



Lykke Cyprus Ltd

Client Categorization

Document Name:	Client Categorization -
Last Update:	22/03/2018
Pages:	9

Abstract:

*This document delineates our policies and procedures for the Remuneration of the stuff in the Company.
This document summarizes our recommended procedures.*

Proprietary Restriction:

This controlled document is property of Lykke Cyprus Ltd.
any disclosure, reproduction or transmission to unauthorized
parties without the prior written permission of Lykke Cyprus Ltd is prohibited.

Contents

1. PROFESSIONAL CLIENTS	4
2. PROCEDURE	6
3. ELIGIBLE COUNTERPARTIES	6
4. COMPLIANCE DER ECEXUTION POLICY	7
5. RETAILS CLIENTS	7
6. PROFESSIONAL/ELIGIBLE COUNTERPARTIES	9

1. PROFESSIONAL CLIENTS

1.1 Professional Clients

According to the Second Appendix (section 2) of the Investment Services and Activities & Regulated Markets Law 144(I) of 2007 the Republic of Cyprus, “professional client” is a client who possesses the experience, knowledge and expertise to make its own investment decisions and properly assess the risks that it incurs.

Several criteria/requirements must be taken into consideration when assessing whether a client is professional:

A. Categories of clients who are considered to be professionals

The Company shall regard the following as professionals in relation to all investment services and activities and financial instruments:

1. Entities which are required to be authorised or regulated to operate in the financial markets including organizations such as:

- (a) Credit institutions;
- (b) Investment Firms (IFs);
- (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;

Further to the above, it shall be noted that the aforementioned list includes all authorised entities carrying out the characteristic activities of the entities mentioned and are authorized by a member state under a European Community Directive, authorised or regulated by a member state without reference to such Directive, and/or authorised or regulated by a non- Member State.

2. Large undertaking meeting which meets two of the following requirements (on a proportional basis):

- a. Its balance sheet is equal or exceeds €20,000,000;
 - b. Its net turnover is equal to or exceeds €40,000,000; or
 - c. Its own funds equals to or exceeds €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 securitization of assets or other financing transactions.**

It shall be noted that the aforementioned entities are allowed to request non-professional treatment and subsequently IFs may agree to provide a higher level of protection.

It is the responsibility of the client to ask for a higher level of protection in cases where 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.

B. Clients who may be treated as professionals on request:

In accordance with the above, the following request may be submitted to the company:

- A Retail Client requesting to be categorised as a Professional Client. In that case the Client will be afforded a lower level of protection.
- A Professional Client requesting to be categorised as a Retail Client. In that case the Client seeks to obtain a higher level of protection.
- An Eligible Counterparty requesting to be categorised as a Professional Client or Retail Client. In that case the Client seeks to obtain a higher level of protection. The Company reserves the right to decline any of the above requests for different categorisation.

1. Identification criteria

Clients other than those mentioned in point A above, including public sector bodies 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 shall treat any of the above clients as professionals provided the relevant criteria and procedures 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 point A above.

- Clients who meet the requirements of knowledge and experience in trading in complex financial instruments and requests that they are treated as Eligible Professional Clients can do so via request. Such requested, will be positively considered if two of the following three criteria are 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 euro;
- 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 Company reserves the right to request independent documentary evidence to support the above criteria. Permission of the elective classification to a Professional Client will not be granted if the above conditions are not met.

2. PROCEDURE

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

- they must state in writing through email at the Customer Support Center 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,
- the Company must give them a clear written warning of the protections and investor compensation rights they may lose,
- 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 must 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 categorization. Should the Company become aware however that the client no longer fulfils the initial conditions, which made him eligible for a professional treatment, the Company must take appropriate action.

3. 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 as set in section 5.1 above, excluding

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

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 point B section 5.1 above. 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.

Where an eligible counterparty requests treatment as a client whose business with the Company is subject to the Company's business obligations when providing investment services to clients, but does not expressly request treatment as a retail client, and the Company agrees to that request, the Company shall treat that eligible counterparty as a professional client.

However, where that eligible counterparty expressly requests treatment as a retail client, the provisions in respect of requests of non-professional treatment specified in part A of section 5.1 shall apply.

4. COMPLIANCE DER ECUTION POLICY

In cases the Company receives and transmits orders on behalf of clients, may bring about or enter into transactions with eligible counterparties without being obliged to comply with the obligations under section 5 above in respect of those transactions or in respect of any ancillary service directly related to those transactions.

The Company, when it enters into transactions with eligible counterparties, obtains the express confirmation from the prospective counterparty that it agrees to be treated as an eligible counterparty. This confirmation may be obtained either in the form of a general agreement or in respect of each individual transaction.

5. RETAILS CLIENTS

Retail client is every client who does not satisfy the criteria to qualify as to a Professional Client or Eligible Counterparty.

C. PROTECTION RIGHTS

Retail Clients/ Professional Clients

Where the Company treats the Client as a retail client, he/she/they will be entitled to more protections under the law than if the Client was entitled to be a professional client. In summary the additional protections retail clients are entitled to are as follows:

- A retail client will be given more information/disclosures with regard to the Company, its services and any investments, its cost, commissions, fees and charges and the safeguarding of client financial instruments and client funds.
- Under the Law, where the Company provides investment services other than investment advice (in the form of personal recommendations) or discretionary portfolio management, 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 investment firm 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. Please note that the Company is not required to assess appropriateness in certain cases specified by law.
- The Company shall be entitled to assume that a professional client has 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.

Consequently, and unlike the situation with a retail client, the Company should not generally need to obtain additional information from the client for the purposes of the assessment of appropriateness for those products and services for which they have been classified as a professional client.

- When executing orders, investment firms and credit institutions providing investment services 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 their clients.
- Where the Company executes an order on behalf 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 cost 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 the third parties involved in the execution of the order.
- When providing professional clients with best execution the Company is not required to prioritise the overall cost of the transaction as being the most important factor in achieving best execution for them.

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.

The Company is required to provide retail clients:

- i. with more information than professional clients as regards execution of orders, other than for portfolio management.
- ii. With periodic statements in respect of portfolio management activities carried out on their behalf, more frequently than for professional clients,

Where the Company provides portfolio management transactions for retail clients or operate retail client accounts that include an uncovered open position in a contingent liability transaction, it shall also report to the retail client any losses exceeding any predetermined threshold, agreed between the Company and the client, no later than the end of the business day in which the threshold is exceeded or, in case where the threshold is exceeded on a non-business day, the close of the next business day.

Retail clients may be entitled to compensation under the Investor Compensation Fund for Bank Clients or the Investor Compensation Fund for Clients of Investment Firms, as the case may be.

6. PROFESSIONAL/ELIGIBLE COUNTERPARTIES

Where the Company treats the Client as an eligible counterparty, the Client will be entitled to fewer protections under the law than he/she/they would be entitled to as a professional client. In particular, and in addition to the above:

- a. The Company is not required to provide the Client with the best execution the Client's orders;
- b. The Company is not required to disclose to Client information regarding any fees or commissions that the Company pays or receives;
- c. The Company is not required to assess the suitability or appropriateness of a product or service that it provides to Client but can assume that the Client have the expertise to choose the most appropriate product or service for him/her/they and that he/she/they is/are able financially to bear any investment risks consisted with his/her/their investment objectives;
- d. The Company is not required to provide the Client with information about the Company, its services and the arrangements through which the Company will be remunerated;
- e. The Company is not required to provide the Client with risk disclosures on the products or services that he/she/they select/s from the Company; and
- f. The Company is not required to provide reports to the Client on the execution of his/her/their orders or the management of his/her/their investments.