

Client Categorisation Policy

**SHEER MARKETS (CYPRUS) LIMITED
CySEC license number 395/20**

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Introduction

The following introduction aims to explain the regulatory framework based on MiFID Directive. It is worth noting that the Onboarding process will be performed electronically using the Website, the CRM and a 3rd party solution that conducts the KYC/AML/PEPs and Sanctions and Financial Crime monitoring. The 3rd Party solution will also conduct the Suitability and Appropriateness assessments where applicable.

Sheer Markets (Cyprus) Limited (“The Firm”) distinguishes in accordance with Markets in Financial Instruments Directive (“MiFID”) between the following client categories in respect of the investment services we provide:

- (1) Retail Clients;
- (2) Elective Professional Clients;
- (3) Professional Clients per se;
- (4) Eligible Counterparty opt up; and
- (5) Eligible Counterparty per se.

The Retail Client categorisation is assigned to clients who do not satisfy the criteria to qualify as an Elective Professional Client opt up, Professional Client per se, Eligible Counterparty opt up or Eligible Counterparty per se.

The Elective Professional Client categorisation is assigned to a client who satisfies two of the following conditions (the “quantitative test”):

- (a) The client has carried out transactions, in significant size, on the relevant market at an average frequency of ten 10 per quarter over the previous four quarters;
- (b) The size of the client’s financial instrument portfolio, defined as including cash deposits and financial instruments, exceeds EUR 500,000; and/ or
- (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.

Furthermore, the Elective Professional Client opt up must have the expertise, experience and knowledge to be capable of making his/ her/ its own investment decisions (the “qualitative test”).

The Professional Client per se categorisation is assigned to a client who falls under any of the following (A-D):

- A. An entity required to be authorised or regulated to operate in the financial markets including:
 - (a) credit institution;
 - (b) investment firm;
 - (c) insurance companies;
 - (d) authorised collective investment schemes or the management company of such schemes;
 - (e) pension funds or the management company of a pension fund;
 - (f) other authorised or regulated financial institutions;

- (g) commodity or commodity derivative dealers;
- (h) locals;
- (i) other institutional investor.

B. A company meeting two of the following size requirements:

- (a) Balance sheet of EUR 20 million;
- (b) Net turnover of EUR 40 million; and/ or
- (c) Own funds of EUR 2 million.

C. A national or regional government or public body that manage public debt, central bank, international and supranational institution (e.g. World Bank, the IMF, the ECP), or other similar international organisation.

D. Another institutional investor whose main activity in to invest in financial instruments.

The Eligible Counterparty opt up categorisation is assigned to a client who includes any of the following and carries out eligible counterparty business, which include:

- (a) deal on our own account; or
- (b) execute orders on your behalf; or
- (c) receive and transmit orders; or
- (d) provide you with an ancillary service in connection with any of (a), (b) or (c);

(collectively referred to as “Eligible Counterparty Business”)

and

- (a) the client is an undertaking and a professional client per se.

The Eligible Counterparty per se categorisation is assigned to a client who includes any of the following and carries out Eligible Counterpart Business:

- (a) credit institution;
- (b) investment firm;
- (c) insurance companies;
- (d) authorised collective investment schemes or the management company of such schemes;
- (e) pension funds or the management company of a pension fund;
- (f) other authorised or regulated financial institutions;
- (g) certain own account dealers in commodities or commodity derivatives;
- (h) locals;
- (i) national government or its corresponding office;
- (j) central banks;
- (k) supranational organisations.

The following will Client account opening process and Categorisation will shed more light on how the flow of client registration and approval will be conducted by the Firm.

1.1 Client account opening procedures

The client account opening procedure must include, in general terms, the following:

- a) Providing prospective client with the necessary information as to:
 - i. the Company
 - ii. the services provided by the Company
 - iii. the terms of business
- b) Client selection of services
- c) Due-diligence process checks & application approval / rejection
- d) Client categorization (Retail, Professional & Eligible counterparty)
- e) Completion of suitability / appropriateness test (where applicable)
- f) Confirmation to the client
- g) Creating/updating the client account in the Company's systems.

1.2 Know your client

The CSAD must obtain sufficient information in relation to the client's identity, financial profile, investment profile, and knowledge and experience in investment services and financial instruments, before establishing a business relationship with the client.

Details of the client identification procedures can be found in the Company's Risk Management & Procedures Manual and should be strictly adhered to by the relevant persons of the CSAD.

1.2.1 Client Categorization

The Company must classify and notify all clients about their classification as Retail, Professional or Eligible Counterparties in accordance with the Law. The notification should include details of the right the client has to request a different classification and any limitations to the level of client protection it would entail.

Following a client's request, the Company may

- a) treat as Professional or Retail a client that might otherwise be classified as an Eligible Counterparty to obtain a higher level of protection
- b) treat as Retail a client that is considered a Professional to obtain a higher level of protection
- c) treat a Retail client as Professional in which case a lower level of protection is afforded

Retail clients may request to be treated as Professionals provided that at least two of the following criteria are satisfied:

1. 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
2. the size of the client's financial instrument portfolio, defined as including cash deposits and financial instruments, exceeds €500,000
3. 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

Retail clients who wish to be treated as Professional may be considered only where the following procedure is followed:

- 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 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 will take all reasonable steps to ensure that the client requesting to be treated as a Professional client meets the relevant requirements stated in points 1 to 3 above.

1.2.2 Categorization criteria

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

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

'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. Such clients must fall into one of the following categories:

1. Entities which are required to be authorized or regulated to operate in the financial markets (including entities authorized by a Member of State under a Directive, entities authorized or regulated by a Member of State without reference to a Directive and entities authorized or regulated by a non-Member State), such as:
 - (a) Credit Institutions;
 - (b) Investment Firms;
 - (c) Other authorized 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) Locals
 - (i) Other institutional investors.
2. Large undertakings which satisfy at least two of the following size requirements on a company basis:
 - (b) balance sheet total at least Euro 20.000.000
 - (c) net turnover at least Euro 40.000.000
 - (d) own funds at least Euro 2.000.000
3. National and Regional Governments, including 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 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 transactions.

'Eligible Counterparty' are any of the following entities to which a 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: CIFs, other IFs, credit institutions, insurance undertakings, UCITS and their management companies, pension funds and their management companies and other financial institutions authorized or regulated under European law or under the national law of a Member State, national governments and their corresponding offices including public bodies that deal with public debt at national level, central banks and supranational organizations.

1.2.3 Assessment of suitability

The provisions of section 8.3 of the Internal Operating Manual will apply.

1.2.4 Assessment of appropriateness

When providing the investment services of Reception & Transmission and Execution of Orders, the Company will request from the client or potential 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 Company to assess whether the investment service or product envisaged is appropriate for the client. Where a bundle of services or products is envisaged, the Company must ensure whether the overall bundled package is appropriate in its assessment.

The relevant department, with the assistance of the CSAD, shall collect the relevant information necessary to conduct the appropriateness assessment through the use of questionnaires completed by the clients during the account opening process and during personal discussions with them through interviews.

The Company shall determine each time whether that client has the necessary experience and knowledge by addressing the following:

- a) the types of service, transaction and financial instrument with which the client is familiar;
- b) the nature, volume, and frequency of the client's transactions in financial instruments and the period over which they have been carried out; and
- c) the level of education, and profession or relevant former profession of the client or potential client.

Where the Company considers, on the basis of the information received, that the product or service is not appropriate to the client or potential client, it will warn the client or potential client (the warning may be provided in a standardised format).

Where clients or potential clients do not provide the necessary information, or where they provide insufficient information regarding their knowledge and experience, the Company will warn them that it is not in a position to determine whether the service or product envisaged is appropriate for them (the warning may be provided in a standardised format).

The Company is 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.

The Company will maintain records of the appropriateness assessments undertaken, which shall include the following:

- a) the result of the appropriateness assessment;
- b) any warning given to the client where the investment service or product purchase was assessed as potentially inappropriate for the client, whether the client asked to proceed with the transaction despite the warning and, where applicable, whether the firm accepted the client's request to proceed with the transaction; and
- c) any warning given to the client where the client did not provide sufficient information to enable the firm to undertake an appropriateness assessment, whether the client asked to proceed with the transaction despite this warning and, where applicable, whether the firm accepted the client's request to proceed with the transaction.

1.2.5 Exception from the appropriateness

The Appropriateness test may not be applied if all the following conditions are met:

- a) the services relate to any of the following financial instruments:
 - i. shares admitted to trading on a regulated market or on an equivalent third-country market or on a MTF, where those are shares in companies, and excluding shares in non-UCITS collective investment undertakings and shares that embed a derivative;
 - ii. bonds or other forms of securitised debt admitted to trading on a regulated market or on an equivalent third country market or on a MTF, excluding those that embed a derivative or incorporate a structure which makes it difficult for the client to understand the risk involved;
 - iii. money-market instruments, excluding those that embed a derivative or incorporate a structure which makes it difficult for the client to understand the risk involved;
 - iv. shares or units in UCITS, excluding structured UCITS;
 - v. structured deposits, excluding those that incorporate a structure which makes it difficult for the client to understand the risk of return or the cost of exiting the product before term;
 - vi. other non-complex financial instruments.
- b) the service is provided at the initiative of the client or potential client;
- c) the client or potential client has been clearly informed that in the provision of the service, the Company is not required to assess the appropriateness of the financial instrument or service provided or offered and that, therefore, he does not benefit from the corresponding protection of the relevant conduct of business rules (the warning may be provided in a standardised format);
- d) the Company complies with its conflicts of interest obligations.

1.2.6 Creation of client records

Upon entering into a business relationship with each client, the Company must create a file, which must contain the client agreement and all the documentation that has been provided by the client as proof of his identity.

Copies of any notices and documents sent to the client, as well as all correspondence with the client must be put in the client's file (in chronological order) immediately. A file note should be made of any significant discussion with the client.

The information in client records may not be used for any purpose other than those envisaged in the client agreement signed or published to any third party other than as provided by law.

1.3 Closing of Client accounts

A client may close his investment account by submitting a written request to the Company. Upon receipt of such request, the CSAD checks whether the client holds any investments (cash and/or financial instruments). When all cash positions and/or instruments are transferred to another a credit institution, broker or custodian, the account is marked as CLOSED and relevant adjustments are entered in the system. A confirmation is then dispatched to the client in writing that the account has been closed.

The Company may decide to close an investment account at its own discretion, in which case, it will provide a fifteen (15) days written notice to the client. The Company may terminate the agreement immediately without giving notice in case of:

- a) death of the client;
- b) filing of a petition or issue of judgment or order for winding up or liquidation or bankruptcy of the client;
- c) in case the client comes into an agreement or arrangement with its creditors;
- d) the client being guilty of malicious conduct or gross negligence or fraud or of using fraudulent means in relation to the execution of this agreement
- e) failure or refusal of the client to fulfil or comply fully with any of its obligations under the agreement;
- f) revocation of the Power of Attorney.

1.4 Procedure for Dormant accounts

The Company considers accounts to be dormant in the following cases:

A. Zero credit balance

An account with zero credit balance is considered to be dormant if it has been opened over a period of 2 years and during that period no transactions have been carried out in relation to the account by or on the instructions of the holder of the account.

B. Positive credit balance

An account with a positive credit balance is considered to be dormant if it has been opened over a period of 6 months and during that period no transactions have been carried out in relation to the account by or on the instructions of the holder of the account. Dormant accounts with positive credit balances will be charged a €10 maintenance fee per month.

C. Exceptions:

An account is to be treated as not dormant if the account holder has other active account/s and the Company maintains direct communication with him.

Once an account is identified as dormant, the Head of Client Administration department will prepare and send a letter to the Client (or through any durable mean as instructed by the client upon signing of the agreement) and inform him that the account will be deactivated.

All relevant records are then archived, and the client is deactivated in the Company's system.