



PRIOR CAPITAL

CLIENT CATEGORISATION POLICY

This is not a marketing material, but an informative policy for the categorisation of clients and their rights in compliance with Markets in Financial Instruments Directive II (MiFID II) and the Investment Services and Activities and Regulated Markets Law of 2017 (Law 87(I)/2017)

Updated on

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Risk Warning: CFDs are complex instruments and come with a high-risk of losing money rapidly due to leverage. 87.00% of retail investor accounts lose money when trading CFDs with this provider. You should consider whether you understand how CFDs work and whether you can afford to take the high-risk of losing your money. Please consider our [Risk Disclosure](#).

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1. INTRODUCTION

1.1. Prior Capital CY Ltd (former PriorFX Ltd) (hereafter the “Company”) is an Investment Firm authorized and regulated by the Cyprus Securities and Exchange Commission (hereafter the “CySEC”) under the License No. CIF221/13. The head office of the Company is located at 196 Arch. Makarios III Ave., Ariel Corner, 3030 Limassol, Cyprus.

1.2. The Company is incorporated and registered under the laws of the Republic of Cyprus under the certificate registration number HE321360 and operates in compliance with the European Markets in Financial Instruments Directive II (MiFID II) 2014/65/EU and the Cyprus Investment Services and Activities regulated Markets Law of 2017 (Law 87(I)/2017).

2. CATEGORISATION CRITERIA

2.1. Following the implementation of the newly reformed Markets in Financial Instruments Directive II (MiFID II) in the European Union and in accordance with Article 101 of the Investment Services and Activities and Regulated Markets Law of 2017 (Law 87(I)/2017) in Cyprus the Company is required to inform and categorise its Clients into one of the following three categories: Retail, Professional or Eligible Counterparty.

Therefore, when the Company is considering an application for opening an account, it will classify a prospective Client under any of the above categories based on the information provided by the said Client.

2.2. Retail Client means a Client who is NOT a Professional Client or an Eligible Counterparty (as defined below).

2.3. Eligible Counterparties for the purposes of Article 31 of the Investment Services and Activities and Regulated Markets Law 87 (I) of 2017, are defined as CIFs, other IFs, credit institutions, insurance companies, UCITS and UCITS management companies, pension funds and their management companies, other financial institutions authorised by a Member State or regulated under the laws of Cyprus or under European Union law, national governments and their corresponding offices, including public bodies that deal with public debt at national level, central banks, the Central Bank and supranational organisations. Furthermore, other undertakings meeting pre-determined proportionate requirements, including quantitative thresholds can be considered as Eligible Counterparties. The law acknowledges as Eligible Counterparties, third country entities which are equivalent to those categories of entities referred to above.

2.4. Professional Client is a Client who possesses the experience, knowledge and expertise to make his/her own investment decisions and properly assess the risks that he/she incurs. In order to be considered as a Professional Client, a Client must comply with one of the following criteria.

2.4.1. Categories of Clients who are considered to be professionals

The following should be regarded as professionals in all investment services and activities and financial instruments:

(1) Entities which are required to be authorised or regulated to operate in the financial markets. The list below should be understood as including all authorised entities carrying out the characteristic activities of the entities mentioned: entities authorised by a Member State under the Markets in Financial Instruments Directive, entities authorised or regulated by a Member State without reference to the above Directive, and entities authorised or regulated by a non-Member State:

- Investment Firms
- Collective Investment Schemes and the management companies of such schemes
- Other authorised or regulated financial institutions
- Credit Institutions
- Pension funds and the management companies of such funds
- Insurance Companies
- Locals
- Commodity and commodity derivatives dealers
- Other Institutional Investors (like Portfolio Investment Companies)

(2) Large undertakings which meet two of the following company size requirements:

- Balance sheet total: EUR 20,000,000
- Net turnover: EUR 40,000,000
- Own funds: 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 IMF, the ECB, the EIB 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.

The entities mentioned above from (1) to (4) to be considered as professionals in relation to all investment services and activities and financial instruments.

2.4.1.1. The Company must inform the Client, prior to any provision of services that, based on the information available to the Company, the Client is deemed to be a Professional Client, and will be treated as such unless the Company and the Client agree otherwise. Professional Clients are responsible for keeping the Company informed about any change, which could affect their categorization. Should the Company become aware that the Client no longer fulfils the initial conditions which made him/her eligible for a professional treatment, the Company will take appropriate action.

They are however allowed to request non-professional treatment and the Company may agree to provide a higher level of protection.

2.4.1.2. This higher level of protection will be provided when a 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, specifying whether this applies to one or more particular service or type of transaction.

2.4.2. Clients who may be treated as professionals on request.

2.4.2.1. Identification Criteria

Clients, other than those mentioned in section 2.4.1, including public sector bodies and private individual investors, may also be allowed to waive some of the protection afforded by the conduct of business rules.

The Company is therefore allowed to treat any of the above Clients as professionals provided the relevant criteria and procedure mentioned below are fulfilled. These Clients will not, however, be presumed to possess market knowledge and experience comparable to that of the categories listed in section 2.4.1.

Any such waiver of the protection afforded by the standard conduct of business regime will be considered valid only if an adequate assessment of the expertise, experience and knowledge of the Client, undertaken by the Company, gives reasonable assurance, considering the nature of the transactions or services envisaged, that the Client is capable of making his/her own investment decisions and understanding the risks involved.

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

In the course of the above assessment, as a minimum, two of the following criteria should be satisfied:

- a. The Client has carried out significant sized transactions on the relevant market at an average frequency of 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 EUR500 000;
- 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.

2.4.2.2. Procedure

The customers defined above may waive the benefit of the detailed rules of conduct 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. They must state in writing, in a separate document from the agreement, that they are aware of the consequences of losing such protection;
- c. The Company will give them a clear written warning of the protection and investor

compensation rights they might lose.

2.4.2.3. Before deciding to accept any request for a waiver, the Company is required to take all reasonable steps to ensure that the Client requesting to be treated as a professional client, meets the relevant requirements stated in section 2.4.2.1 above.

2.4.3.4. Professional Clients are responsible for keeping the Company informed about any change which could affect their current categorisation. However, should the Company become aware that the Client no longer fulfils the initial conditions which made him/her eligible to be categorised as a professional; the Company will take appropriate action.

3. REQUEST FOR DIFFERENT CLASSIFICATION

3.1. A Retail Client has the right to request a different classification as a Professional Client, but he/she will be afforded a lower level of protection. The Company is not obliged to deal with him/her under a different classification.

3.1.1. In order to be a Professional Client, he/she must meet two (2) of the three following conditions:

- a. To have carried out a significant volume of operations on securities markets in the last four quarters with an average frequency of more than ten (10) operations per quarter;
- b. To have assets in the form of securities deposited in financial institutions and cash with a combined value of more than €500.000;
- c. To hold or to have in the past for at least one (1) year a professional position in the financial sector requiring knowledge of the type of operations or services now being contemplated.

3.1.2. After reviewing Client's profile if Company does not believe Client meets the criteria for a Professional Client it will recommend him/her stay classified as a Retail Client. Should customer still wish to proceed as a professional the following must be in place:

- a. State in writing to the Company that he/she 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. State in writing, in a separate document from the agreement, that he/she is aware of the consequences of losing the protections stated in section 4.1.

3.2. An Eligible Counterparty has the right to request to be categorised either as a Professional Client or a Retail Client in order to obtain a higher level of protection.

3.3. A Professional Client has the right to request to be categorised as a Retail Client in order to obtain a higher level of protection.

3.4. The Company has the right to decline any of the above Client requests.

4. PROTECTION RIGHTS

4.1. Retail Clients

Where the Company treats the Client as a Retail Client, he/she will be entitled to more protection under the law than if the Client was a Professional Client. In summary, the additional protection to Retail Clients are entitled to, are as follows:

(1) A Retail Client will be given more information/disclosures with regard to the Company, its services and any investments, its costs, commissions, fees and charges and the safeguarding of Client financial instruments and Client funds.

(2) 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/her 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. 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 him/her accordingly. Please note that the Company is not required to assess appropriateness in certain cases specified by law.

(3) When executing orders, investment firms and credit institutions providing investment services must take all sufficient steps to achieve what is called “best execution” of the Client’s orders. For more information regarding best execution (“Order Execution Policy”), please visit our legal section at www.priorfx.com.

(4) Investment firms and credit institutions providing investment services must obtain from the Client 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:

- ✓ It meets the investment objectives of the Client in question;
- ✓ The Client is financially able to bear the investment risk that arises from his/her investment objectives;
- ✓ That the Client has the necessary experience and knowledge to understand the risks involved in the transaction or the management of his/her portfolio.

(5) 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.

(6) The Company is required to provide Retail Clients:

- a. With periodic statements in respect of portfolio management activities carried out on their behalf more frequently than for Professional Clients.

- b. With more information than Professional Clients as regards execution of orders other than for portfolio management.

(7) The Company will not use Financial Instruments held on behalf of a Client for its own account or the account of another client 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/her signature or an equivalent alternative mechanism.

(8) 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 will 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 a case where the threshold is exceeded on a non-business day, the close of the following business day.

(9) One of the main consequences of MiFID II is that entities carrying on investment business are subject to specific regulatory requirements, including obligations to protect investors. If the Company provides an investment service other than investment advice to a new Retail Client for the first time, the Company must enter into a basic written agreement with the Client, setting out the essential rights and obligations of the Firm and the Client.

(10) Retail Clients may be entitled to compensation under the Investor Compensation Fund for Clients of Investment Firms.

Introduction of improved protection measures by MiFID II

MiFID II provides vast array of new and improved protection policies for investment firms to abide by, ensuring the higher level of investor protection. Below is a short summary of the retail investor protection changes introduced by MiFID II:

- Prohibited payment and retention of inducements (MiFID article 24)
- Creation of a Commission Delegated Regulation (EU) 2017/565, which is supplementary to MiFID II and aims to clarify the main changes proposed to in Articles 16, 24, 25, 27, 28
- Investment Advice must be independent and refrain from accepting or retaining inducements from third parties
- Stricter rules for discretionary portfolio management refraining them from accepting or retaining inducements from third parties
- Advisory and portfolio management Clients will receive a detailed suitability assessment in a periodic performance report
- Pre-and post-trade information to Clients will be enhanced
- Standardized form of information on fees and commissions paid and received by the investment firm

- Creation of a new execution venue - the OTF
- New requirements for corporate governance and non-executive directors
- Strengthened the criteria for qualified senior management of investment firms
- Stricter control of remuneration of staff (e.g. bonus criteria)
- Strengthened the importance and role of the compliance officer
- Key Information Document (KID) as well as obligations on manufacturers and distributors
- Obligation of Investment Firms to assess their products, services and their target market
- New Product Governance requirements
- Enhancing the role of Approved Publication Arrangement (APA) firms
- Transaction reports will need to capture additional information (including identification of individuals – or computer algorithms where relevant – responsible for the investment decision)
- Extended scope of products and activities. Additional Financial Instruments will be brought into the scope of MiFID II

For more information regarding the implementation of the above, please visit our updated Policies and procedures found at our legal section www.priorfx.com.

4.2. Professional Clients

(1) The Company shall be entitled to assume that a Professional Client has the necessary experience and knowledge to understand the risks involved in relation to those particular investment services or transactions, or types of transaction or product, for which the Client has been classified as a Professional Client.

(2) 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.

(3) When providing Professional Clients with best execution, the Company is not required to prioritize the overall costs of the transaction as being the most important factor in achieving best execution for them.

(4) 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 (c) 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 consistent with their investment objectives.

4.3. Eligible Counterparties

Where the Company treats the Client as an Eligible Counterparty, the Client will be entitled to less protection under the law than he/she would be entitled to as a professional client. In particular and in addition to the above:

- (1) The Company is not required to provide the Client with risk disclosures on the products or services that he/she selects from the Company;
- (2) The Company is not required to provide reports to the Client on the execution of his/her orders or the management of his/her investments;
- (3) The Company is not required to provide the Client with best execution in executing the Client's orders;
- (4) 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 for him/her and that he/she is financially able to bear any investment risk consistent with his/her investment objectives;
- (5) The Company is not required to disclose to the Client, information regarding any fees or commissions that the Company pays or receives;
- (6) 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.

5. MONITOR AND REVIEW

The Company will review and monitor and review the effectiveness of this Policy and arrangements to identify and, where appropriate, correct any deficiencies on a regular basis and at least annually.

The Company will notify its Clients affected by material changes in its Policy. Furthermore, the Client should refer from time to time to the Company website www.priorfx.com where the latest and most up to date Policies will be available.