



Holborn Assets

CLIENT CATEGORISATION
POLICY

JANUARY 2021

Introduction

The Client Categorisation Policy of Holborn Assets Wealth Management (Cy) Ltd (hereinafter, “the Company”) is in accordance with the demands of the “Investment Services and Activities and Regulated Markets Law of 2017” (the “Law”), pursuant to the European Directive MiFID II – Market in Financial Instruments Directive. MiFID II is the European Parliament’s and Council’s Directive 2014/65/EU and amending Directive 2002/92/EC and Directive 2011/61/EU (recast)”, as last amended by Directive (EU) 2016/1034 of the European Parliament and of the Council, of 23 June 2016, on markets in financial instruments.

The Board of Directors (the “Board”) and the Compliance Department of the Company are responsible for ensuring that an appropriate Client Categorisation Policy is in place that defines specific terms, conditions and methodologies concerning the obligations of the Company to assign a regulatory category to its clients. Holborn Assets Wealth Management (Cy) Ltd has categorised its clients as: a) Retail Clients, b) Professional Clients and c) Eligible Counterparties, based on the information it has about them. This Client Categorisation Policy is approved by the Board and shall be reviewed annually or more frequently if required because of changes of circumstances.

Aim of the Client Categorisation Policy

The purpose of this Client Categorisation Policy is to assign a regulatory category to clients in accordance with the demands of the Law. The Company must have in place a policy in order to determine the different treatment per client category, primarily relating to (a) the information provided to clients, (b) assessment of the appropriateness and suitability of the investment services & financial instruments for the specific client, (c) notices sent to the client about investment services & financial instruments offered to him, and (d) the way in which the obligation to execute clients orders on terms most favorable to them is discharged.

General Principles

The Company assigns a regulatory category to its clients, so that it can determine the correct client treatment during the provision of investment services, in accordance with the demands of the Law.

Client Categories

‘Retail Client’ is a client who is not a Professional Client or an Eligible Counterparty.

‘Professional Client’ is a client who possesses the experience, knowledge and expertise to make his own investment decisions and properly assess any inherent risks.

The classification of a client as Professional Client applies to all investment services and activities and financial instruments.

Further, Professional Clients are determined in two categories, *per se* Professional Clients and *elective* Professional Clients.

According to the legislation, *per se* Professional Clients are considered:

(a) Entities which are required to be authorised or regulated to operate in the financial markets (including 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 non-Member State), such as:

- 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.

(b) 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.

(c) National and regional governments, public bodies that manage public debt, Central Banks, international and supranational institutions, and similar international organisations. Local public authorities and municipalities which do not manage public debt, will be treated as Retail Clients by default, unless the Company is permitted to treat them as *elective* Professional Clients (as defined below).

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

The Company may treat a client, including local public authority or municipality that does not manage public debt, as an *elective* professional client if it complies with (a), (b) and (c), below:

(a) The 'Qualitative Test' requires the Company to undertake an adequate assessment of the expertise, experience and knowledge of the client that gives reasonable assurance, considering the nature of the transactions or services envisaged, that the client is capable of making his own investment decisions and understanding the risks involved.

(b) The '**Quantitative Test**' requires the Company to assess whether the client satisfies at least two of the following criteria:

- 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.

(c) The following procedure must be followed:

- the client must state in writing to the firm that it wishes to be treated as a professional client either generally or in respect of a particular service or transaction or type of transaction or product;
- the firm must give the client a clear written warning of the protections and investor compensation rights the client may lose;
- the client must state in writing, that it is aware of the consequences of losing such protections.

'**Eligible Counterparty**' is any of the following entities to which the Company provides the investment service of reception and transmission of orders only.

- investment firms;
- credit institutions;
- insurance companies;
- collective investment schemes and management companies of such schemes;
- pension funds and management companies of such funds;
- other financial institutions authorised and regulated under European legislation or national law of a Member State;

- national governments, including public bodies that manage public debt, Central Banks, and supranational institutions.

The Company shall perform a periodic assessment of the client categorisation at least annually, or when market conditions and/or client preferences, objectives and other characteristics indicate that a more frequent assessment is required.

Client Protection

The level of protection afforded per client classification relates mainly to the following:

- A. the information communicated to the client;
- B. the assessment of appropriateness and suitability of the investment service/financial instrument provided to the client;
- C. the reports sent to the client regarding the investment service or financial instrument offered;
- D. the manner in which execution of orders is performed achieving the best possible result for the client;
- E. the Investor Compensation Fund protection.

As noted above a **Retail Client** benefits from the highest level of protection when compared to a **Professional Client**. By definition, **Eligible Counterparties** receive the lowest level of client protection.

When the Company classifies a Client as a **Retail Client**, it will offer him the highest level of protection, in accordance with the demands of the “Investment Services and Activities and Regulated Markets Law of 2017” (the “Law”), pursuant to the European Directive MiFID II – Market in Financial Instruments Directive. The context of the protection and information provided to a Retail Client is summarised below:

- In cases where the Company provides Services other than Investment Advice or Portfolio Management, the Company will ask the 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 (**Appropriateness Test**). The Company requires this information in order to assess whether the investment services and financial instruments envisaged are appropriate for the client. In case, on the basis of the information received, the product or service is deemed as not appropriate for the Retail Client, the Company will warn the client accordingly. Please note that the Company is not required to assess appropriateness of financial instruments in certain cases as specified by applicable laws and definitions.
- The Company is a member of the Investor Compensation Fund (hereinafter the “ICF”), established pursuant to the relevant legislation and which operates in accordance with the Investor Compensation Fund Directive. The objective of the ICF is to secure the claims of covered and eligible clients against its

members, by paying compensation for claims deriving from the investment services provided, in case of inability of a member of the ICF to pay such compensation.

The payment of compensation is subject to the fulfillment of at least one of the following pre-conditions: (a) The CySEC has determined by Resolution that a member of the ICF is unable to meet its duties arising from its investor-clients claim in connection with the provision of investment services or the ancillary service of safeguarding of clients financial instruments or (b) a court has issued a ruling which has the effect of suspending the investors ability to lodge claims against the said member.

The amount of compensation shall be up to a maximum amount of twenty thousand Euro (€20,000) and this amount applies to the total amount of an investor toward a member of the ICF, irrespective of the number of accounts, currency and place of provision of the service. The ICF does not compensate Professional Clients (either Per Se or Elective) and Eligible Counterparties.

- When executing orders 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 costs related to execution, which shall include all expenses incurred by the Retail Client and which are directly related to the execution of the order. The Company must take all reasonable steps to achieve Best Execution of the client's orders.

The Company is obliged to inform Retail Clients of material difficulties relevant to the proper carrying out of their order(s) promptly upon becoming aware of the difficulty.

- A Retail Client will be given more information with regards to the Services and Financial Instruments offered costs, commissions, fees, charges and the services of safekeeping of client's financial instruments and funds.

When the Company classifies a Client as a **Professional Client**, it will offer him a lower level of protection when compared to a Retail Client, in accordance with the demands of the "Investment Services and Activities and Regulated Markets Law of 2017" (the "Law"), pursuant to the European Directive MiFID II – Market in Financial Instruments Directive. The context of the protection and information provided to a **Professional Client** is summarised below:

- The Company is entitled to assume, according to the applicable laws and definitions that a Professional Client has the necessary knowledge and experience to properly assess or manage the risks involved with the investment services and financial instruments offered by the Company (**Appropriateness Test**).

Consequently, and unlike the situation with a Retail Client, the Company will not generally need to obtain additional information from the Professional Client for the purposes of the assessment of appropriateness for those investment services and financial instruments offered by the Company, and for which a client has been categorised as a Professional Client.

- When executing orders on behalf of a Professional Client, the Company is not required to prioritise the overall costs of the transaction as being the most important factor in achieving Best Execution for them.

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Address: 210 Amathountos Boulevard, 4534 Pyrgos, Limassol, Cyprus, Tel: +357 25 560 504, Web: www.holbornassets.com.cy, Email: contact@holbornassets.com.cy

However, the Company considers Total Consideration to be the most important execution factor for its Professional Clients.

Whereas the Company cannot guarantee that it will be always possible to execute an order at the best price available due to market conditions and liquidity of the market, the Company will always take all the reasonable steps to achieve best execution of its client's orders.

When the Company classifies a Client as an **Eligible Counterparty**, it will offer him the level of protection in accordance with the demands of the "Investment Services and Activities and Regulated Markets Law of 2017" (the "Law"), pursuant to the European Directive MiFID II – Market in Financial Instruments Directive. The context of the protection and information provided to an Eligible Counterparty is summarised below:

- When the Company classifies a Client as an Eligible Counterparty, its obligations regarding the information provided on the nature and risks of financial instruments, transactions reporting, assessment of appropriateness, best execution, transmission or placement of orders with other entities for execution, and inducements, shall not apply to that client in respect of the investment services/activities of reception and transmission of orders, execution of orders on behalf of clients, and/or any ancillary service directly related to such transactions.
- As regards the remaining of the Company's obligations, those shall apply to Eligible Counterparties only to the extent required by applicable law. Generally, in relation to business other than reception and transmission of orders, execution of orders on behalf of a client and/or any ancillary service directly related to such transactions, an Eligible Counterparty will receive the same treatment as Professional Clients unless such Eligible Counterparty requests to be reclassified and treated as a Retail Client, and the Company agrees to such request. Acceptance of such request is at the Company's discretion. In its relationship with eligible counterparties, the Company will act honestly, fairly and professionally and communicate in a way which is fair, clear and not misleading, taking into account the nature of the eligible counterparty and its business.

Changes in Client Categorisation

The Company's clients can request, in writing, to be assigned to a different client category than the one they have already been assigned to. Such requests are subject to the conditions and criteria, laid down by the Law, being met. A request for a change in categorisation may be submitted in the following circumstances:

(a) When a **Retail Client requests treatment as a Professional Client** the Company must assess the client's expertise, experience and knowledge, and the client must satisfy at least two of the following quantitative criteria:

- 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.

The client must state in writing that he wishes to be treated as a Professional Client and the Company retains the right to accept or refuse the client's request.

(b) When a **Professional Client requests treatment as a Retail Client** the Company must determine if the client is unable to properly assess or manage the risks involved with the investment services and financial instruments offered by the Company. The Company and the client must enter into a written agreement confirming that the client will not be treated as a Professional Client and stating whether the retail classification relates to one or more particular investment services or transactions or one or more types of financial instruments or transactions.

(c) When an **Eligible Counterparty requests treatment as a Professional or Retail Client**, the client must state in writing that he wishes to be treated as a Professional or Retail Client, and the Company retains the right to accept or refuse the client's request.

Suitability and Appropriateness Assessment

In order to protect its clients, the Company performs an assessment as to whether the investment services and financial instruments it offers to them are suitable and appropriate for them and correspond to their needs and investment objectives. More specifically:

When providing investment advice or portfolio management services, the '**Suitability Test**' is performed by the Company to assess whether the investment services or the associated financial instruments are suitable for a client (assessment of suitability). Clients are requested to provide information regarding their knowledge and experience relevant to the type of financial instruments or the investment service offered or demanded, their financial situation (including ability to bear losses) and their investment objectives (including risk tolerance). In cases where clients fail to provide, or do not provide information which is up to date, complete, accurate and sufficient, the Company shall warn such clients that it is not in a position to determine whether the investment service or financial instrument envisaged is suitable for them.

In cases of clients that have been categorised as Professional Clients (either *per se* Professional Client or *elective* Professional Client), the Company is entitled to assume that such clients have the necessary experience and knowledge in order to understand the risks involved in relation to the offered investment services or financial instruments, for which the clients are classified as a Professional Client. In cases of clients that have been categorised as *per se* Professional Clients, (not an *elective* Professional Client) the Company is entitled to assume that such clients have the ability to bear losses, in relation to

the offered investment services or financial instruments, for which the clients are classified as a *per se* Professional Client.

The Company is entitled not to perform a suitability test in case of clients that have been categorised as Eligible Counterparty.

When providing investment services other than investment advice or portfolio management, the '**Appropriateness Test**' is performed by the Company to assess whether the investment services or the associated financial instruments are appropriate for a client (assessment of appropriateness). Clients are requested to provide information regarding their knowledge and experience relevant to the type of financial instruments or the investment service offered or demanded. In cases where clients fail to provide, or do not provide information which is up to date, complete, accurate and sufficient, the Company shall warn such clients that it is not in a position to determine whether the investment service or financial instrument envisaged is appropriate for them.

In cases where the investment service or financial instrument envisaged is deemed not to be appropriate, as it may entail risks that fall outside the client's knowledge and experience and/or ability to assess and/or control by way of mitigating negative consequences, the Company shall warn such clients that the investment service or financial instrument envisaged is not appropriate for them, and will not proceed to provide the investment service or transact in financial instruments that have been deemed as non-appropriate. If, and despite any of the warnings from the Company, a client still wants to proceed with the specific investment service or financial instrument, the client must indicate to the Company the decision taken to proceed, in writing, through a recorded line or through an online/electronic platform, subject to that the client is offered investment services in non-complex financial instruments that only consist of the reception and transmission of orders, with or without the provision of ancillary services.

In cases of clients that have been categorised as Professional Clients (either *per se* Professional Client or elective Professional Client), the Company is permitted to assume that clients have the necessary experience and knowledge in order to understand the risks involved in relation to the offered investment services or financial instruments, for which the clients are classified as a Professional Client.

The Company is **exempted from carrying out an assessment of appropriateness** in accordance with the foregoing, in the following cases:

- (a) Clients that have been categorised as Eligible Counterparties.
- (b) Clients that have been categorised as Retail Clients, provided all the following conditions are met:
 - (a) the investment services offered or envisaged consist only of reception and transmission of orders, with or without ancillary services, which relate to non-complex financial instruments;
 - (b) the investment service is offered at the initiative of the client or potential client;

(c) the client has been clearly informed that in the provision of this service the Company is not required to assess the appropriateness of the instrument or service provided or offered and that therefore he does not benefit from the corresponding protection of the relevant conduct of business rules;

(d) the Company complies with its obligations related to its conflicts of interest policy.

Persons subject to Suitability and Appropriateness Tests

In general, the **financial situation** and **investment objectives** should be those of the physical or legal person who is facing the Company, i.e. the underlying client which has signed the Investment Services Agreement with Holborn Assets Wealth Management (Cy) Ltd. The **knowledge and experience** should be those of the physical person, or the representative of the physical or legal person or of the person authorised to carry out transactions on behalf of the physical or legal person. In cases where the financial situation, the investment objectives, or the experience and knowledge of the persons belonging to a group of two or more natural persons differ, then the person with the weakest financial situation, the most conservative investment objectives and the person authorised to carry out transactions with the least experience and knowledge should be considered. In cases where two or more persons are authorised to carry out transactions on behalf of the group jointly (as may be the case for joint accounts), then the client profile should reflect the ability of the different relevant persons to take investment decisions.



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