

J. Knobel Investor Services Limited is a tied agent of MEGA EQUITY SECURITIES AND FINANCIAL SERVICES PUBLIC LTD (Registration No. HE107394) (hereinafter the IF) is an authorised investment firm supervised by the Cyprus Securities and Exchange Commission under license number HE107394 ("M.E") for the provision of financial and investment services.

Following the transposition of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2015 on markets in financial instruments (MiFID II) into Cyprus law with the enactment of the Investment Services and Activities and Regulated Markets Law of 2017 (Law 87(I)/2017) and the application of relevant supplementing acts (including but not limited to the Regulation (EU) 600/2014 of the European Parliament and of the Council on markets in financial instruments and the Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive), the IF is required to classify its clients into one of the following three categories: retail, professional or under certain circumstances as eligible counterparty.

## **CATEGORISATION CRITERIA**

The categorisation criteria set by the relevant legislation are the following:

### **A. Retail Client**

'Retail Client' is a client who is not a professional client or an eligible counterparty.

Retail Clients are entitled to receive the highest level of protection and information from the IF.

Public sector bodies, local public authorities, municipalities, and private individual investors will be classified as Retail Clients, unless they have elected to be treated as Professional Investors (as defined below) and thus to waive some of the protections afforded to them.

### **B. Professional Client**

'Professional Client' is a client who possesses the experience, knowledge and expertise to make its own investment decisions and properly assess the risks that it incurs.

Certain categories of clients are Professional Clients on the basis of the provisions of MiFID II and Law 87(I)/2017. These are referred to as 'per se' professional clients.

Other clients may be treated as professional clients on request provided that the relevant criteria and procedures provided in MiFID II and Law 87(I)/2017 are satisfied. Those are referred to as 'elective' professional clients.

#### **I. Per se professional clients**

The following are all regarded as professionals in all investment services and activities and financial

instruments for the purposes of MiFID II and Law 87(I)/2017:

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 an EU Member State without reference to a Directive and entities authorised or regulated by a non- EU Member State):
  - (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) Local enterprises
  - (i) Other institutional investors
2. Large undertakings which satisfy at least two of the following size requirements on a company basis:
  - (a) balance sheet total at least Euro 20.000.000
  - (b) net turnover at least Euro 40.000.000
  - (c) own funds at least Euro 2.000.000.
3. National and regional governments, public bodies that manage public debt at national or regional level, Central Banks, 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.
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.

II. Elective professional clients

Clients, other than those mentioned in paragraph I, who requested to be treated as Professional Clients, including:

- (a) Public sector bodies
- (b) Local public authorities
- (c) Municipalities
- (d) Private individual investors

Upon such request, the IF will undertake an assessment of the expertise, experience and knowledge of such client in accordance to its internal policies and procedures. In the course of that assessment, as a minimum, two of the following criteria will need to be satisfied:

- the client has carried out transactions, in significant size, on the relevant market at an average frequency of 10 per trimester 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 financial sector for at least one year in a professional position, which requires knowledge of the transactions or services envisaged.

Professional clients are not entitled to as high level of protection and information as the Retail Clients.

Professional clients are responsible for keeping the IF informed about any change, which could affect their current categorisation. Should the IF become aware however that the client no longer fulfils the initial conditions, which made him eligible for a professional treatment, the IF is obliged to take appropriate action.

### **C. Eligible Counterparty**

'Eligible Counterparty' is any of the following entities with whom the IF may bring about or enter into a transaction in the course of execution of orders on behalf of clients and/or dealing on own account and/or receiving and transmitting orders: investment firms, credit institutions, insurance companies, UCITS and their management companies, pension funds and their management companies and other financial institutions authorised or regulated under EU law or the national law of an EU Member State, national governments and their corresponding offices including public bodies that deal with public debt at national level, central banks and supranational organisations. Non-EU entities equivalent to the entities referred to in this paragraph are also regarded as eligible counterparties.

In essence Eligible counterparties are Professional clients of specified types who receive lower degree of protection in respect of the transaction with the IF or in respect of the ancillary service directly relating to the transaction in the course of execution of orders on behalf of clients and/or dealing on own account and/or receiving and transmitting orders and ancillary services related to any of these investment services. For any other investment or ancillary service these clients are not treated as Eligible Counterparties.

Under the Law 87(I)/2017, CySEC shall recognise as eligible counterparties other undertakings meeting pre-determined proportionate requirements, including quantitate thresholds.

Retail clients and elective Professional clients cannot be treated as Eligible Counterparties.

Classification as an Eligible Counterparty shall be without prejudice to the right of such entities to request, either in a general form or on a trade-by-trade basis, treatment as clients whose business with the IF is subject to the protection afforded to Retail Clients or Professional Clients and thus subject to higher level of protection and information.

### **REQUEST FOR DIFFERENT CLASSIFICATION**

A client has the right at any time to request in a durable medium the change of categorisation, whether generally or for a particular service or transaction or type of transaction or product or instrument. The IF reserves the right not to accept such request.

A Retail Client has the right to request to be treated as a Professional Client and in this respect to waive some of the protections afforded by the conduct of business rules. Therefore he/she will be afforded a lower level of protection. In such case the IF shall undertake an assessment of the criteria mentioned in subsection II of Section B above as well as of the expertise, experience and knowledge of the client in accordance to its internal policies and procedures. The IF is not obliged to deal with the client on this basis.

A Professional Client has the right to request to be treated as a Retail Client in order to obtain a higher level 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. This higher level of protection will be provided when a client who is considered to be a Professional Client enters into a written agreement with the IF to the effect that it shall not be treated as a Professional Client for the purposes of the applicable conduct of business regime. Such agreement shall specify whether this applies to one or more particular services or transactions, or to one or more types of product or transaction.

An Eligible Counterparty has the right to request to be treated either as a Professional Client or Retail Client in order to obtain a higher level of protection. Such request may refer to one or more investment services or transactions or to one or more types of transaction or product. It is the responsibility of the client, considered to be an Eligible Counterparty, to ask for a higher level of protection applicable to Retail Clients 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 an Eligible Counterparty enters into a written agreement with the IF to the effect that it shall not be treated as an Eligible Counterparty for the purposes of the applicable conduct of business regime. Such agreement shall specify whether this applies to one or more particular services or transactions, or to one or more types of product or transaction. The IF is not obliged to deal with the client on this basis.