

Client Categorization Policy

Company:	Afterprime Europe Limited.
Number:	HE 360438
CySEC License:	368/18
Version:	1.0
Review:	Annual
Date Updated:	June 2023

1. Introduction

Afterprime Europe Limited (“**We**”, “**Us**”, “**Our**”, “**Afterprime**”, the “**Company**”) is authorized, licensed and regulated as a Cyprus Investment Firm (**‘CIF’**) by the Cyprus Securities and Exchange Commission (**‘CySEC’**) under license number 368/18 and is operating in accordance with the provisions of the **‘Investment Services and Activities and Regulated Markets Law of 2017’** (L. 87(I)/2017 regarding the provision of investment services, the exercise of investment activities and the operation of regulated markets’ (the “**Investment Services Law**”), as the same may be in force from time to time and modified and amended from time to time.

The Company operates under the Investment Services and Activities and Regulated Markets Law of 2017 (Law 87(I)/2007, as subsequently amended from time to time (hereinafter, the “**Law**”) which transposes the MiFID II Directive EU 2014/65 EU into national law, as well as the rules and guidance of the Cyprus Securities and Exchange Commission (“**CySEC**”), is required to classify its clients, prior to doing any business with them, into one of the following 3 categories:

1. Eligible counterparties
2. Professional Clients (Per se Professional Client/Elective Professional Client)
3. Retail

This Policy sets out Afterprime’s internal policies and procedures to properly categorise and notify each client in accordance with the regulatory rules.

The Policy forms part of the Client’s agreement, namely the Terms and Conditions with the Company, thus the Client is also bound by the terms of the Policy, as set out herein.

2. Categorisation Criteria

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 are associated with those investment decisions.

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 which are:

- 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;
- ii. Large undertakings meeting at least 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 a national and international level, such as Central Banks and international and supranational institutions, such as the World Bank, the International Monetary Fund, the European Central Bank, the European Investment Bank and other similar international organisations. In line with the statement in recital 104 of MiFID II that municipalities and local public authorities must be excluded from the lists of eligible counterparties and professional clients, municipalities and local public authorities that manage public debt at national or regional level should be treated as retail clients, even though such clients can still request treatment as 'elective professional clients' (see further below), provided that they meet the qualitative and quantitative tests in Annex II of MiFID II.
- 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.
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:
- 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,
- 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: Cypriot Investment Firms("CIFs"), other Investment firms, 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, national governments and their corresponding officers, including public bodies that deal with public debt, central banks and supranational organisations.

3. Procedures for Re-categorisation

A. Elective Professional Clients

The Company applies the following procedure to re-categorize a Retail Client:

- (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, ii 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, ii above and warns the Retail Client about all protections and investor compensation rights they may lose by the reclassification;
- (c) The Company provides a separate form by which the Client acknowledges the consequences of losing the said protections;

After evaluation of the provided questionnaire and supporting documentation, the Company informs the Retail Client about the outcome of their request

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

B. Per se Professional Clients

The entities referred to in Section 2.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.

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.

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.

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

The entities referred to in Section 2.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.

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.

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

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

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) 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.
- (d) 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, 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.

- (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

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.

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.

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.

The Investor's Compensation Fund does not cover Professional Clients.

C. Eligible Counterparties

Where the Company categorises the client as an Eligible Counterparty, the client will be entitled to fewer protections under the Investment Services Law than they 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.
- (g) The Company is not required to provide the client with risk disclosures on the products or services that they select from us.



www.afterprime.eu
support@afterprime.eu