

## CLIENT CATEGORIZATION POLICY

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## 1. INTRODUCTION

- 1.1. '**ARUMPRO CAPITAL LIMITED**', is a Cyprus Investment Firm incorporated under the laws of the Republic of Cyprus, with Company Registration Number HE352951, having its registered office at 2 Gregory Afxentiou street, 2nd floor, Office 201, 4003 Limassol, Cyprus (hereinafter the "**Company**", "**we**" or "**us**").
- 1.2 The Company is regulated as a Cyprus Investment Firm ("CIF") by the Cyprus Securities and Exchange Commission ("CySEC") under license number 323/17, and is operating in accordance with the Markets in Financial Instrument Directive 2014/65/EU and its implementing measures ("**MIFID II**") and Regulation 2014/600/EU ("**MIFIR**"), as transposed into Cyprus law by Cyprus Law 87(I)/2017 regarding the provision of investment services, the exercise of investment activities and the operation of regulated markets and its implementing measures (the "**Investment Services Law**").
- 1.3 In line with MiFID II, MiFIR and the Investment Services Law, the Company is required to categorise Clients as either:
  - Retail;
  - Professional ('Per se Professional Client' / Elective Professional Client);
  - Eligible Counterparties.
- 1.4 The Company is required to do this so that when carrying out business with the Client, the Client is provided the level of information, services and protection that is appropriate to and consistent with the Client's categorisation.
- 1.5 All Clients will be notified of their categorisation, based on the information available to the Company.

## 2. CATEGORISATION CRITERIA

- 2.1 The criteria entailed for categorising Clients based on the relevant provisions of the Investment Services Law are as follows:
  - A. Retail Client:** is a client who is neither Professional nor Eligible Counterparty;
  - B. Professional Client:** is a client who possesses the experience, knowledge and expertise to make his own investment decisions and properly assess the risks that associated with those investment decisions.
    - B.1. 'Per se Professional Clients':** Each of the following is a 'Per se Professional Client' unless and to the extent it is an eligible counterparty or is given a different categorisation under this policy:
      - (i) 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:

- (a) Credit institutions;
  - (b) Investment firms;
  - (c) Other authorised or regulated financial institutions;
  - (d) Insurance companies;
  - (e) Collective investment schemes and management companies of such schemes;
  - (f) Pension funds and management companies of such funds;
  - (g) Commodity and commodity derivatives dealers;
  - (h) Locals;
  - (i) Other institutional investors.
- (ii) Large undertakings meeting two of the following size requirements on a company basis:
- **balance sheet total:** EUR 20 000 000
  - **net turnover:** EUR 40 000 000
  - **own funds:** EUR 2 000 000
- (iii) National and regional governments, including public bodies that manage public debt at national or regional level, Central Banks, international and supranational institutions such as the World Bank, the IMF, the ECB, the EIB and other similar international organisations.
- (iv) 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.2. Elective Professional Clients:** The Company may treat a client other than 'Per se Professional Clients' as an Elective Professional Client if it complies with the following:

- (i) The Client after assessment of the provided information by the Company in relation to the Client's expertise, experience and knowledge is deemed, in light of the nature of the transactions or services to be provided by the Company, to be 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 can be followed for the assessment of expertise and knowledge; and

(ii) During the aforementioned assessment as a minimum, two (2) of the following criteria shall be satisfied:

- (a) 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,
- (b) the size of the client's financial instrument portfolio, defined as including cash deposits and financial instruments exceeds €500,000,
- (c) the client works or has worked in the financial sector for at least one (1) year in a professional position, which requires knowledge of the transactions or services envisaged.

**C. Eligible Counterparties:** are any of the following entities to which credit institution or an investment firm provides the services of reception and transmission of orders on behalf of clients and/or execution of orders and/or dealing on own account: CIFs, other IIs, credit institutions, insurance undertakings, UCITS and their management companies, pension funds and their management companies and other financial institutions authorised by a member state or regulated under community legislation or the national law of a member state, undertakings exempted from the application of the Investment Services Law, in accordance with paragraphs (k) and (l) of subsection (2) of Section 3, national governments and their corresponding officers, including public bodies that deal with public debt, central banks and supranational organisations.

### **3. INFORMATION ON CATEGORIES OF CLIENTS & PROCEDURES FOR RE-CATEGORISATION**

#### **A. Elective Professional Clients**

3.1 The Company in order to re-categorize a Retail Client it applies the following:

- (a) The Retail Client who wishes to be reclassified as an Elective Professional Client sends a written request to the Company by which he/she expresses his/her wish to be treated as an Elective Professional Client, either generally or in respect of a particular investment service or transaction, or type of transaction or product;
- (b) The Company conducts a fitness test as per **Section 2.1.B.2 (i)** above, via a questionnaire provided to the Retail Client in order for the latter to provide all relevant information including the criteria in **Section 2.1.B.2 (ii)** above and warns the Retail Client about all protections and investor compensation rights he/she may lose by the reclassification;

3.2 The Company provides a separate form by which the Client acknowledges the consequences of losing the said protections;

3.3 The Company after evaluation of the provided questionnaire and supporting documentation, it informs the Retail Client about the outcome of his/her request.

3.4 Elective Professional Clients are responsible for keeping the Company informed about any change, which could affect their current categorisation. Should the Company become aware however that the Client no longer fulfils the initial conditions, which made him/her eligible for a professional treatment, the Company shall take appropriate action.

**B. 'Per se Professional Clients'**

3.5 The entities referred to in Section **2.1.B.1** above are considered to be 'Per se Professional Clients'. The Company informs 'Per se Professional Clients' of their classification after assessment of their provided information and prior to any provision of services, and that 'Per se Professional Clients' will be treated as such unless the Company and the 'Per se Professional Client' agree otherwise.

3.6 The Company also informs 'Per se Professional Clients' that they can request a variation of the terms of the agreement in order to secure a higher degree of protection. 'Per se Professional Clients' are allowed to request non-professional treatment and the Company may agree to provide a higher level of protection.

3.7 It is the responsibility of the Client, considered to be a 'Per se Professional Client', to ask for a higher level of protection when it deems it is unable to properly assess or manage the risks involved.

3.8 This higher level of protection will be provided when a Client who is considered to be a 'Per se Professional Client' enters into a written agreement with the Company to the effect that it shall not be treated as a 'Per se Professional Client' for the purposes of the applicable conduct of business regime. The relevant agreement shall specify whether this applies to one or more particular services or transactions, or to one or more types of product or transaction.

**C. Eligible Counterparties:**

3.9 The entities referred to in **Section 2.1.C** above are considered to be Eligible Counterparties. The Company informs Eligible Counterparties of their classification after assessment of their provided information and prior to any provision of services, and that Eligible Counterparties will be treated as such unless the Company and the Eligible Counterparties agree otherwise.

3.10 The Company also informs Eligible Counterparties that they can request a variation of the terms of the agreement in order to secure a higher degree of protection. Eligible Counterparties are allowed to request treatment as Professional or Retail Client and the Company may agree to provide a higher level of protection.

3.11 It is the responsibility of the Client, considered to be an Eligible Counterparty, to ask for a higher level of protection.

3.12 This higher level of protection will be provided when a Client who is considered to be an Eligible Counterparty enters into a written agreement with the Company to the effect that it shall not be treated as an Eligible Counterparty for the purposes of the

applicable conduct of business regime. The relevant agreement shall specify whether this applies to one or more particular services or transactions, or to one or more types of product or transaction.

#### **4. PROTECTION RIGHTS**

##### **A. Retail clients**

4.1 Where the Company treats a client as a Retail Client, the Retail Client is entitled to more protections under applicable law than if the client was treated as a Professional Client and Eligible Counterparty. In summary, the protections Retail clients are entitled to, are 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 financial instruments and their performance, the nature and risks of financial instruments, its costs, commissions, fees and charges and the safeguarding of client financial instruments and client funds, including summary details of any relevant investor compensation or deposit guarantee scheme, as applicable.
- (b) Under the Investment Services Law, 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 so as to enable the Company to assess whether the investment service or product envisaged is appropriate for the client. In case the Company considers, based on the information received, that the product or service is not appropriate to a Retail Client, it shall warn the client accordingly. In case the Company considers, based on 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 the Investment Services Law (for example but not limited to the situation where on an execution only basis the financial instrument concerned is not complex).
- (c) When executing orders, the Company must take all sufficient steps to ensure that a Retail Client's order is executed in order to achieve what is called "best execution" of the client's orders, i.e. to obtain the best possible result for its clients. Where the Company executes an order for a Retail client/enters into a transaction with the 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 client which are directly related to the execution of the order, including execution venue fees, clearing and settlement fees and/or any other fees paid to 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 costs of the transaction as being the most important factor in achieving best execution for them.

- (d) The Company must obtain from clients such information as is necessary for it 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 in the course of providing the service of investment advice, 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) The Client is financially able to bear the investment risk that arises from his investment objectives;
  - (iii) That the Client has the necessary experience and knowledge to understand the risks involved in the transaction or the management of his portfolio.
- (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 with more information than Professional clients as regards the execution of their orders.
- (g) The Company will inform a Retail Client as to the Company's liability in relation to possible solvency of the custodian where Client's financial instruments are held;
- (h) The Company will inform the Retail Client of the Company's Conflict of Interest Policy;
- (i) The Company will inform the Retail Client of their eligibility for coverage from the Investor's Compensation Fund.

## **B. Professional Clients**

- 4.2 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. 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;
- 4.3 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;



- 4.4 Where the Company provides an investment service to a Professional Client, it shall be entitled to assume that, under certain circumstances, that a Professional Client is able financially to bear any investment risks consistent with their investment objectives;
- 4.5 The Investor's Compensation Fund does not cover Professional Clients.

**C. Eligible Counterparties**

- 4.6 Where the Company categorizes the client as an Eligible Counterparty, the client will be entitled to fewer protections under the Investment Services Law than he would be entitled to as a Professional client. In particular, and in addition to the above (the list may not be exhaustive):
- (a) The Company is not required to provide the client with best execution in executing the client's orders;
  - (b) The Company is not required to implement procedures and arrangements which provide for the prompt, fair and expeditious execution of its client orders, relative to other client orders;
  - (c) The Company is not required to assess the 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;
  - (d) The Company is not required to provide the client with information about the Company, its services, financial instruments and proposed investment strategies, execution venues, the arrangements through which the Company will be remunerated and other relevant information;
  - (e) The Company is not required to provide reports to the client on the execution of his orders;
  - (f) The Investor's Compensation Fund does not cover Eligible Counterparties.

**5. FURTHER INFORMATION**

- 5.1 For further information and/or questions in relation to this Policy, please contact us by e-mail at [compliance@arumcapital.eu](mailto:compliance@arumcapital.eu) or by post at 2 Gregory Afxentiou street, 2nd Floor, Office 201, 4003, Limassol, Cyprus.