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# **INFORMATION ON CLIENT CATEGORIZATION (The POLICY)**

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## INFORMATION ON CLIENT CATEGORIZATION

### 1. INTRODUCTION

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Following the implementation of the Markets in Financial Instruments Directive 2014/65/EU (“MiFID II”) and in accordance with the provisions of the Investment Services and Activities and Regulated Markets Law of 2017 (the “Law”) of the Cyprus Securities and Exchange Commission (“CySEC”), Emporium Capital K.A. Ltd (the “Company”) is required to categorize Clients as either (a) Retail; (b) Professional; or (c) Eligible Counterparties.

### 2. CATEGORIZATION CRITERIA

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The criteria entailed for categorizing Clients are based on the relevant provisions of the Law as follows:

#### 2.1 Retail Client:

A Client who is neither Professional nor Eligible Counterparty

#### 2.2 Professional Client *Per Se*:

A client who possesses the experience, knowledge and expertise to make his own investment decisions and properly assess the risks that he incurs. Such Clients must fall under one of the following categories:

- 1) Entities which are required to be authorised or regulated to operate in the financial markets. The list below should be understood as including all authorised entities carrying out the characteristic activities of the entities mentioned: entities authorised by a member state under a European Community Directive, entities authorised or regulated by a member state without reference to such 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 undertakings,
  - 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, and
  - i) Other institutional investors.
- 2) Large undertakings meeting two of the following size requirements, on a company basis:
  - a) Balance sheet total at least €20,000,000,
  - b) Net turnover at least €40,000,000, and
  - c) Own funds at least €2,000,000.
- 3) National and regional governments, including public bodies that manage public debt at national and regional level, central banks, international and supranational institutions such as the World

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Bank, the International Monetary Fund, the European Central Bank, the European Investment Bank and other similar international organizations.

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

### 2.3 Eligible Counterparties

They any of the following entities: CIFs, other IFs, credit institutions, insurance companies, UCITS and UCITS management companies, pension funds and their management companies, other financial institutions authorised by a Member State or regulated under the laws of Cyprus or under European Union law, national governments and their corresponding offices, including public bodies that deal with public debt at national level, central banks, the Central Bank and supranational organisations:

The Commission also recognises as eligible counterparties, other undertakings meeting pre-determined proportionate requirements, including quantitative thresholds. In the event of a transaction where the prospective counterparties are located in different jurisdictions, the CIF shall defer to the status of the other undertaking as determined by the law or measures of the Member State in which that undertaking is established. In cases that the Company enters into transactions with such undertakings, it will obtain an express confirmation from the prospective counterparty that it agrees to be treated as an eligible counterparty. This confirmation is obtained either in the form of a general agreement or in respect of each individual transaction.

## 3. REQUEST FOR CHANGE OF CATEGORIZATION

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### 3.1 Retail Clients:

Clients who can request to be categorized and treated as **Professional Clients**; in which case they will be afforded a lower level of protection (opting-up).

### 3.2 Professional Client:

Clients can request to be categorized and treated as **Retail Clients**; in which case they will be afforded a higher level of protection (opting-down).

### 3.3 Eligible Counterparties:

They can request to be categorized and treated as either **Retail** or **Professional Clients**; in which case they will be afforded a higher level of protection (opting-down).

It is noted that the Company will assess specified quantitative and qualitative criteria in accordance with the provisions of the Law and the change of categorization will depend on its absolute discretion.

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#### 4. PROCEDURE FOR CHANGE OF CATEGORIZATION (OPTING-UP)

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Retail clients may request to be treated as **Professionals** provided that at least two of the following criteria are 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. The significant size is determined by the Company at an amount of €50,000,
- 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 year in a professional position, which requires knowledge of the transactions or services envisaged.

These clients are referred by the MiFID Law as 'professional clients on request' or 'elective professionals'.

The clients defined above may waive the benefit of the detailed rules of conduct only where the following procedure is followed:

- a) 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,
- b) the Company must give them a clear written warning of the protections 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 protections.

Before deciding to accept any request for waiver, the Company must take all reasonable steps to ensure that the client requesting to be treated as a professional client has completed the form as appears in Appendix 1 and meets the relevant requirements stated above.

However, if clients have already been categorised as professionals under parameters and procedures similar to those above, it is not intended that their relationships with the Company should be affected by any new rules adopted pursuant to the Law.

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 conditions, which made him eligible for a professional treatment, the Company will take appropriate actions.

#### 5. INFORMATION ON THE LEVEL OF PROTECTION

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The additional protection afforded to a Retail Client compared to a Professional Client or an Eligible Counterparty includes without limitation the following:

- (a) Retail Clients are provided with more information regarding the Company's fees, charges, and expenses,

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- (b) Retail Clients provide more information regarding their knowledge and experience in the Investment field so as to enable the Company to assess whether the investment service or product envisaged is appropriate for the Client,
- (c) The Company must take all reasonable steps to ensure that a Retail Client's order is executed as such in order to obtain best possible results,
- (d) A Retail Client will receive information regarding his executed order timely and with more detail as to the content,
- (e) A Retail Client who is provided the service of Portfolio Management will receive more detailed and frequent information,
- (f) A Retail Client will be informed of the Company's liability in relation to possible solvency of the custodian where Clients' financial instruments are held,
- (g) A Retail Client will be informed of the Company's Conflict of Interest Policy,
- (h) A Retail Client will be informed of the Company's complaint handling procedures, and
- (i) A Retail Client is eligible for possible coverage from the Investor's Compensation Fund.

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## 6. APPENDIX 1: REQUEST FOR CHANGE OF CLIENT CATEGORIZATION

### Request Form – Change of Client Categorization

#### 1. Account Details

- 1.1 Name of the account holder:
- 1.2 Account Number:
- 1.3 Please choose your requested categorization
  - Retail Client
  - Professional Client (\*)
  - Eligible Counterparty
- 1.4 Please state the reason for your request:

**\*Note:** *If your requested client categorization is "Professional" then you should also complete Section 2.*

#### 2. Please choose from the below:

- 2.1 I have carried out transactions:
  - of significant size, on the relevant market at an average frequency of 10 per quarter over the previous four quarters;
  - of insignificant size, on the relevant market at an average frequency of 10 per quarter over the previous four quarters;
  - of significant size, on the relevant market at an average frequency of 5 per quarter over the previous four quarters; and
  - of insignificant size, on the relevant market at an average frequency of 20 per quarter over the previous four quarters.
- 2.2 the size of my financial instrument portfolio, defined as including cash deposits and financial instruments:
  - less than €50,000;
  - between €50,001 - €300,000;
  - between €300,001 - €500,000;
  - between €500,001 - €1,000,000; and
  - exceeds €1.000,000.
- 2.3 I am working or have worked:
  - in the financial sector for less than one year in a professional position, which requires knowledge of the transactions or services envisaged;
  - in the financial sector for at least one year in a professional position, which requires knowledge of the transactions or services envisaged;
  - in a real estate sector;
  - in business administration sector;
  - construction industry;
  - health industry;
  - Other.

**\*Note:** *Clients that wants to be treated as Professional Client, at least two of the aforementioned criteria must be satisfied.*

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Declaration:

I hereby confirm that I have read and understood the Client Categorization Policy and I understand that there are some implications of my request to change client categorization including loss of some protection afforded to me if change from Retail to Professional Client. Some of the protection that will be lost as a Professional Client include, but are not limited to:

- Retail Clients are provided with more information regarding the Company's fees, charges, and expenses;
- Retail Clients provide more information regarding their knowledge and experience in the Investment field so as to enable the Company to assess whether the investment service or product envisaged is appropriate for the Client;
- The Company must take all reasonable steps to ensure that a Retail Client's order is executed as such in order to obtain best possible results;
- A Retail Client will receive information regarding his executed order timely and with more detail as to the content;
- A Retail Client will be informed of the Company's liability in relation to possible solvency of the custodian where Clients' financial instruments are held;
- A Retail Client will be informed of the Company's Conflict of Interest Policy;
- A Retail Client will be informed of the Company's complaint handling procedures; and
- A Retail Client is eligible for possible coverage from the Investor's Compensation Fund.

**Full Name:** .....

**Signature:** .....

**Date:** .....

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