



BLACKTOWER

FINANCIAL MANAGEMENT GROUP

Client Categorisation Policy



Blacktower Financial Management (Cyprus) Ltd

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Introduction

Blacktower Financial Management (Cyprus) Ltd (hereinafter the "Company") under MIFID II to categorise any natural or legal person to whom it provides or intends to provide an investment service, as follows:

- Retail Clients
- Professional Clients
- Eligible Counterparties

The Client categorisation determines the level of protection the Client is entitled to receive when the Company is providing Investment Services.

MiFID II - Client Categorisations

1. Retail Client

A 'Retail Client' is a client who is not a Professional Client or an Eligible Counterparty.

Retail Clients cannot be presumed to possess adequate knowledge or experience to assess the risks they may incur when receiving an Investment Service. Retail Clients receive the highest level of investor protection.

2. Elective Professional Clients

Elective Professional Clients are Retail Clients who electively request to be treated like Professional Clients. The Company is allowed to treat any of those Clients as Professional Clients, provided that the relevant criteria and procedures mentioned below are fulfilled.

Those Clients will not, however, be presumed to possess market knowledge and experience comparable to that of Per-Se Professional Clients.

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 investment decisions and understanding the risks involved.

The fitness test applied to managers and directors of entities, licensed under 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 that assessment shall be the person authorised to carry out transactions on behalf of the entity. In the course of that assessment, as a minimum, two of the following criteria shall 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.

3. "Per-se" Professional clients

Per-Se Professional Clients are Clients who possess the experience, knowledge and expertise to make their own investment decisions and to assess the risks involved and comply with the following criteria:

1. Entities which are required to be authorised or regulated to operate in the financial markets.

The list below shall 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 third country:

- 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;
2. Large undertakings which satisfy at least two of the following size requirements on a company basis:
 - balance sheet total of at least EUR 20m;
 - net turnover of at least EUR 40m;
 - own funds of at least EUR 2m.
 3. National and regional governments, public bodies that manage public debt, Central Company's, international and supranational institutions (i.e. World bank, IMF, ECB)
 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.

3. Eligible Counterparties

An Eligible Counterparty' is any of the following entities

- investment firms;
- credit institutions;
- insurance companies;
- UCITS and their management companies;
- pension funds and their management companies;
- other financial institutions authorised and regulated under Community legislation or national law of a Member State;
- undertakings exempted from the application of MiFID under article 2(1)(k) or (l); national governments and their corresponding offices, including public bodies that deal with public debt;

- Central Company's and supranational institutions. (i.e. Clients fulfilling any of the criteria stipulated in points (1) to (3) above).

An Eligible Counterparty is considered to be the most mature investors and are presumed to be able to assess and manage the risks involved in the service or product obtained. The categorisation 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 it 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.

4. Client re-categorisation

Clients are allowed to request to be categorised into a different client category in respect of a particular Investment Service, transaction or type of transaction or product, provided that they fulfil certain criteria. A request for a different categorisation must always be initiated by the Client and must be done in writing.

The Company will assess such a request and inform the Client of the outcome accordingly. It is noted that the Company is not obliged to accept this request. In case where conditions change so that the Client no longer fulfils the criteria of the existing Category, the Company will re-categorise and inform that Client, accordingly.

Opting up from Retail Client to Professional Client (Elective Professional Client)

A Retail Client who wishes to be treated as a Professional Client (i.e. becoming an Elective Professional Client) needs to provide relevant evidence showing that two out of the three mentioned below 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 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.

Those Clients 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, 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.

In case that the Client is categorised as a Professional Client in respect of a particular Investment Service or type of transaction or a product, less detailed disclosures will be provided in respect of the particular Investment Service or type of transaction or product.

It is stressed that by opting up to Professional Client, the Client waives the highest protection level and the provision of information offered to Retail Clients.

Opting up from Per-se Professional Client to Eligible Counterparty

Clients who are initially categorised as Per-se Professional Clients can request to be categorised as Eligible counterparties.

It is stressed that by opting up to Eligible Counterparty, this would mean a decrease in the level of investor protection and the provision of information offered to Professional Clients.

Opting up Warning Letter

If the Client chooses to opt up, then the Company will provide the Client with an "Opting up Warning Letter" and the Client must read and acknowledge acceptance in writing, to waive the regulatory protections offered to the category from which the Client is opting out. The protections lost, amongst others, may relate to communications and the information and reports that the Company provides its Clients with and the Client's entitlement to an investor compensation scheme.

Opting down from Eligible Counterparty to Professional Client or Retail Client, OR from Professional Client to Retail Client

Clients who consider that they are unable to assess or manage properly the risks involved, may request to opt down from their current category (i.e. Eligible Counterparty to Professional Client or Retail Client OR Professional Client to Retail Client) in order to receive a higher degree of protection