

CLIENT CATEGORISATION POLICY

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1 Board of Directors

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1. INTRODUCTION

Xtellus Europe Limited (hereinafter, “the Company”) is an Investment Firm regulated by the Cyprus Securities and Exchange Commission (hereinafter, “CySEC”) with License number 446/24, having its principal place of business at 26 Spyrou Kyprianou, 4040, Limassol, Cyprus and is registered with the Registrar of Companies in Nicosia under the number HE 447781.

The Company is operating under Directive 2014/65/EU of the European Parliament and of the Council (the “Markets in Financial Instruments Directive 2014/65/EU” or “MiFID II”) and under Regulation (EU)600/2014 of the European Parliament and the Council on markets in financial instruments and amending Regulation (EU)648/2012 (the “MiFIR”), which was implemented in Cyprus by the Investment Services and Activities and Regulated Markets Law of 2017 (Law 87(I)/2017) (as the same may be modified and amended from time to time), the Laws for the Prevention of Money Laundering and Terrorist Financing, Market Abuse and Insider Dealing, the General Data Processing Regulation (GDPR) as well as other legislation applicable in the Republic of Cyprus.

The purpose of the Client Categorisation Policy and Procedure of the Company is to set the Company’s arrangements and mechanisms for the categorization of prospective clients (which must first become existing customers) 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 Cyprus Law 87(I)/2017 on the provision of investment services, the exercise of investment activities and the operation of regulated markets of 2017 to 2021.

This document should be read in conjunction with the policies and procedures appearing within the Company’s website under section *Legal and Regulatory Disclosures*.

The Company is authorized to provide the following services:

Investment Services

1. Reception and transmission of orders in relation to one or more financial instruments;
2. Execution of orders on behalf of Clients;

Ancillary Services

1. Safekeeping and administration of financial instruments, including custodianship and related services;
2. Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction;
3. Foreign exchange services where these are connected to the provision of investment services;

The Financial Instruments for which the above Services can be provided:

1. Transferable securities;
2. Money market instruments;
3. Units in collective investments undertakings;
4. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash;
5. Options, futures, swaps, forwards and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event;
6. Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market, a MTF, or an OTF, except for wholesale energy products traded on an OTF that must be physically settled;
7. Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in point 6 of this Section and not being for commercial purposes, which have the characteristics of other derivative financial instruments;
8. Derivative instruments for the transfer of credit risk;

2. RESPONSIBILITIES OF THE BOARD OF DIRECTORS (“BOD”)

The BoD is responsible for approving and overseeing the implementation and maintenance of the effectiveness of the policy of this Policy. The BoD also has the responsibility of overseeing that disciplinary measures are taken and enforced, where necessary, when the provisions of this document are not observed by employees.

3. RESPONSIBILITIES OF THE COMPLIANCE OFFICER

The Compliance Officer has the following responsibilities:

- To monitor on a permanent basis and evaluating on at least an annual basis the adequacy of this Policy based on the relevant Laws and Regulation issued by CySEC and recommending to the General Manager any amendments/revisions to this Policy and Procedure.
- Reviewing and evaluating the documentation obtained from all the prospective clients during the categorisation process.
- To report to the General Manager, on at least an annual basis, on the implementation and effectiveness of this Policy and on the overall control environment for investment services and activities, on the risks that have been identified (if any).

4. CATEGORIZATION CRITERIA

Following the implementation of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments («MiFID II»), as well as the Law for the provision of investment services, the exercise of investment activities, the operation of regulated markets and other related matters (L.87(I)/2017) (the «Law») and other relevant regulations and guidelines issued by the European Securities and Markets Authority («ESMA») and/or CySEC («Regulatory Framework») the Company is required to inform and categorize its clients into one of the following three categories: Retail, Professional or Eligible counterparty.

The Company has decided to offer Investment and Ancillary Services only to Clients who, according to the Second Appendix of the Law and MiFID II, are categorized as either Professional Clients or Eligible Counterparties. Consequently, this document incorporates those provisions of the Law, applicable regulations, directives which apply to both Professional Clients and Eligible Counterparties only.

It is noted that this Policy assumes that any prospective Clients have been already on-boarded therefore, information necessary for KYC (Know-Your-Client) and AML (Anti-Money Laundering) purposes is assumed to have already been completed and the necessary approvals obtained by the Compliance and AML Department. In case the above KYC and AML procedures have not been completed, the Company cannot proceed with the provision of any services, including investment services, to prospective Clients until such onboarding procedures are duly completed.

Additionally, the provision of a new product and/or service to existing Clients is also considered in AML regulation as a trigger to check the adequacy of the Client's identification and economic profile data and information held, and therefore the relevant assessment should be completed accordingly.

The Company will only serve professional clients (including professional clients by election) and eligible counterparties.

Retail Client means any natural or legal person to whom the Company provides Investment and Ancillary Services to a client and is not a professional client.

Eligible Counterparty for the purposes of Article 31 of the Law, are defined as CIFs, other IFs, credit institutions, insurance companies, UCITS and UCITS management companies, pension funds and their management companies, other financial institutions authorised by a Member State or regulated under the laws of Cyprus or under European Union law, national governments and their corresponding offices, including public bodies that deal with public debt at national level, central banks, the Central Bank and supranational organisations. Furthermore, other undertakings meeting pre-determined proportionate requirements, including quantitative thresholds can be considered as eligible counterparties. The law recognizes as eligible counterparties, third country entities which are equivalent to those categories of entities referred to above.

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, a client must comply with one of the following criteria:

5. CATEGORIES OF CLIENTS WHO ARE CONSIDERED TO BE PROFESSIONALS

The following should 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 the Markets in Financial Instruments Directive, entities authorised or regulated by a Member State without reference to the above Directive, and entities authorised or regulated by a non-Member State:
 - Investment Firms;
 - Collective Investment Schemes and the management companies of such schemes;
 - Other Authorised or regulated financial institutions;
 - Credit Institutions;
 - Pension funds and the management companies of such funds;
 - Insurance Companies;
 - Locals;
 - Commodity and commodity derivatives dealers;

- Other Institutional Investors (like Portfolio Investment Companies).
2. Large undertakings which meet two of the following company size requirements:
 - Balance sheet total: EUR 20,000,000
 - Net turnover: EUR 40,000,000
 - Own funds: 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 IMF, the ECB, the EIB and other similar international organizations.
 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.
 5. The entities mentioned above from (1) to (4) are considered to be professionals in relation to all investment services and activities and financial instruments. 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 the client, 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 terms of the agreement in order to secure a higher degree of protection. 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, specifying whether this applies to one or more particular service or type of transaction.

6. CLIENTS WHO CAN BE TREATED AS PROFESSIONALS ON REQUEST

Identification criteria

Clients, other than categories of clients who are considered to be professionals, including public sector bodies and private individual investors, may also be allowed to waive some of the protection afforded by the conduct of business rules.

The Company is therefore allowed to treat any of the above clients as Professionals provided the relevant criteria and procedure mentioned below are fulfilled. These clients will not, however, be presumed to possess market knowledge and experience comparable to that of the categories listed in Section 5.

Any such waiver of the protection afforded by the standard conduct of business regime will 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 understanding the risks involved.

The fitness test applied to managers and directors of entities licensed under European Directives in the financial sector may 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.

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

- The client has carried out significant sized transactions 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 EUR500 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.

Procedures

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 to the Company that they wish to be treated as a professional client (additional information are provided in *Annex I and II*), either generally or in respect of a particular investment service or transaction, or type of transaction or product;
- They must state in writing in a separate document that they are aware of the consequences of losing such protection;
- The Company will give them a clear written warning of the protection and investor compensation rights they might lose.

Before deciding to accept any request for a 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 in section 5 above.

Professional clients are responsible for keeping the Company informed about any change which could affect their current categorization. However, should the Company become aware that the client no longer fulfils the initial conditions which made him eligible to be categorised as a professional, the Company will take appropriate action.

7. REQUEST FOR DIFFERENT CATEGORIZATION

The following requests may be submitted to the Company when the client wishes to change its categorization:

An Eligible Counterparty requesting to be categorized as a Professional Client.

The Company reserves the right to decline any of the above requests for different categorization. In addition, the Company may, on its own initiative, treat as a Professional an Eligible Counterparty .

8. PROTECTION RIGHTS FOR CLIENT CATEGORIES

The Company acts honestly, fairly and professionally towards all its clients and undertakes to communicate in a fair, clear and not misleading way in the relationships with any of its clients. The Company has to comply with number of organizational requirements, intended to prevent conflicts of interest, to guarantee continuous and regular provision of its services, to arrange for the records to be kept of all services, activities and transactions; to arrange for, when holding financial instruments belonging to the clients, the safeguard of the ownership rights of its clients. These requirements affect all client categories.

The Company ensures its products are approved in accordance with its internal policies and procedures and target market is specified. Based on the identified target market, access to some products may be limited to some categories of clients.

In summary, main protection/description of the clients' rights/limitations of rights per their category are as follows (the list may not be exhaustive):

PROFESSIONAL CLIENTS

- a) The Company shall be entitled to assume that a professional client has the necessary experience and knowledge to understand the risks involved in relation to those particular investment services or transactions, or types of transaction or product, for which the client has been classified as a professional client.
- b) 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.
- c) When providing professional clients with best execution, the Company is not required to prioritize the overall costs of the transaction as being the most important factor in achieving best execution for them. In some cases, best execution is not applicable for professional clients.
- d) The Company can send less extensive information to professional clients.

ELIGIBLE COUNTERPARTIES

Where the Company treats the client as an eligible counterparty, the client will be entitled to less protection under the law than he/she 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 detailed risk disclosures on the products or services that he/she selects from the Company.
- b) The Company is not required to provide detailed reports to the client on the execution of his/her orders or the management of his/her investments.
- c) The Company is not required to provide the client with best execution in executing the client's orders.
- d) The Company is not required to assess the suitability or appropriateness of a product or service that it provides to the client but can assume that the client has the expertise to choose the most appropriate product or service for him/her and that he/she is financially able to bear any investment risk consistent with his/her investment objectives.
- e) The Company has limited liabilities with regards to disclosure of information in relation to any fees or commissions that the Company pays or receives.

9. MONITORING AND REVIEW

The Company will review the Client Categorization Policy at least annually. A review will also be carried out whenever a material change occurs.

The existing Clients will be notified of any material changes or amendments to this Client Categorization Policy which may be made from time to time. The latest version of this document will also be available at the Company's website.

10. ANNEX I - Categorisation and Consent Letter (For Natural Persons)

Dear Sirs,

Further to the implementation as of 3 January 2018, within the European Economic Area, of the Markets in Financial Instruments Directive 2014/65/EU (MiFID II), Regulation 2014/600/EU (MiFIR) and the Investment Services Law of 2017 to 2021 (L87(I)/2017), the Company may hereby categorise you as:

Professional Client (“Elective Professional Client”)

It is the Company’s policy not to offer investment services to clients that would be categorized as “Retail Clients”, in accordance with the Markets in Financial Instruments Directive 2014/65/EU (“MiFID II”) and Cyprus Law regarding the provision of investment services, the exercise of investment activities and the operation of regulated markets of 2017 to 2021 (“Law (87)(I)/2017”).

In this respect, you are requested to answer the below question, as part of our assessment for your voluntary categorization as a “Professional Client”. In such case, you are informed you will be subject to the limitations of the client protection provisions of this category.

Do you fulfill any of the following criteria? If yes, please provide us with the relevant evidence, supporting your selection.

- You have 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 your financial instrument portfolio, composed of cash deposits and financial instruments exceeds EUR 500 000;
- You or, if different, any other natural person authorised to carry out transactions on your behalf (“the Authorized Person”), as the case may be, work or have worked in the financial sector for at least one year in a professional position, which requires knowledge of the transactions or services envisaged

Please note that your classification as professional client, leads to consequences of losing such protections applying to retail clients.

Information on Level of Protection

The additional protection afforded to a Retail Client compared to a Professional Client or an Eligible Counterparty includes without limitation the following:

- i. Retail Clients are provided with more information regarding the Company's fees, charges, commissions and expenses,

- ii. Retail Clients provide more information regarding their knowledge and experience in the Investment field so as to enable the Company to assess whether the investment service or product envisaged is appropriate for the Client the same may not be available for professional clients.
- iii. The Company takes all reasonable steps to ensure that a Retail Client's order is executed as such in order to obtain best possible results,
- iv. A Retail Client will receive information regarding his executed order timely and with more detail as to the content,
- v. A Retail Client who is provided the service of Portfolio Management will receive more detailed and frequent information,
- vi. A Retail Client will be informed of the Company's liability in relation to possible solvency of the custodian where Clients' financial instruments are held,
- vii. A Retail Client will be informed of the Company's Conflict of Interest Policy,
- viii. A Retail Client will be informed of the Company's complaint handling procedures, and
- ix. A Retail Client is eligible for possible coverage from the Investor's Compensation Fund
- x. Obligation of Investment Firms to assess their products, services and their target market such as the new product governance requirements.
- xi. A Retail client is eligible to receive a detailed suitability assessment in a periodic performance report in connection to portfolio and advisory services.
- xii. The Company offers a negative balance protection to retail clients only and credits the account to a zero balance if it goes into negative as a result of trading activity.

By signing this form, you confirm that you have understood the relevant risks, you accept to lose the protection offered to you as described above in "Information on Level of Protection" and to be treated as a Professional Client by the company. Furthermore, Professional clients are responsible for keeping the company informed about any change, which could affect their current categorization.

Signature:

Full Name:

Date:

Signature:

for and on behalf of the Company

Position: Executive Director

Date:

11. ANNEX II Categorisation and Consent Letter (For Legal Persons)

Dear Sirs,

Further to the implementation as of 3 January 2018, within the European Economic Area, of the Markets in Financial Instruments Directive 2014/65/EU (MiFID) and Regulation 2014/600/EU (MiFIR) (together “MiFID II”) and the Investment Services Law of 2017 to 2021 (L87(I)/2017) transposing MiFID II into national law, we hereby request the Company categorise us as:

- Professional Client (“Per se Professional Client”)
- Professional Client (“Elective Professional Client”)

Professional Client (“Per se Professional Client”)

Please specify whether the Legal Entity (“you”) is authorised or regulated to operate in the financial markets.

Yes No

If “Yes”, please select the corresponding category from the list below,

- Credit institutions;
- Investment firms;
- Other authorised 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;
- Other institutional investors whose main activity is to invest in financial instruments, including entities dedicated to the securitization of assets or other financing transactions.

Type of licence:

Licence number:

Licencing authority:
Regulator's website:

NOTE: If you have selected No, please proceed to the below Section:

Do you fulfill any of the following criteria? If yes, please provide with the latest audited Financial Statements and any other documentation supporting your selection.

Please note that if a legal person meets two of the following three criteria, they will be classified as a "Professional Client", in accordance with Markets in Financial Instruments Directive 2014/65/EU ("MiFID II") and Cyprus Law regarding the provision of investment services, the exercise of investment activities and the operation of regulated markets of 2017 to 2021 ("Law (87)(I)/2017"), for all investment services and financial instruments offered by the Company, and therefore be subject to the limitations this category entails.

- Balance sheet total exceeds: €20 000 000
- Net turnover exceeds: €40 000 000
- Own funds (share capital and reserves) amount exceeds: €2 000 000

Professional Client ("Elective Professional Client")

It is the Company's policy not to offer investment services to clients that would be categorized as "Retail Clients", in accordance with the Markets in Financial Instruments Directive 2014/65/EU ("MiFID II") and Cyprus Law regarding the provision of investment services, the exercise of investment activities and the operation of regulated markets of 2017 to 2021 ("Law (87)(I)/2017").

In this respect, you are requested to answer the below question, as part of our assessment for your voluntary categorization as a "Professional Client". In such case, you are informed that you will be subject to the limitations of the client protection provisions of this category.

Do you fulfill any two of the following criteria? If yes, please provide us with the relevant evidence, supporting your selection.

- You have 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 your financial instrument portfolio, composed of cash deposits and financial instruments exceeds EUR 500 000;
- The person authorised to carry out transactions on your behalf ("the Authorised 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.

Please note that by choosing to change your classification from retail to professional client, consequences of losing such protections applying to retail clients will be raised.

Information on Level of Protection

The additional protection afforded to a Retail Client compared to a Professional Client or an Eligible Counterparty includes without limitation the following:

- i. Retail Clients are provided with more information regarding the Company's fees, charges, commissions and expenses,
- ii. Retail Clients provide more information regarding their knowledge and experience in the Investment field so as to enable the Company to assess whether the investment service or product envisaged is appropriate for the Client the same may not be available for professional clients.
- iii. The Company takes all reasonable steps to ensure that a Retail Client's order is executed as such in order to obtain best possible results,
- iv. A Retail Client will receive information regarding his executed order timely and with more detail as to the content,
- v. A Retail Client who is provided the service of Portfolio Management will receive more detailed and frequent information,
- vi. A Retail Client will be informed of the Company's liability in relation to possible solvency of the custodian where Clients' financial instruments are held,
- vii. A Retail Client will be informed of the Company's Conflict of Interest Policy,
- viii. A Retail Client will be informed of the Company's complaint handling procedures, and
- ix. A Retail Client is eligible for possible coverage from the Investor's Compensation Fund
- x. Obligation of Investment Firms to assess their products, services and their target market such as the new product governance requirements.
- xi. A Retail client is eligible to receive a detailed suitability assessment in a periodic performance report in connection to portfolio and advisory services.
- xii. The Company offers a negative balance protection to retail clients only and credits the account to a zero balance if it goes into negative as a result of trading activity.

By signing this form, you confirm that you have understood the relevant risks, you accept to lose the protection offered to you as described above in "Information on Level of Protection" and to be treated as a Professional Client by the company. Furthermore, Professional clients are responsible for keeping the company informed about any change, which could affect their current categorization.

Legal Entity Name:

Authorised Signatory:

Date:

Signature:

Signature:

for and on behalf of the Company

Position: Executive Director

Date: