

BDSWISS HOLDING PLC

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CLIENT CATEGORIZATION POLICY

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1. INTRODUCTION

BDSwiss Holding PLC (hereafter “the Company”) is an investment firm which operates as a Global broker. The Company is incorporated in the Republic of Cyprus through the Department of Registrar of Companies and Official receiver (Certificate of Incorporation No. HE300153) and is authorized and regulated by the Cyprus Securities and Exchange Commission (hereafter “CySec”) with License Number 199/13 and operates in compliance with the European Markets in Financial Instruments Directive (MiFID) and the Cyprus Investments Services and Activities regulated Markets Law of 2007 (Law 144(I)/2007).

Following the implementation of the Markets in Financial Instruments Directive (MiFID) in the European Union and in accordance with the Investment Services and Activities and Regulated Markets Law of 2007 (Law 144(I)/2007) in Cyprus, the Company is required to categorize its Clients into one of the following three categories: retail, professional or eligible counterparty.

As part of the Account Opening Procedure, the Company conducts an Appropriateness Test whereby the Client is asked to answer a number of questions to enable the Company to assess the Client’s skills, investment and knowledge and experience.

The Company will automatically categorize all its Clients as Retail Clients. If the Client wishes to be re-categorized then (s)he should contact the Company in writing with his/her/their re-categorization request. The Company shall review such request and respond appropriately.

The Company reserves the right to review the Client’s Categorization Policy from time to time and may re-categorize you if necessary.

2. CLIENT CLASSIFICATION

The Company, prior to engaging in business relationship with its potential clients, notifies its 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. MiFID II does not change the categories of clients, nor the various monetary thresholds and experience levels that eligible counterparties and professional clients are required to meet. However, a few changes are being made.

MiFID II also allows Member States the discretion to adopt specific criteria for the assessment of the knowledge and expertise of municipalities and local public authorities requesting to be treated as professional clients. These criteria can be alternative or additional to the criteria normally required to be satisfied by firms when opting up clients to elective professional client status. In principle, a Member State could adopt less strict criteria for the opting up of municipalities and local authorities.

Whilst MiFID II does not change the categories of client, nor the various monetary thresholds and experience levels that eligible counterparties and professional clients are required to meet, there have been some fundamental changes to how municipalities and local public

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authorities are able to be classified. From 3 January 2018, they are no longer permitted to be eligible counterparties or per se professional clients.

But such clients can still request treatment as professional clients provided they meet the qualitative and quantitative tests.

Clients shall be categorized as follows, based on the categorization criteria outlined below:

2.1 Retail Clients

“Retail Client”: is a client who is neither an eligible counterparty nor a professional client by default. A retail client receives the highest possible level of protection.

2.2 Professional Clients

“Professional client”: is a client who possesses the experience, knowledge and expertise to make his/her own investment decisions and properly assess the risks that he/she incurs.

A. Categories of Clients who are considered to be professionals by default

If a Client falls within one of the following categories he/she/they will be considered as a “Professional Client”:

(1) 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 companies
- Collective investment schemes and management companies of such schemes
- Pension funds and management companies of such funds
- Commodity and commodity derivatives dealers
- Locals: firms which provide investment services and/or perform investment activities consisting exclusively in dealing on 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 which deal for the accounts of other members of those markets or make prices for them and which are guaranteed by clearing members of the same markets, where responsibility for ensuring the performance of contracts entered into by such firms is assumed by clearing members of the same markets.
- Other institutional investors

(2) Large undertakings meeting two of the following size requirements, on a portfolio basis:

- Balance Sheet total at least EUR 20.000.000
- Net Turnover at least EUR 40.000.000
- Own Funds at least EUR 2.000.000

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- (3) 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 EIB and other similar international organisations.
- (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.

B. Professional Clients requesting to be treated as Retail

The entities mentioned above in Category (A) are considered to be professionals by default. They are allowed however, 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 shall inform him/her 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 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.

The 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 that effect that is shall not be treated as a professional for the purposes of the applicable conduct of business regime. Such agreement will specify whether this applies to one or more particular services or transactions or to one or more types of product or transaction.

C. Clients who may be treated as professionals upon request

Clients other than those mentioned in paragraph 2.2 above, may also be allowed to be treated as Professional Clients and hence waive some of the protections afforded by the conduct of business rules of the Company.

The Company should therefore be allowed to treat any of the above Clients as professionals provided the relevant criteria and procedure mentioned below are fulfilled. These Clients should not, however, be presumed to possess market knowledge and experience comparable to that of the categories listed paragraph 2.2.

Any such waiver of the protection afforded by the standard conduct of 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 understands the risks involved.

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The fitness test applied to managers and directors of entities licensed under European 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 the above assessment should be the person authorised to carry out transactions on behalf of the entity.

In order for the Clients defined above to be treated as Professionals instead of Retail, and hence waive the benefit of the detailed rules of conduct, can only be granted when the procedure below is followed:

- (a) 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,
- (b) the Company must give them a clear written warning of the protection and investor compensation rights they may lose,
- (c) they must state in writing, in a separate document from the contract, that they are aware of the consequences of losing such protection. Before deciding to accept any request for 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 above under Section C.

2.3 Eligible Counterparties

“Eligible Counterparties”: is a type of Professional Clients, applicable only when the service provided to such Professional Client is of receiving & transmitting and/or execution Orders.

The Company, when dealing with eligible counterparties, is exempted from important obligations under conduct of business rules, best execution rules, client order handling rules.

Eligible Counterparties for the purposes of the Law 144(I)/2007 is any entity falling within the following categories:

- Investment firms
- Credit institutions
- Insurance companies
- Insurance undertakings
- UCITS and their management companies
- Portfolio investment companies
- Pension funds and their management companies
- Other financial institutions authorised and/or regulated by a Member State or regulated under community or national law
- Commodity and commodity derivative traders (dealing on own account)

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- National governments and their corresponding offices, including public bodies which manage public debt
- Central Banks
- Supranational organisations
- Third country entities equivalent to those categories of entities mentioned above

The Company may recognize an undertaking as an Eligible Counterparty if that undertaking falls within a category of Clients who are to be considered Professional Clients in accordance with the first, second and third paragraph of Part A, of Annex II of the Law, excluding any category which is explicitly mentioned in Section 41(2) of the Law.

The Company may also recognize as Eligible Counterparties undertakings which fall within a category of Clients who are to be considered Professional Clients in accordance with Part B of Annex II of the Law. 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.

The Eligible Counterparty category is applicable only for the following investment services and activity:

- Reception and transmission of Client Orders
- Execution of Orders on behalf of Clients

3. OPTION TO CHANGE CLASSIFICATION

It is noted that an Eligible Counterparty or a 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 (s)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.

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- 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.

4. REQUEST FOR DIFFERENT CATEGORISATION

In accordance with Section 3 above, the following request(s) may be submitted to the Company:

- a) A Retail Client requesting to be categorised as a Professional Client. In that case the Client will be afforded a lower level of protection.
- b) A Professional Client requesting to be categorised as a Retail Client. In that case the Client seeks to obtain a higher level of protection.
- c) 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.

Professional Clients and Eligible Counterparties are responsible for keeping the Company informed of any change which could affect their categorisation as such. If the Company becomes aware that a Professional Client or Eligible Counterparty no longer fulfils the initial conditions that made him eligible for a Professional Client/Eligible Counterparty treatment, it may take appropriate action, including re-categorising the Client as a Professional Client or a Retail Client.

5. PROTECTION RIGHTS

5.1. Retail Clients and Professional Clients

Where the Company treats the Client as a Retail Client, the Client will be entitled to more protections under the law than if the Client was treated as a Professional Client. In summary, Retail Clients are entitled to additional protections as follows (the list may not be exhaustive):

- a) 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.
- 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

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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 consistent 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.

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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) If the Company provides an investment service other than investment advice to a new retail client, the Company must enter into a written basic agreement with the client, setting out the essential rights and obligations of the Company and the client.
- i) 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.
- j) 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. The ICF does not cover Institutional or Professional Clients but only Retail Clients of the Company. The total payable compensation to each covered Client may not exceed €20.000, irrespective of the number of accounts held, currency and place of offering of the investment service.

5.2. 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 Retail or Professional Client. In particular, and in addition to the above:

- (a) The Company is not required to provide the Client with the best execution in executing Client's orders;
- (b) The Company is not required to disclose to the 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.