



CTS Cloud Trading Solutions Ltd

Client Categorisation Policy
September 2023



1. Introduction

CTS Cloud Trading Solutions Ltd, previously registered as Novox Capital Ltd, (the “**Company**”) is a Cyprus Investment Firm authorised and regulated by the Cyprus Securities & Exchange Commission (the “**CySEC**”), under License No.: 224/14.

This Client Categorisation Policy (the “**Policy**”) sets out the principles and provides guidance as to the process to be followed by during the Client categorisation, in accordance with the applicable regulatory framework as well as the Company’s current business model.

2. Client Categorisation

The Company is required to classify its clients following the implementation of the Markets in Financial Instruments Directive (MiFID II) as well as the Investment Services and Activities and Regulated Markets Law of 2007 (Law 87(I)/2017) into different categories.

Under Law 87(I)/2017, Clients can be classified into one of the following three categories, either for a specific service or product, where each client category entails different levels of investor protection:

- Retail Clients which are afforded the highest level of protection (the “**Retails**”);
- Professional Clients (both “**Per-se**” and “**Elective Professionals**”) which benefit from an intermediate level of protection;
- Eligible Counterparties (“**ECPs**”) which receive the minimum level of protection.

3. Retail Clients

Under MiFID II, Retail Clients are those clients which cannot be categorised as Professional Clients or Eligible Counterparties and receive the highest level of investor protection.

Retail Clients cannot be presumed to possess adequate knowledge or experience to assess the risk exposure in investment services, activities and financial instruments as opposed to Professional Clients and Eligible Counterparties.

4. Professional Clients

A professional client is considered to be a client who possesses the experience, knowledge and expertise to make his own investment decisions and has the ability to assess the risks that may incur. The following criteria should apply for the categorization of a professional client:

1. Entities which are required to be authorized or regulated to operate in the financial markets. Those are the following:
 - 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 meeting two of the following size requirements, assessed on a company basis:
 - Balance sheet total at least EUR 20,000,000
 - Net turnover at least EUR 40,000,000
 - Own funds at least EUR 2,000,000
3. National and regional governments, public bodies that manage public debt, 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 securitization of assets or other financial transactions.

5. Per-Se Professional Clients

The client may be permitted to waive some of the protections afforded by the conduct of business rules of the Company. Any such waiver of the protection afforded by the standard conduct of business regime shall be considered valid only if an adequate assessment of the expertise, experience and knowledge of the customer, undertaken by the Company, gives reasonable assurance, in light of the nature of the transactions or services envisaged, that the Client or, in the case of a legal entity, its managers and directors, are capable of making their own investment decisions and understanding the risks involved.

In the course of the above assessment, as a minimum, two of the following criteria should 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 customer's financial instrument portfolio, defined as including cash deposits and financial instruments exceeds €500 000; and/or
- 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.

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

- The client must state in writing to the Company that he wishes to be treated as a professional customer, either generally or in respect of a particular investment service or transaction, or Type of transaction or product,
- The Company will give the client a clear written warning of the protections and investor compensation rights he may lose,
- The client shall state in writing that he is aware of the consequences of losing such protections.

6. Eligible Counterparty

When dealing with eligible counterparties, the Company is exempted from important obligations under conduct of business rules, best execution rules, client order handling rules. Where the Company treats the client as an eligible counterparty, the client will be entitled to fewer protections under the law than he would be entitled to as a professional client. Therefore:

- The Company is not required to provide the client with the best execution the client's orders;
- The Company is not required to disclose to the client information regarding any fees or commissions that the Company pays or receives;
- The Company is not required to assess the suitability or 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 and that he is able financially to bear any investment risk consisted with his investment objectives;
- 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;
- The Company is not required to provide the client with risk disclosures on the products or services that he selects from the Company; and
- The Company is not required to provide reports to the client on the execution of his orders or the management of his investments.

7. Re-Categorisation Requests

Clients may waive the benefit of the detailed rules of conduct, if they wish so, only where the following procedure is followed:

- The client must state in writing to the Company that he/she wishes to be treated as Professional Client, either generally or in respect of a particular investment service or transaction, or type of transaction or product;
- The Company must give to the client a clear written warning of the loss of protection and investor compensation rights; and
- The client must state in writing, in a separate document from the contract, that he/she is aware of the consequences of losing such protections.

Before deciding to accept any request for a waiver, CTS will take all reasonable steps to ensure that the client requesting to be treated as an Elective (Per-Se) Professional Client meets the relevant requirements stated above.

8. Loss of Protection

Being categorised as Professional Client, unavoidably the said client loses certain protections accorded to Retail Clients and in particular:

- The client will not be entitled to compensation under the investor compensation scheme (ICF);
- In line with the Execution Policy, the Company is not required to prioritise the overall cost of the transaction as being the most important factor in achieving best execution for the client;
- The Company can assume that Professional Clients have the necessary level of experience and knowledge to assess the risks associated with such investments or services. Where the Company provides services to Professional Clients, in assessing the suitability of any personal recommendation, the Company is entitled to assume that they are able financially to bear any related risks consistent with their investment objectives. For Elective Professional Clients, the Company does not assume that they are able financially to bear any related risks consistent with their investment objectives unless a proper assessment is performed;
- The Company is not obliged to inform Professional Clients of any material difficulty relevant to the proper carrying out of their orders promptly upon becoming aware of the difficulty;
- Professional Clients are provided with less information about the Company, its services, products and any investments (indicatively in relation to costs, commissions, fees and charges and information on risks associated with a particular product).