



HTFX EU
Changing The Way You Trade

Client Categorization Policy

The Company is operating under the provisions of the Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on Markets in Financial Instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, as the same may be in force from time to time and modified or amended from time to time (the "Markets in Financial Instruments Directive (2014/65/EU) or "MiFID II", which was transposed into Cypriot Law, the Investment Services and Activities and Regulated Markets Law of 2017 (Law 87(I)/2017).

It is stressed that different rules and different levels of protection apply to Clients depending on their categorisation.

I. CLIENT CLASSIFICATION

The Company, prior to engaging in business relationship with its potential clients, notifies the potential clients of the clients' classification in use by the Company, and informs them about the category in which they are initially classified by the Company. Clients shall be categorized as follows, based on the criteria outlined below:

a. Eligible Counterparties

The Company, when dealing with eligible counterparties, is exempted from important obligations under conduct of business rules, best execution rules, client order handling rules.

For that purpose, eligible counterparties may consider to be falling within the following categories:

- Investment firms
- Credit institutions
- Insurance companies
- UCITS and their management companies
- Pension funds and their management companies
- Other financial institutions authorised or regulated under community or national law
- Commodity and commodity derivative traders (dealing on own account)
- National governments and their corresponding offices including public bodies which manage public debt
- Central Banks
- Supranational organisations
- Third country entities equivalent to the categories mentioned above

The Company also considers as eligible counterparties, other undertakings meeting predetermined proportionate requirements, including quantitative thresholds. In the event of a transaction where the prospective counterparties are located in different jurisdictions, the Company shall refer to the status of the other undertaking as determined by the Law or measures of the Member State in which that undertaking is established.

The Company recognises as eligible counterparties third country undertakings such as those referred in the above paragraph on the same conditions and subject to the same requirements as those laid down in paragraph above.

The Company when enters into transactions with eligible counterparties, obtains the express confirmation from the prospective counterparty that it agrees to be treated as an eligible counterparty. This confirmation may be obtained either in the form of a general agreement or in respect of each individual transaction.

b. Professional Clients

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 as per the requirements found under the Investment Services and Activities & Regulated Markets Law of the Republic of Cyprus, Law 87(I)/2017.

In order to be considered a professional client, the client must fall within the following categories of clients:

i. Entities which are required to be authorised or regulated to operate in the financial market, either entities authorised by a Member State without reference to a Directive and entities authorised or regulated by a third country, such as:

- Credit institutions
- Investment Firms
- Other authorised or regulated financial institutions
- Insurance undertakings
- 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 two of the following size requirements, on a proportional basis:

- Balance Sheet total at least EUR20.000.000
- Net Turnover at least EUR40.000.000
- Own Funds at least EUR2.000.000

iii. National and regional governments and 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 ("IMF"), the European Central Bank ("ECB"), the European Investment Bank ("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.

c. Retail Clients

Every client, which does not satisfy the criteria of neither an eligible counterparty nor a professional client, is considered to be a retail client. This categorisation provides the highest level of protections compared to a Professional Client or Eligible Counterparty.

II. RETAIL AND PROFESSIONAL CLIENT AGREEMENTS

The Company, by virtue of the recent MiFID II implementation, and as stated in Article 58 of the Commission Delegated Regulation (EU)2017/565, hereby informs its clients that written agreements will be provided, setting out the essential rights and obligations of both the Company and the client.

III. OPTION TO CHANGE CLASSIFICATION

a. Clients who may request non-professional treatment

It is noted that an Eligible Counterparty or Professional Client is allowed to request non-professional treatment and the Company may

agree to provide a higher level of protection. The client of the Company shall be informed prior to any provision of services that, on the basis of the information available to the Company, it has been classified as a Professional client or Eligible Counterparty, and will be treated as such unless the Company and the Client agree otherwise. The Company shall also inform the Professional Client or Eligible Counterparty that it can request a variation of the terms of the agreement in order to ensure a higher degree of protection.

It is the responsibility of the Client who is classified as a Professional Client or Eligible Counterparty to ask for a higher level of protection when it is not in a position to properly assess and manage the risks involved in the transactions.

The higher level of protection will be provided by the Company when the Client who is considered to be a professional enters into a written agreement with the Company, to the effect that it shall not be treated as a professional. Such agreement should specify whether it applies to one or more particular services or transaction, or to one or more types of product or transaction.

b. Clients who may be treated as professionals on request:

Clients who have been initially classified by the Company as retail clients are allowed to request to be treated as professional clients and therefore waive some of the protections by the Law. The Company is allowed to treat such clients as Professionals given that the relevant requirements of the Law are met.

Any waiver of the protection afforded by the standard conduct of business regime shall be considered to be valid only if an adequate assessment of expertise, experience and knowledge of the client, undertaken by the Company, gives reasonable assurance, in light of the nature of the transactions or services envisaged, that the client is capable of making investment decisions and understanding the risks involved.

The fitness test applied to managers and directors of entities licensed under Directives of the European Union in the financial field, may be regarded as an example of the assessment of expertise and knowledge. In the case of small entities, the person subject to that assessment shall be the person authorised to carry out transactions on behalf of the entity.

The Company shall therefore be allowed to treat any of those clients as professionals provided the relevant criteria mentioned below are fulfilled. In the course of that assessment, as a minimum, provided that at least two of the following criteria are satisfied:

- The client has carried out transactions, in significant size, at an average frequency of 10 per quarter over the previous ten quarters.
- The size of the client's financial instrument portfolio exceeds EUR500.000.
- 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.

Procedure: The clients who wish to be treated as Professional Clients need to the following procedure:

a) They must state in writing to the Company that they wish to be treated as a Professional Client, either generally or in respect of a particular investment service or transaction, or type of transaction or product;

b) The Company will give them a clear written warning of the protections and investor compensation rights they might 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;

The Company will notify the Client if and when it agrees to categorise the Client as a Professional Client.

It is the responsibility of the Client who is classified as a Professional Client to inform the Company about any change which could affect their current categorisation. If the Company becomes aware that a Professional Client or Eligible Counterparty no longer fulfils the initial conditions that made him eligible for a Professional Client treatment, then the Company will take appropriate action.

IV. REQUEST FOR DIFFERENT CATEGORISATION

In accordance with Section III above, the following request may be submitted to the company:

a) A Retail Client requesting to be categorised as a Professional Client. In that case the Client will be afforded a lower level of protection.

b) A Professional Client requesting to be categorised as a Retail Client. In that case the Client seeks to obtain a higher level of protection.

c) An Eligible Counterparty requesting to be categorised as a Professional Client or Retail Client. In that case the Client seeks to obtain a higher level of protection.

The Company reserves the right to decline any of the above requests for different categorisation.

IV. PROTECTION RIGHTS

Where the Company treats the Client as a retail client, he/she/they will be entitled to more protections under the law than if the Client was entitled to be a professional client. In summary the additional protections retail clients are entitled to are as follows:

a) A retail client will be given more information/disclosures with regards to the Company, its services and any investments, its cost, commissions, fees and charges and the safeguarding of client financial instruments and client funds. Clients who are classified as professionals or eligible counterparties will be provided with the relevant requirements to the extent agreed between the Company and the respective clients

b) Under the law, where the Company provides investment services other than investment advice (in the form of personal recommendations) or discretionary portfolio management, 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 or demanded so as to enable the investment firm to assess whether the investment service or product envisaged is appropriate for the client. In case the Company considers, on the basis of 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 law.

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.

c) When executing orders, investment firms and credit institutions providing investment services must take all reasonable steps to achieve what is called "best execution" of the client's orders that is to obtain the best possible result for their clients.

Where the Company executes an order on behalf of 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 cost 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 any other fees paid to the 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 cost 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 the firm or credit institution, as the case may be, 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, 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. It is such that the client is able financially to bear any related investment risks consisted with his investment objectives;
- iii. It is such that the client has the necessary experience and knowledge in order to understand the risks involved in the transaction or in the management of his portfolio.

Where the Company provides an investment service to a professional client it shall be entitled to assume that, in relation to the products, transactions and services for which it is so classified, the client has the necessary level of experience and knowledge for the purposes of paragraph (iii) above.

In addition, under certain circumstances, the Company shall be entitled to assume that a professional client is able financially to bear any investment risks consisted with its investment objectives.

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:

- i. with more information than professional clients as regards execution of orders, other than for portfolio management.
- ii. With periodic statements in respect of portfolio management activities carried out on their behalf, more frequently than for professional clients,

g) Where the Company provides portfolio management transactions for retail clients or operate retail client accounts that include an uncovered open position in a contingent liability transaction, it shall also report to the retail client any losses exceeding any predetermined threshold, agreed between the Company and the client, no later than the end of the business day in which the threshold is exceeded or, in case where the threshold is exceeded on a non-business day, the close of the next business day.

h) If the Company provides an investment service other than investment advice to a new retail client, the Company must enter into a written basic agreement with the client, setting out the essential rights and obligation of the firm and the client.

i) We shall not use financial instruments held by us on behalf of a client for our own account or the account of another client of ourselves, without the client's prior express consent to the use of the instruments on specified terms, as evidenced, in the case of a retail client, by his signature or equivalent alternative mechanism.

j) Retail clients may be entitled to compensation under the Investor Compensation Fund for Bank Clients or the Investor Compensation Fund for Clients of Investment Firms, as the case may be. The Investor Compensation Fund does not cover Professional Clients or Eligible Counterparties.

k) In the event of a negative balance in a Retail Client account but not Professional Clients, the Company will not file a claim against the Client for that amount, except in cases where the Client has used illicit methods to create it. Professional Clients will be fully responsible for the settling a potential negative balance on their accounts.

l) Eligible Counterparties

Where the Company treats the Client as an eligible counterparty, the Client will be entitled to fewer protections under the law than he/she/they would be entitled to as a professional client. In particular, and in addition to the above:

- a. The Company is not required to provide the Client with the best execution the Client's orders;
- b. The Company is not required to disclose to Client information regarding any fees or commissions that the Company pays or receives;
- c. The Company is not required to assess the suitability or appropriateness of a product or service that it provides to Client but can assume that the Client have the expertise to choose the most appropriate product or service for him/her/they and that he/she/they is/are able financially to bear any investment risks consisted with his/her/their investment objectives;
- d. The Company is not required to provide the Client with information about the Company, its services and the arrangements through which the Company will be remunerated;
- e. The Company is not required to provide the Client with risk disclosures on the products or services that he/she/they select/s from the Company; and
- f. The Company is not required to provide reports to the Client on the execution of his/her/their orders or the management of his/her/their investments.