

7Q Financial Services Ltd

Client Categorization Policy

Headquarters

Nicosia

Kennedy Business Centre | Suite 402

12 -14 Kennedy Avenue

1087 Nicosia | Cyprus

T: +357 22763344

F: +357 22763355

www.7qfs.com



September 2017

This document records the Client Categorization Policy of 7Q Financial Services Ltd (hereinafter called “the Company”).

In accordance with the “Investment Services and Activities and Regulated Markets Law of 2007”, pursuant to the European Directive MiFID – Market in Financial Instruments Directive, 7Q Financial Services Ltd has categorised its clients as: a) Retail Clients, b) Professional Clients and c) Eligible Counterparties, based on the information it has about them. The characteristics of these three categories are shown below:

‘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. According to the legislation, Professional Clients are considered:

1. 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.

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 Banks, international and supranational institutions.

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.

‘Eligible Counterparty’ is any of the following entities to which a credit institution or an investment firm provides the services of reception and transmission of orders on behalf of clients and/or execution of such orders and/or dealing on own account:

- 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 Banks and supranational institutions.

Client treatment per category

Each client is treated by 7Q Financial Services Ltd on the basis of the category to which he has been categorised in line with “Investment Services and Activities and Regulated Markets Law of 2007”. The different treatment per client category primarily relates 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 client orders on terms most favourable to him is discharged.

Retail Clients

Retail Clients are clients who do not meet the conditions laid down by law to be categorised as Professional Clients or Eligible Counterparties. The law affords such clients a higher level of protection compared to the other client categories. In implementing its obligations deriving from the Law and before actually providing an investment service, the Company provides Retail Clients with information about: (a) the types of financial instruments, their characteristics and the risks they entail, (b) safeguarding of clients’ financial instruments or clients’ funds by the Company on their behalf, (c) costs and associated charges, (d) its order execution policy implemented, and (e) notices the Company will send to such clients and the frequency of their dispatch. Clients who receive portfolio management services in particular are sent periodic statements about the portfolio management activities performed on their behalf unless such statements are provided by a third party. Statements sent to Retail Clients are more analytical than those sent to the other two client categories.

Professional Clients

Professional Clients are afforded a lower level of protection than Retail Clients. The Company provides these clients with information about: (a) their client categorisation and their right to request a different treatment, (b) the financial instruments and services offered by the Company in summary form, (c) the Company’s order execution policy, (d) custodianship of financial instruments and funds, in case where these are held by a third party on the Company’s behalf and (e) the existence of any security interest or lien which the Company has or may have over the clients’ financial instruments or funds or any right of set-off it holds in relation to those instruments or funds. Moreover, the Company’s reporting obligations in relation to order execution and portfolio management services offered to clients who fall in the Professional category are less.

Professional Clients are deemed to have the necessary experience and knowledge in order to understand the risks involved in relation to those particular investment services or transactions for which the client is classified as a Professional Client. Consequently, the Company is not obliged to assess for such clients the appropriateness of the investment service or product envisaged. When an assessment of the suitability of the investment service or the financial instrument is required, the Company collects data only about the investment objectives and its financial ability. However, where the service provided entails investment advice, the Professional Clients will be deemed to have the financial ability to bear any related investment risks consistent with their investment objectives.

Eligible Counterparties

Eligible Counterparties are considered to be the most sophisticated investor or capital market participant. The Company only provides to these clients the services of reception and transmission of orders and execution of orders. The law affords a lower level of protection to this category of clients compared to the other two client categories. More specifically, the Company is not required to provide Eligible Counterparties with the information it is required to provide to the other two categories of clients. Moreover, the Company has limited obligations to provide the order execution notices and information concerning their dispatch time. Furthermore, the Company

is not obliged to perform an appropriateness assessment of the investment services and financial instruments offered to Eligible Counterparties. Last, the Company is not obliged to execute the orders of clients who fall within this category on terms most favourable to them.

Change in client classification

Company clients can request in writing a different categorisation than the one they have already been assigned to. Change in category is subject to the conditions and criteria laid down, by the Investment Services and Activities and Regulated Markets Law of 2007 (Law 144(I)/2007), being met. A request for a change in classification may be submitted in the following circumstances:

Retail Client requesting treatment as Professional Client

In assessing the client's expertise, experience and knowledge, 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.

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

Professional Client requesting treatment as Retail Client

A Professional Client who considers that he is unable to properly assess or manage the risks involved, may request the additional regulatory protections afforded to Retail Clients in relation to one or more particular services or transactions, or in relation to one or more types of products or transactions. 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 services or transactions or one or more types of products or transactions.

Eligible Counterparty requesting treatment as a Professional or Retail Client

An Eligible Counterparty may request more protective treatment and gain the protections provided to a Professional or Retail Client. The Company retains the right to accept or refuse the client's request.

Suitability and Appropriateness Assessment

In order to protect its clients, 7Q Financial Services Ltd 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:

Suitability Assessment

When providing investment advice or portfolio management services, 7Q Financial Services Ltd will recommend or enter into a transaction only if it has obtained the necessary information regarding the client's knowledge and experience in the investment field relevant to the specific type of financial instrument or service, his financial situation and his investment objectives so as to enable it to recommend to the client the investment services and financial instruments that are suitable for him

(assessment of suitability). If the client does not provide the information which the Company considers necessary, the Company cannot provide him with the aforementioned services.

Appropriateness Assessment

When providing investment services other than investment advice or portfolio management, 7Q Financial Services Ltd asks its client to provide information regarding his knowledge and experience in the investment field relevant to the specific type of financial instrument or service offered or demanded so as to enable it to assess whether the investment service or product envisaged is appropriate for the client (assessment of appropriateness). Where the client does not provide the information required or where the information provided is insufficient or where the Company considers, based on the information received, that the said financial instrument/investment service is not appropriate with his knowledge and experience, the Company shall warn the client accordingly.

Exception from the obligation to assess the appropriateness of the investment service or product envisaged when providing Execution Only services

7Q Financial Services Ltd provides, among others, investment services which consist solely of executing client orders or receiving and transmitting orders with or without ancillary services, which relate to noncomplex financial instruments.

The Company may provide the said investment services without carrying out an assessment of the appropriateness of the financial instrument/investment service in accordance with the foregoing points, provided all the following conditions are met:

- the above services relate to shares admitted to trading on a regulated market or in an equivalent third country market, money-market instruments, non-complex bonds, UCITS and other non-complex financial instruments;
- the service is provided at the initiative of the client or potential client;
- 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;
- the Company complies with its obligations related to the conflicts of interest policy.