

CLIENT CATEGORISATION POLICY

Following the implementation of the Markets in Financial Instruments Directive (MiFID) in the European Union and in accordance with the Investment Firms Law 2002 as amended and replaced by Law 87(I)/2017 (the “Law”), VertexAlpha Services Ltd (hereinafter the “Company”) is required to categorize its Clients into one of the following three categories: retail, professional or eligible counterparty.

I. CLIENT CLASSIFICATION

The Company, prior to engaging in business relationships with its potential clients, notifies the potential clients of the clients’ classification in use by the Company, and informs them about the category in which they are initially classified by the Company. Clients shall be categorized as follows, based on the criteria outlined below:

a. Eligible Counterparties

The Company, when dealing with eligible counterparties, is exempted from important obligations under conduct of business rules, best execution rules, client order handling rules. For that purpose, eligible counterparties may consider to be falling within the following categories:

- Investment firms
- Credit institutions
- Insurance companies
- UCITS and their management companies
- Pension funds and their management companies
- Other financial institutions authorised or regulated under community or 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
- Supranational organisations
- Third country entities equivalent to the categories mentioned above

In such cases, however, the undertaking concerned shall be recognized as an eligible counterparty only in respect of the services or transactions for which it could be treated as a professional client.

It is important to be mentioned that the classification of a prospective client as an Eligible Counterparty is without prejudice to the right of the client to request, either on a general form or on a trade-by-trade basis, higher level of protection (treatment as Retail or Professional Client). Such a request should be made in writing and shall indicate whether the treatment as Retail

Client or Professional Client refers to one or more investment services or transactions, or one or more types of transaction or product.

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 for non-professional treatment specified in part A of section 11.3 shall apply.

Clients requesting to be treated as Eligible Counterparties

Other undertakings meeting pre-determined requirements mentioned in the previous section, including quantitative thresholds may also be recognised as Eligible Counterparties. The Company, when entering into transactions with such undertakings, obtains an express confirmation (either in the form of a general agreement or in respect of each individual transaction) confirming the undertaking's agreement to be treated as an Eligible Counterparty. With respect to the quantitative thresholds, undertakings meeting two of the following size requirements on a company basis:

- (1) Balance total: EUR 20.000.000;
- (2) Net turnover: EUR 40.000.000; and
- (3) Own Funds: EUR 2.000.000.

In cases where a potential client wishes to be treated as an Eligible Counterparty, the following procedure is followed:

- (1) the Company provides the client with a **clear written warning** of the consequences for the client of such a request, including the protections they may lose;
- (2) the client shall **confirm in writing** the request to be treated as an Eligible Counterparty either generally or in respect of one or more investment services or a transaction or type of transaction or product and that they are aware of the consequences of the protection they may lose as a result of the request.

Transactions with eligible counterparties

In cases where the Company receives and transmits orders on behalf of clients, may they bring about or enter into transactions with eligible counterparties without being obliged to comply with the obligations under section 12.2 of this Manual 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 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 with respect of each individual transaction.

Obligations towards Eligible Counterparties

The Company may bring about or enter into transactions with Eligible Counterparties without being obliged to comply with the following obligations under MiFID II:

- (1) Article 24 – General principles and information to clients, with the exception of the following paragraphs:
 - a. **Paragraph 4:** Provision of appropriate information shall be provided in a good time to clients or potential clients with regard to the Company and its services, the financial instruments and proposed investment strategies, execution venues and all costs and related charges.
 - b. **Paragraph 5:** information in comprehensive form as for the clients to be able to understand the nature and risks of the investment service and of the specific type of financial instrument that is being offered and, consequently, to take investment decisions on an informed basis.
- (2) Article 25 – Assessment of suitability and appropriateness and reporting to clients, with the exception of paragraph 6, in regard to the submission of adequate reports on the services provided.
- (3) Article 27 - Obligation to execute orders on terms most favorable to the client.
- (4) Article 28(1) - regarding the implementation of procedures and arrangements which provide for the prompt, fair and expeditious execution of client orders, relative to other client order or the trading interests of the investment firm, in respect of those transactions or in respect of any ancillary service directly relating to those transactions

Despite the aforementioned, the Company ensures in their relationship with Eligible Counterparties, that it acts 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 of its business.

b. Professional Clients

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.

In order to be considered a professional client, the client must fall within the following categories of clients:

- i. Entities which are required to be authorised or regulated to operate in the financial market, either from Member States or non-Member States, such as:
 - Credit institutions
 - Investment Firms
 - Other authorised or regulated financial institutions
 - Insurance undertakings
 - Collective investment schemes and management companies of such schemes
 - Pension funds and management companies of such funds
 - Commodity and commodity derivatives dealers
 - Locals (as per Article 4(1)(1), EU Regulation Nr. 575/2013 means a firm dealing for its own account on markets in financial futures or options or other derivatives and on cash markets for the sole purpose of hedging positions on derivatives markets, or dealing for the accounts of other members of those markets and being guaranteed by clearing members of the same markets, where responsibility for ensuring the performance of contracts entered into by such a firm is assumed by clearing members of the same markets);
 - Other institutional investors
 - ii. Large undertakings meeting two of the following size requirements, on a proportional basis:
 - Balance Sheet total at least EUR20.000.000
 - Net Turnover at least EUR40.000.000
 - Own Funds at least EUR2.000.000
 - iii. National and regional governments and public bodies that manage public debt, Central Banks, international and supranational institutions such as the World Bank, the IMF, the ECB, the European Investment Bank and other similar international organizations.
 - iv. Other institutional investor whose main activity is to invest in financial instruments including entities dedicated to the securitisation of assets or other financing transactions
- The entities mentioned above are considered to be professionals. They must however be 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 it 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 Company must also inform the customer that he can request a variation of the terms of the agreement in order to secure a higher degree of protection.

It is the responsibility of the client, considered to be a professional client, to ask for a higher level of protection when it deems 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 the business regime. Such an agreement should specify whether this applies to one or more particular services or transactions, or to one or more types of products or transaction.

It should be pointed out to all the Clients who are Professional Clients that they are not covered by the Client Compensation Fund administered by CySEC to which the Company shall subscribe.

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

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 treats 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.

Any such waiver of the protection afforded by the standard conduct of the business regime shall 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 field shall be regarded as an 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 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.

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 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 a 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 in point 1 above. The Company must ensure that a minimum of two of the criteria listed in point 1 are satisfied, in order for the client to change its status to professional.

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 fulfills the initial conditions, which made him eligible for a professional treatment; the Company must take appropriate action.

d. Retail Clients

Every client, which is neither an eligible counterparty nor a professional client, is considered to be a retail client.

II. OPTION TO CHANGE CLASSIFICATION

It is noted that an eligible counterparty or professional client is allowed to request non-professional treatment and the Company may agree to provide a higher level of protection. In this respect, the Company notifies its clients in a written form of their option to be classified as retail clients. The Company proceeds in this action, in order to offer a uniform level of protection to all of its clients.

The higher level of protection will be provided by the Company when the client enters into a written agreement with the Company, to the effect that it shall not be treated as a professional. It is the responsibility of the client who is classified as a professional client to ask for a higher level of protection when he is not in a position to properly assess and manage the risks involved in the transactions.

In addition, clients who have been initially classified by the Company as retail clients are allowed to request to be treated as professional clients, provided that at least two of the following criteria are satisfied:

- The client has carried out transactions, in significant size, at an average frequency of 10 per quarter over the previous ten quarters.
- The size of the client's financial instrument portfolio 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.

The following procedure is followed:

- a) The client must state in writing to the Company 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;
- b) The Company must give the client a clear written warning of the protections and investor compensation rights the client may lose; and
- c) The client must state in writing, in a separate document from the contract, that it is aware of the consequences of losing such protections.

If the client is not a natural person, the qualitative test must be satisfied by the person authorised to carry out transactions on the client's behalf.

III. 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) A retail client will be given more information/disclosures with regards to the Company, its services and any investments, its cost, commissions, fees and charges and the safeguarding of client financial instruments and client funds.
- b) 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.

- c) 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.

- d) Investment firms and credit institutions providing investment services must obtain from clients such information as is necessary for the firm or credit institution, as the case may be, to understand the essential facts about the client and to have a reasonable basis for believing

giving due consideration to the nature and extent of the service provided, that the specific transaction to be recommended, or entered into in the course of providing a portfolio management service, satisfies the following criteria:

- i. It meets the investment objectives of the client in question;
- ii. It is such that the client is able financially to bear any related investment risks consisted with his investment objectives;
- iii. It is such that the client has the necessary experience and knowledge in order to understand the risks involved in the transaction or in the management of his portfolio.

Where the Company provides an investment service to a professional client it shall be entitled to assume that, in relation to the products, transactions and services for which it is so classified, the client has the necessary level of experience and knowledge for the purposes of paragraph (iii) above.

In addition, under certain circumstances, the Company shall be entitled to assume that a professional client is able financially to bear any investment risks consisted with its investment objectives.

- e) 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.
- f) 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,
- g) 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.
- h) We shall not use financial instruments held by us on behalf of a client for our own account or the account of another client of ourselves, without the client's prior express consent to the use of the instruments on specified terms, as evidenced, in the case of a retail client, by his signature or equivalent alternative mechanism.
- i) 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.

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 has the expertise to choose the most appropriate product or service for him/her/them and that he/she/they is/are able financially to bear any investment risks consistent 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.

IV. NOTIFICATION PROCESS

The Back Office department should request the client to send to the Company via his/her registered email address the requested documents which support the aforementioned criteria.

The request to apply for a professional account, must come directly from the Client via his registered email. The Client may send his/her written request either directly to Back Office or to the Business Development officer, who shall then forward the same to the Back Office.

If the Client's Account is not verified, the Client will not be able to apply for a change of categorisation from retail to professional. The Back Office needs to inform the Client that in order to apply for a professional account he/she first needs to be verified. For a Client to be verified, the Client has to provide proof of identification and proof of residence.

Prior to categorising a Client as Professional Client, the Back Office Department should check and ensure that all relevant documents are properly in place.

Documents order:

- The Company needs to obtain the document “Client Categorization Notice” / “Declaration of client status” completed and signed by the Client.
- As a second step, the Company needs to send the client the document “Protection of Client” so as to draw the client’s attention to the protection he/she loses when his/her categorization changes, in accordance with **Annex A**.

The Compliance Department can assist in the review and assessment procedures as a second eye.

When the Back Office gathers all relevant documents and information, they shall inform the Compliance Department, who will assess one more time the Client requesting to change his/her categorisation from retail to profession and then approve/reject the said Client.

Upon Compliance’s approval, the Compliance Department will inform Dealing Department to change the Client’s leverage, accordingly. Back Office shall be copied in any correspondence so as to inform the Client about the change of his categorisation from retail to professional, at the end of this internal process.

All Professional Clients shall also be informed that the highest leverage for them is 1:500.

All Professional Clients shall be treated as high-risk Clients by default and they will therefore be subject to continuous monitoring by Compliance Department.

In case that some professional Client is not complying with the Company’s policies and procedures, he/she will be notified and warned accordingly and if there is still non-compliance with the applicable policies and procedures, his/her account shall be disabled until further notice

Annex A
Email template

Dear Client,

Thank you for your email. Your request is well received.

Please note that, in order to be able, to proceed with the professional account two of the following criteria shall be satisfied:

- You have carried out transactions, in significant size, at an average frequency of 10 per quarter over the previous ten quarters.*
- The size of your investment financial portfolio exceeds EUR500.000.*
- You worked in the financial sector for at least one year in a professional position, which requires knowledge of the transactions or services envisaged.*

Kindly note, that the information must be provided in writing and supported by evidential document.

Lastly, please return to us the attached Forms duly signed.

Kind regards