



Client Categorisation Policy

Stratos Europe Limited

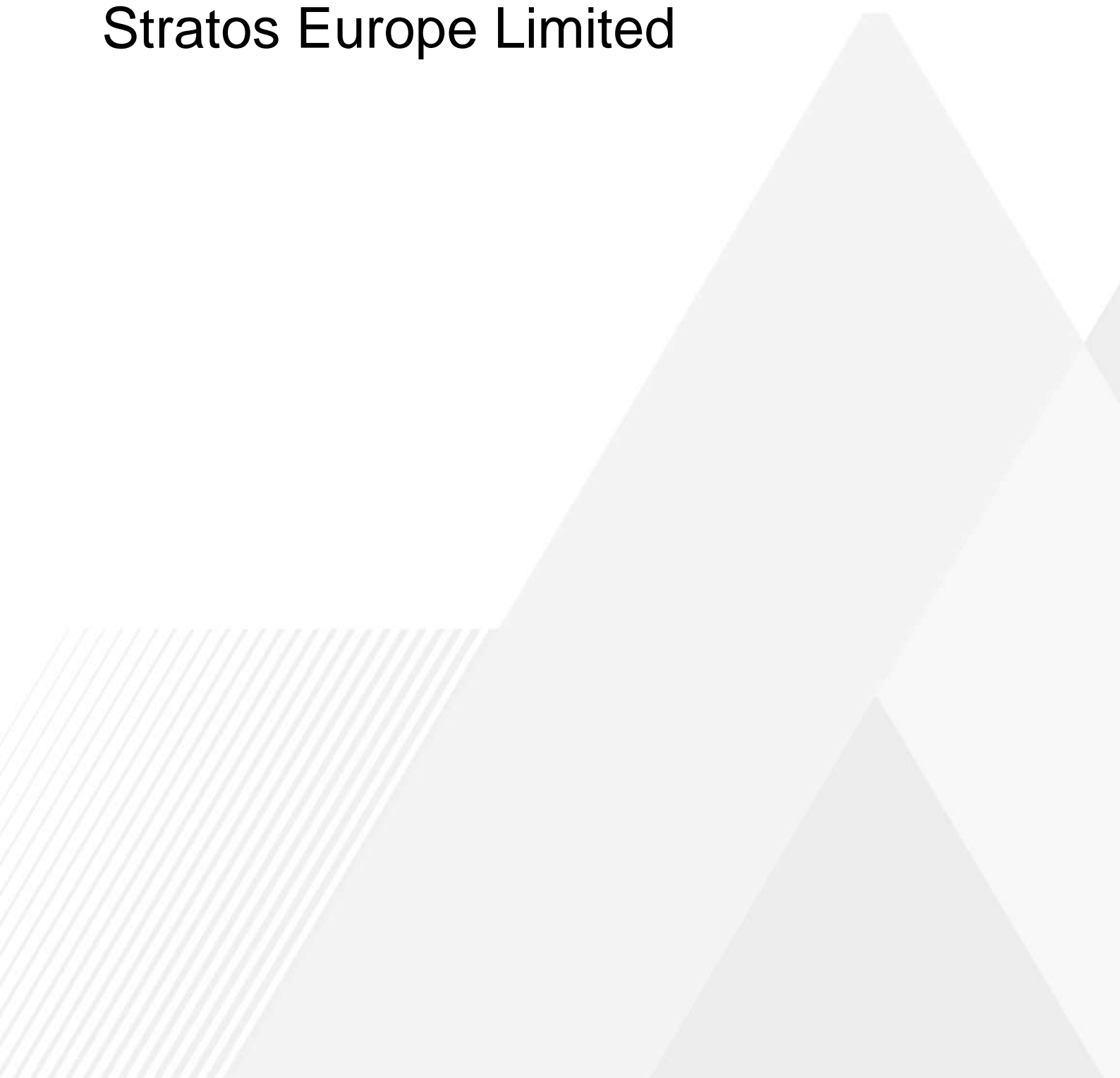


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1. Introduction

For the purpose of this policy, Stratos Europe Limited (trading as "Tradu") including its Branches, Tied Agents and Appointed Representatives.

In accordance with the regulatory provisions of the Cyprus Securities and Exchange Commission ("CySEC"), Law 87(I)/2017 which provides for the provision of Investment services, the exercise of investment activities, the operation of regulated markets and other related matters which transposes the Markets in Financial Instruments Directive 2014/65/EU ("MiFID II"), Tradu is required to categorise its Clients as Retail Client, Professional Client, or Eligible Counterparty. This policy outlines the way in which we comply with these requirements and explains the treatment of our Clients in each category.

Any terms used in this policy that are not specifically defined herein are as defined in the Terms of Business.

2. Definitions

2.1. Client

As provided by Law 87(I)/2017, a Client is defined as any natural or legal person to whom the Cyprus Investment Firm provides investment or ancillary services. This specifically means anyone who opens an account with Tradu, or is otherwise provided a service in the course of carrying out a regulated activity. This includes:

- a) A potential Client;
- b) In relation to the financial promotion rules, a person to whom a financial promotion is or is likely to be communicated; and
- c) A Client of an appointed representative or tied agent to whom the appointed representative or tied agent acts or intends to act in the course of business for which Tradu has accepted responsibility.

2.2. Retail Client

A Retail Client is a Client who is not a Professional Client or an Eligible Counterparty.

2.3. Per Se Professional Client

A Professional Client is a Client who possesses the experience, knowledge and expertise to make his own investment decisions and properly assess the risks that it incurs. In order to be considered a Professional Client, the Client must fall within the following categories of Clients:

- a) Entities which are required to be authorised or regulated to operate in the financial market, either from Member States or non-Member States, such as:
 - Credit institutions;
 - Investment firms;
 - Other authorised or regulated financial institutions;
 - Insurance companies;
 - Collective investment schemes or the management firm of such schemes;

- Pension funds or the management firm of a pension fund;
 - Commodity or commodity derivatives dealers;
 - Locals; and
 - Other institutional investors.
- b) Large undertakings meeting two of the following size requirements, on a firm basis:
- Balance sheet total of EUR 20,000,000;
 - Net turnover of EUR 40,000,000;
 - Own funds of EUR 2,000,000.
- c) A national and regional government (except local public authority), public body that manages public debt, central bank, international or supranational institution (e.g., World Bank, the IMF, the ECB), or other similar international organisation.
- d) Other institutional investor whose main activity is to invest in financial instruments, including entities dedicated to the securitisation of assets or other financing transactions.

Professional Clients are considered to be Professional Clients with respect to all financial instruments, investment services and ancillary investment services, unless otherwise agreed.

2.4. Elective Professional Client¹

Tradu can treat a Client as an Elective Professional if there is evidence which supports the fact that A, B and C have been satisfied:

- a) Qualitative Test² – the completion of an adequate assessment of the expertise and knowledge of the Client so as to provide a reasonable assurance that the Client is capable of making his own investment decisions and understanding the risks involved in the nature of the transactions or services being offered by Tradu.
- b) Quantitative Test – Ensure the Client meets two of the following criteria:
- 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 EUR 500,000; and
 - Has worked in the financial sector for at least one year in a Professional position, which requires knowledge of the products to be traded/services envisaged.
- c) The Firm takes all reasonable steps to ensure that the Client requesting to be treated as a Professional Client meets the relevant requirements stated above. Furthermore, the Firm ensures that the Client

¹ Elective Professional Clients cannot be presumed to have market knowledge and experience comparable to Per Se Professional Clients.

² If the Client is an entity, the qualitative test should be performed on the person trading the account.

states in writing 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.

The Firm must also provide the Client with a clear written warning of what this categorisation means and the protections and investor compensation rights that the Client may lose. The Client must, separately from the agreement, state in writing that they are aware of the consequences of losing such protections.

2.5. Per Se Eligible Counterparty³

When receiving and transmitting and/or executing orders on behalf of Eligible Counterparty Clients, the Firm is not required to comply with the obligations under Section 25, with the exception of subsections (4) and (5), Section 26, with the exception of subsection (6), Section 28 and Section 29(1) of Law 87(I)/2017. Nevertheless, the Firm, in its relationship with Eligible Counterparties, shall act honestly, fairly and professionally and communicate in a way which is fair, clear and not misleading, taking into account the nature of the Eligible Counterparty and of its business.

Eligible Counterparties may consider to be falling within the following categories. These include:

- Investment firms;
- Credit institutions;
- Insurance companies;
- UCITS and UCITS management companies;
- Pension funds or its management firm;
- Other financial institutions authorised or regulated under the laws of Cyprus or under European Union law;
- National governments or its corresponding offices including public bodies which manage public debt;
- Central banks;
- Supranational organisations;
- Third country entities equivalent to the categories mentioned above.

3. Treatment of Clients

3.1. Notification Requirements

When a Client submits an application to Tradu, we will notify them of their categorisation as Retail Client, Professional Client, or Eligible Counterparty. Upon notification, Clients will be informed of their applicable protections and that they can, at any time, request a different categorisation.

If at any time (whether on our own accord or at the request of a Client) we decide to change a Client's categorisation, the Client will be sent an additional notification.

³ A Client can only be an Eligible Counterparty in relation to eligible counterparty business (ECB). ECB includes dealing on own account, execution of orders on behalf of Clients, or reception and transmission of orders.

3.2. Provisions and Protections

3.2.1. Retail Clients

Retail Clients are entitled to the maximum level of protection under Law 87(I)/2017 which transposes MiFID II, Directive DI87-07 Of The CySEC For The Operation Of The Investors Compensation Fund (“ICF”) and The Law Relating To The Establishment And Operation Of A Single Agency For The Out Of Court Settlement Of Disputes Of Financial Nature (Financial Ombudsman).

More specifically, Retail Clients are entitled to the following protections:

- a) **Communication with Clients and information about financial instruments:** The Firm must ensure that its communications with all Clients are fair, clear and not misleading. The Firm provides information to Clients regarding the Firm, its services, the financial instruments offered, execution venues and all costs and related charges.
- b) **Appropriateness assessment:** The Firm is under an obligation to carry out an assessment of all Retail Clients’ knowledge and experience in relation to the products offered in order to determine whether the Client understands the risks involved, thus whether the products or investment services offered are appropriate for the Client.
- c) **Information about costs and associated charges:** The Firm must provide Retail Clients with comprehensive information on costs and associated charges.
- d) **Information about currency fluctuations:** Where the Firm provides a Retail Client with information which contains an indication of the past performance of a financial instrument, a financial index or an investment service, and the indication relies on figures denominated in a currency other than that of the Member State in which that Retail Client is resident, the Firm must clearly state the relevant currency and provide enhanced warnings that returns may increase or decrease as a result of currency fluctuations.
- e) **Order Execution Policy summary:** The Firm must provide a Retail Client with a summary of its order execution policy (focused on the total cost the Client incurs). This summary must provide a link to the most recent execution quality data for each execution venue listed in the policy.
- f) **Difficulty in carrying out orders:** The Firm must inform Retail Clients about any material difficulty relevant to the proper carrying out of orders promptly upon becoming aware of the difficulty.
- g) **Remuneration and incentivisation of staff:** The Firm is specifically required not to make any arrangement by way of remuneration, sales targets or otherwise that could provide an incentive to staff to recommend a particular financial instrument to a Retail Client when the Firm could offer a different financial instrument which would better meet that Client’s needs.

For all categories of Clients, the Firm is required to ensure that it does not remunerate or assess the performance of staff in a way that would conflict with their duty to act in the best interests of their Clients.

- h) **Depreciations in value reporting:** Retail Clients will receive notice in the event that the Net Equity of their Account at the end of any Trading Day has fallen by 10% or more from the Net Equity of their Account at the start of that Trading Day.

- i) **Investor Compensation Fund (“ICF”)**: Retail Clients are eligible for compensation under the ICF to which the Firm is a member. The purpose of the ICF is to ensure that the claims of covered Clients against the Firm are secured through the payment of compensation.
- j) **The Financial Services Ombudsman**: Retail Clients are entitled to the services of the Financial Ombudsman Service in Cyprus, where they can refer official complaints against the Firm and file a complaint with them to seek mediation for possible compensation.
- k) **CySEC’s National Intervention Measures on CFDs: Based on Directive DI87-09, the following restrictions/protections are available to Retail Clients when trading CFDs:**
- Restricting leverage limits from 30:1 to 2:1 on the opening of a position by a Retail Client;
 - A margin close out protection;
 - Negative balance protection;
 - Prohibiting firms from offering cash or other inducements that encourage Retail Clients to trade;
 - Prohibiting communication with Clients regarding the marketing, distribution and sale of CFDs unless this information includes standardised risk warnings (Appendix II of the Directive).
- l) With regards to funds held with us, any money we receive from or hold on behalf of a Retail Client will be treated as “Funds belonging to Clients” and any non-cash assets will be treated as “Client Assets”.
- m) When providing Best Execution, we are required to prioritise the overall costs of the transaction as being the most important factor in achieving Best Execution, in relation to a Retail Client.

3.2.2. Professional Clients

Professional Clients lose the protections described above in paragraph 3.2.1 at points a) - m).

In summary:

- The information addressed to Professional Clients is not necessarily as detailed in explaining the risks and particularities of the products as it is the case with Retail Clients;
- The Firm is not under an obligation to assess whether the specific financial products are appropriate for the Client when the Client is categorised as a Professional;
- Information on costs and charges is not as comprehensive and detailed for Professional Clients as it is the case for Retail Clients;
- Professional Clients are not provided with special warnings about currency fluctuations. Professional Clients are provided with information on the Firm’s order handling and execution policy, however the Firm is not under an obligation to provide Professional Clients with a Summary of its Order Execution Policy;
- The Firm is not under an obligation to inform Professional Clients about any material difficulty relevant to the proper carrying out of orders;

- Professional Clients will not receive notice in the event that the Net Equity of their Account at the end of any Trading Day has fallen by 10% or more from the Net Equity of their Account at the start of that Trading Day;
- Professional Clients are not eligible for a compensation under the ICF;
- The services of the Cyprus' Financial Ombudsman may not be available to Professional Clients; and
- CySEC's National Intervention Measures on CFDs, described in paragraph 3.2.1 above, are not applicable to Professional Clients.

3.2.3. Eligible Counterparties

Where the Firm treats the Client as an Eligible Counterparty, the Client will be entitled to fewer protections under the law than he/she would be entitled to as a Professional Client. In particular, and in addition to the above:

- Client Agreement:** The Firm is not required to enter into a written agreement setting out the essential rights and obligations of the Firm and the Client (Client Agreement) when the Firm is dealing with an Eligible Counterparty. This requirement is only applicable with respect to Retail and Professional Clients.
- Best execution:** The Firm is not required to take all sufficient steps to provide the Client with the best possible execution result when executing/receiving and transmitting a Client's orders.
- Order handling:** When executing orders of Eligible Counterparties, the Firm is not required to comply with the Client order handling rules, which provide for the prompt, fair and expeditious execution of Client orders relative to other Client orders or the trading interests of the Firm.
- Appropriateness:** The Firm 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/her.
- Target market identification and compatibility:** The product governance protections/obligations of the Firm in relation to, inter alia:
 - The design of financial instruments to meet the needs of an identified target market;
 - The compatibility of the distribution strategy with the identified target market;
 - The distribution of the product to the identified target market;
 - The understanding by the Firm of the products offered and sold to Clients;
 - The assessment of compatibility of the products offered or sold as compared with the Clients' needs;
 - The offering/sale of products only where this is in the Client's interest

do not apply in relation to Eligible Counterparties.

- f) **Information to Clients:** The information which may be provided to Eligible Counterparties on financial instruments and costs and charges (in some cases, with the Client's agreement) may not be as comprehensive or detailed as it would be for a Retail/Professional Client.
- g) **Remuneration and commissions:** Where the Client is treated as an Eligible Counterparty, the restrictions and disclosure requirements in relation to the payment or receipt by the Firm of a fee or commission or the provision or receipt by the Firm of a non-monetary benefit in connection with the services provided to the Client, to or by a third party do not apply.

4. Directive DI87-01 for the Safeguarding of Financial Instruments and Funds Belonging to Clients

The Directive applies to Retail Clients, Eligible Counterparties and Professional Clients.

Professional Clients' and Eligible Counterparties' funds are by default subject to Client Money rules as per the Firm's Terms of Business. However, Tradu offers the option for Professional and eligible counterparties to be subject to title transfer arrangements, i.e., the Firm may conclude title transfer financial collateral arrangements for the purpose of securing or covering the present or future, actual or contingent or prospective obligations of its Professional Clients, which would not be possible for Retail Clients. In this regard, any money transferred to Tradu by way of margin or otherwise will be treated as transfer of full ownership of such money by the Client to the Firm for the purpose of securing or covering your recent, future, actual, contingent or prospective obligations.

It is implied that these funds will not be held as "Funds belonging to Clients" under Directive DI87-01. Instead, these funds are treated as a full transfer to Tradu, to secure or cover present, future, actual, contingent or prospective obligations, and Tradu may deal with it in its own right.

If the Firm has closed the Client Accounts that are subject to a Title transferring collateral arrangements and the Client had paid to the Firm in full all amounts owed by the Client and the Client has no further present or future obligations to the Firm, the Firm will transfer to the Client an amount equal to any money has paid to the Firm for the Client Accounts that remains after all amounts Client owes under the Terms have been paid and deducted.

However, Tradu's framework permits Professional and ECP Clients to be able to hold their money in accordance with Directive DI87-01 and yet continue to be treated as a Professional Client in all other areas. The Client's rights are explicitly endorsed if the Client expressly requests to be treated as such.

The Title Transferring Collateral Arrangement is a separate and explicit agreement between the Client and the Firm.

5. Change of Categorisation

A Client can request a different categorisation at any time, although we have no obligation to comply with such request. Upon receipt of a request for re-categorisation, Tradu will conduct an assessment of the Client with a view to the products and services to which the Client is currently subscribed in order to make a decision as to whether or not we will comply with the request.

Client re-categorisation is conducted according to an internal procedure on a case-by-case basis. Upon written request by any type of Client, the Compliance department of Tradu shall provide the Client with a Consent form which is to be duly filled out and returned to the Firm.

Once a decision on re-categorisation has been taken, the Client shall be notified in writing, by the Compliance department of the Firm.

If we become aware that a Client is no longer properly categorised, we will also conduct an assessment and re-categorise the Client as appropriate. In each case, the Client will be notified of their re-categorisation.

5.1. Professional Client who May be Treated as Retail Client on Request

If a Professional Client who is subject to Title Transfer Collateral Arrangement (“TTCA”) requests to have their money and/or assets protected under Directive DI87-01 and to be treated as Retail Client, Tradu should ensure both the Client’s request and the Firm’s response is documented. On agreeing to a request for protection Tradu is obliged to notify the Client of its agreement and to state when the protection would come into effect taking into account the time required to update its records and return assets or monies to the Client/segregate the relevant asset or monies.

In addition, the higher level of protection will be provided by the Firm when the Client enters into a written agreement with the Firm, to the effect that it shall not be treated as a Professional. 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.

5.2. Per Se Professional Client who May be Treated as Eligible Counterparty on Request

A Per Se Professional corporate Client that requests to be treated as an Eligible Counterparty can be categorised as such. The Client must be provided with a clear written warning of the consequences of the re-categorisation, including the protections they may lose. In return, the Client must respond in writing to confirm their request to be treated as Eligible Counterparty either generally or in respect of one or more investment services or a transaction or type of transaction or product and their understanding of the consequences of the protections they may lose as a result of such request.⁴

5.3. Eligible Counterparty who May be Treated as Professional or Retail Client on Request

An Eligible Counterparty is allowed to request, either on a general form or on a trade-by-trade basis, treatment as a Client whose business with the Company is subject to Sections 25, 26, 28 and 29 of the Law 87(I)/2017 and the Firm may agree to provide a higher level of protection. In this respect, the Firm notifies its Clients, prior to the provision of services, in a written form, of their option to request such treatment.

The relevant request to the Firm must be made in writing and shall indicate whether the treatment as Retail Client or Professional Client refers to one or more investment services or transactions, or one or more types of transaction or product.

Where an Eligible Counterparty requests treatment as a Client whose business with an investment Firm is subject to Sections 25, 26, 28 and 29 of the Law 87(I)/2017, but does not expressly request treatment as a Retail Client, the Firm shall treat that Eligible Counterparty as a Professional Client.

Where the Eligible Counterparty expressly requests treatment as a Retail Client, the higher level of protection will be provided by the Company when the Client enters into a written agreement with the Company, to the effect that it shall not be treated as a Professional. 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. It is the responsibility of the Client to ask for a higher level of protection when it deems unable to properly assess or manage the risks involved.

⁴ Elective Professional Clients cannot be treated as Eligible Counterparties.

5.4. Retail Client who May be Treated as Professional Client on Request

Upon request of the Client, a Retail Client may be categorised as an Elective Professional Client. The change in categorisation requires the satisfaction of the tests and conditions stated in points A, B, and C in section 2.4 of this policy.

Where a Retail Client that has been categorised as an Elective Professional Client does not keep the Firm informed about any change that may affect the Client's categorisation as a Professional Client, any miscategorisation made on this basis would not be treated as constituting a breach of duty on the part of the Firm.

6. Fair Treatment

All Clients shall be treated honestly, fairly, and professionally. The communication with them shall be fair, clear and not misleading, taking into account the nature of the Client and of their business where applicable.

7. Record Keeping

Tradu will make a record of all notices provided to Clients and retain such records for a minimum of five years after the Client ceases to do business with us. For each categorisation, we will also retain the information that supports such categorisation.

The Firm must also keep records in relation to each Client of:

- a) The categorisation established for the Client, including sufficient information to support that categorisation;
- b) Evidence of dispatch to the Client of any notice required under this policy and a copy of the actual notice provided; and
- c) A copy of any agreement entered into with the Client under this policy.

Annex I – Tradu German Branch Annex

1. Background

Stratos Europe Limited (trading as "Tradu") has established a German MiFID Branch ("Branch"). Under applicable German rules, the Branch itself is considered an autonomous entity and needs to comply with certain German rules.

This German Branch Annex ("Annex") supplements the Tradu Client Categorisation Policy to reflect applicable German rules.

In case of deviations of this Annex to the referenced policy, this Annex takes precedence.

2. Effective Date

This Annex shall be effective upon initiation of the Branch's operative business.

3. Amendments to the Policy

3.1 References

Any reference contained in Tradu's Client Categorisation Policy and referring to Cypriot law or legal requirements must be read and understood as a reference to the according German law or legal requirements. Primarily, this refers to the German Securities Trading Act (Wertpapierhandelsgesetz, "WpHG") which is the German implementation of the Markets in Financial Instruments Directive 2014/65/EU ("MiFID II").

Accordingly, section 67 WpHG comprises the same set of client categories and the same way of categorization as contained in Tradu's policy and MiFID II.

3.2 The Financial Services Ombudsman

Where Tradu's policy refers to the Cypriot Financial Services Ombudsman, this must be read and understood as a reference to the German competent resolution body or Ombudsman.

3.3 German National Intervention Measures on CFDs

The German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, "BaFin") issued the General Administrative Act pursuant to Article 42 of Regulation (EU) No 600/2014 (MiFIR) regarding contracts for differences to restrict the marketing, distribution and sale of financial contracts for difference ("CFDs"). CFDs with additional payments obligation or unlimited margin obligation are prohibited from being offered to Retail Clients in Germany.