
- Detailed disclosures on risks and product features.
- Suitability assessments to ensure investment products are appropriate.
- Strict requirements on the firm to achieve best execution.

### **2.2 Professional Client**

Professional clients are clients who possess the experience, knowledge and expertise to make their own investment decisions and assess the associated risks. This category includes large corporations, financial institutions, and other entities meeting specific size and experience thresholds.

Key Characteristics:

- Lower level of regulatory protection than retail clients.
- Firms are not required to provide detailed disclosures on risks.
- Suitability and appropriateness tests may be less stringent.
- Professional clients are expected to understand the risks of complex financial instruments.

Professional clients fall under one of the following categories:

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 European Community Directive, entities authorised or regulated by a member state without reference to such Directive, and entities authorised or regulated by a third country:

- a. Credit institutions,
- b. Investment Firms,
- c. Other authorised or regulated financial institutions,
- d. Insurance undertakings,
- 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, and
- i. Other institutional investors.

Large undertakings meeting two of the following size requirements, on a proportional basis:

- a. Balance sheet total at least €20,000,000,
- b. Net turnover at least €40,000,000, and
- c. Own funds at least €2,000,000.

3. National and regional governments, including public bodies that manage public debt at national and 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 organizations.

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

Clients categorized as Professionals clients are solely responsible for informing the Company about any change which could affect their categorization.

### 2.3 Eligible Counterparties

Eligible Counterparties are the most sophisticated clients, including financial institutions, investment firms, and large corporations engaged in trading on their own account. They receive the lowest level of protection under MiFID II.

Key Characteristics:

- Minimal regulatory protection.
- No requirement for the firm to provide detailed risk disclosures or suitability assessments.
- Transactions are typically executed on behalf of the client without detailed oversight of execution quality.

**Eligible Counterparties** are any of the following entities to which the services of reception and transmission of orders on behalf of clients and/or execution of orders and/or dealing on own account is provided: Cyprus Investment Firms (“CIFs”), other Investment Firms (“IFs”), credit institutions, insurance undertakings, UCITS and their management companies, pension funds and their management companies and other financial institutions authorised or regulated under European 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 national level, central banks and supranational organisations.

### 3. NOTIFICATION TO CLIENTS REGARDING THE CATEGORIZATION

The Company shall inform, in durable medium, clients about their categorization, in accordance with the Law.

The Company shall inform clients about their rights and obligations arising of the categorization and provide such as the level of protection applied to the relevant category, the implications of the categorisations related to the suitability assessment and best execution as well as their right to request a different change in their categorization.

### 4. RE-CATEGORIZATION

Clients have the right to request a different categorisation. This can include:

- Retail Clients requesting to be treated as professional clients “Elective Professional Clients”.
- Retail Experienced - Clients residing in the territory of Poland may request to change their categorization from “Retail Client” to “Retail Experienced Client”.
- Professional clients opting to be treated as Retail Clients in order to obtain greater regulatory protection.
- Eligible Counterparties requesting to be re-categorized and treated as either Retail or Professional Clients, in order to be afforded a higher level of protection.

It is noted that the Company will assess specified quantitative and qualitative criteria in accordance with the provisions of the Law and the change of categorization will depend on its absolute discretion.

### 5. RE-CATEGORIZATION FROM RETAIL TO PROFESSIONAL CLIENT

Retail Clients may request to be treated as Professional Clients, provided that at least two of the following criteria are met:

- a. 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,
- b. the size of the Client's financial instrument portfolio, defined as including cash deposits and financial instruments exceeds €500,000,

c. 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 clients defined above may waive the benefit of the detailed rules of conduct only where the following procedure is followed:

a. they must state in writing to the Company 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 must give them 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 contract, that they are aware of the consequences of losing such protections.

Before deciding to accept any request for waiver, the Company shall take all reasonable steps to ensure that the relevant client(s), requesting to be treated as a Professional Client(s) meets the requirements stated above.

The relevant clients must request, their wish to be treated as “Elective Professional Client”, through Customer Panel, by completing a Professional Client Questionnaire and providing the acknowledgment to have necessary knowledge and experience by agreeing to the relevant changes in the trading conditions, when applying, as per the below:

“I have appropriate knowledge, experience and expertise to manage trading account(s) on a higher leverage (up to 1:300 on specific financial instruments). With this request I confirm that I wish to be treated as a Professional Client and I confirm that I understand that there are some implications when changing the client categorization, as well as losing some protection afforded to Retail Clients.”

## 6. RE-CATEGORIZATION FROM RETAIL TO EXPERIENCED RETAIL CLIENT

Retail clients residing permanently in the territory of Poland, have the ability to be categorised as “Retail Experienced Client” considering that the relevant client meeting the requirement of the experience and knowledge, specifically:

### 1. Experience:

Retail Client concluded in the last 24 months:

a. opening transactions with CFDs with a nominal value of equivalent of at least EUR 50,000 \* in PLN each, with a frequency of at least 10 transactions opened, per quarter over four quarters;

or

b. opening transactions with CFDs with a nominal value of equivalent of at least EUR 10,000 \* in PLN each, with a frequency of at least 50 transactions opened, per quarter over four quarters;

or

c. opening transactions with CFDs with a total nominal value of at least EUR 2.000.000 \* in PLN, with at least 40 transactions opened per quarter in four quarters;

## 2. Knowledge:

Retail Client has adequate knowledge of derivatives, including CFDs, supported by:

a. appropriate professional certificates, in particular: Investment Advisor, Securities Broker, Chartered Financial Analyst, Financial Risk Manager, Professional Risk Manager, ACI Dealing Certificate, ACI Diploma, or relevant field education;

or

b. completion of a minimum of 50 hours of training in derivatives, including CFDs, confirmed by obtaining relevant certificates or confirmations issued on the basis of knowledge verification by relevant training providers, within the last 12 months;

or

c. confirmation to be performing or has performed activities, or work or worked on the basis of an employment contract, or other contractual relationship, that is the basis for performing the function, for at least a year in a position that requires professional knowledge regarding transactions in CFDs or other derivatives.

\* Equivalent amounts expressed in euros referred to in point 1 shall be determined using the average euro exchange rate announced by the National Bank of Poland on the day preceding the date of submission of the application by the retail customer in which the exchange rate was announced.

The relevant Retail Client(s) should request, in writing, from the Company wishing to be treated as Retail Experienced Clients by completing the relevant application available on the Company's website(s) named "The Retail Experienced Application Form". Furthermore, the relevant Retail Client(s) are required to complete the Retail Experienced Client Questionnaire and provide supporting information accordingly.

If the Company becomes aware that the relevant client(s) no longer meet the conditions being Retail Experienced Client(s), the Company will take steps to change the status of the relevant client(s) to the Retail Client accordingly.

## 7. PROTECTION AFFORDED TO RETAIL CLIENTS

Retail Clients are provided with the following, in comparison the protection afforded to the Professional Clients and Eligible Counterparties:

1. Retail Clients are provided with more information regarding the Company's fees, charges, and expenses,
2. The Company shall take all reasonable steps to ensure that the Retail Client(s) order(s) is executed in a manner as to obtain best possible results,
3. Retail Client(s) receive ex-post information regarding executed order(s),
4. Retail Client(s) provided the service of Portfolio Management will receive more detailed and frequent information,



5. Retail Client(s) is informed of the Company's liability in relation to possible solvency issues of the custodian where Clients' financial instruments and funds are held (segregated accounts),
6. Retail Client(s) is informed of the Company's Conflict of Interest Policy,
7. Retail Client(s) is be informed of the Company's complaint handling policy/procedures, and
8. Retail Client(s) is eligible for possible coverage from the Investor's Compensation Fund ("ICF").