

CLIENT CATEGORISATION

Introduction

Following the implementation of the Markets in Financial Instruments Directive (MiFID) in the European Union and in accordance with the Investment Services and Activities and Regulated Markets Law of 2007 (Law 144(I)/2007) in Cyprus, KAB Strategy Limited (with license No. 058/05) (hereinafter called the «Company») is required to 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.

Categories

1. «Retail Client» is a client who is not a professional client or an eligible counterparty.
2. «Professional Client» is a client who possesses the experience, knowledge and expertise to make his own investment decisions and properly assess the risks that he incurs. In order to be considered a professional client, a client must comply with one of the following criteria:
 - 2.1. 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 above 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:
 - a) Credit Institutions;
 - b) Investment Firms;
 - c) Other Authorised 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) Commodities and commodity derivatives dealers;
 - h) Locals;
 - i) Other Institutional Investors (like Portfolio Investment Companies).
 - 2.2. Large undertakings meeting two of the following size requirements on a company basis:
 - a) balance sheet total: EUR 20,000,000
 - b) net turnover: EUR 40,000,000
 - c) own funds: EUR 2,000,000
 - 2.3. 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.

2.4. Other institutional investors whose main activity is to invest in financial instruments, including entities dedicated to the securitisation of assets or other financing transactions.

2.5. Clients who may be treated as professionals on request, following approval by the Company (please see further below under 'Request for Different Classification').

The entities mentioned above from (2.1) to (2.4) are considered to be professionals in relation to all investment services and activities and financial instruments. The clients mentioned in (2.5) may be treated as professionals generally or in respect of a particular investment service or transaction, or type of transaction or product. Professional clients are responsible for keeping the Company informed about any change, which could affect their categorisation. Should the Company become aware that the client no longer fulfils the initial conditions which made him eligible for a professional treatment, the Company will take appropriate action.

3. "Eligible Counterparty" is any of the following entities to which an investment firm provides the services of reception and transmission of orders on behalf of clients and/or execution of such orders and/or dealing on own account: Cyprus Investment Firm / Greek Investment Firm, other investment firms, credit institutions, insurance companies, UCITS (Undertaking for Collective Investment in Transferable Securities) and their management companies, Portfolio Investment Companies, pension funds and their management companies and other financial institutions authorised by a Member State or regulated under Community legislation or the national law of a Member State, undertakings exempted from the application of the Investment Services and Activities and Regulated Markets Law 144(I) of 2007 in accordance with paragraphs (k) and (l) of subsection (2) of section 3, national governments and their corresponding offices, including public bodies that deal with public debt, central banks and supranational organisations.

Request for Different Classification

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. The Company is allowed to treat any of the retail clients as professionals provided the relevant criteria and procedure mentioned below are fulfilled. Any waiver of the protection afforded by the standard conduct of business regime will be effected only if an adequate assessment of the 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 his own investment decisions and understanding the risks involved. The fitness test applied to managers and directors of entities licensed under Directives in the financial field could 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 authorised 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 transactions, in significant size, 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 EUR 500 000,

- 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.

Procedure the retail clients 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) the Company will 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 and accept them;
- d) before deciding to accept any request for 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 tests and criteria above.

SCHEDULE OF PROTECTIONS LOST

THE DIFFERENCES BETWEEN THE TREATMENT OF RETAIL AND PROFESSIONAL CLIENTS

For the avoidance of doubt the points raised below do not constitute an offer or undertaking by KAB Strategy Limited to provide any services to Retail Clients, or to categorise any client as a Retail Client, whether in the manner set out below or otherwise. Any references to "Professional Client" include per se Professional Clients as defined by the MiFID.

KAB STRATEGY LIMITED WILL AS A "REGULATED FIRM" ENGAGE WITH YOU SUBJECT TO THE MINIMUM OBLIGATIONS SET OUT BELOW:

1. CLIENT AGREEMENTS

- 1.1. The regulated firm is required to enter into a written basic agreement, and to provide the client with details of the terms of the agreement before the client is bound by the agreement.

Applicable for Retail Clients: Yes

Applicable for Professional Clients: No

2. EXCLUSIONS OF LIABILITY

- 2.1. The regulated firm is permitted to exclude and restrict any duty or liability when communicating with client provided it is honest, fair and professional for that regulated firm to do so.

Applicable for Retail Clients: Yes

Applicable for Professional Clients: Yes

2.2. The regulated firm should at "all times" act honestly, fairly and professionally in accordance with the best interests of the client.

Applicable for Retail Clients: Yes

Applicable for Professional Clients: Yes

3. INFORMATION ABOUT A REGULATED FIRM ITS SERVICES, AND ITS REMUNERATION

3.1. The regulated firm is expressly required to provide clients with information about it and its services (for example but not limited to: its authorisation, conflicts of interest, and methods of communication with it).

Applicable for Retail Clients: Yes

Applicable for Professional Clients: No

3.1. The regulated firm that manages investments for the client are specifically required to provide the client with information on benchmarks, delegation, types of investments and objectives, or valuations.

Applicable for Retail Clients: Yes

Applicable for Professional Clients: No

3.3. The regulated firm that holds certain investments or money are only required to provide the client with detailed information as to:

- (a) The manner in which assets are held and protected;
- (b) Any securities or liens over those assets; and
- (c) The way in which securities may be used in securities financing transactions.

Applicable for Retail Clients: Yes

Applicable for Professional Clients: Yes

3.4. The regulated firm is required to provide the clients as to their costs and associated charges.

Applicable for Retail Clients: Yes

Applicable for Professional Clients: No

4. COMMUNICATING WITH CLIENTS

4.1. The regulated firm is required to communicate, including financial promotions to the client, provided it is proportionate to the client categorisation, in a way that is fair, clear and not misleading.

Applicable for Retail Clients: Yes

Applicable for Professional Clients: Yes

4.2. The requirements relating to distance communications will apply in the event the client meets the definition of "consumer".

Applicable for Retail Clients: Yes

Applicable for Professional Clients: Yes

4.3. Financial Promotions directed to clients are subject to internal approval and record keeping procedures.

Applicable for Retail Clients: Yes

Applicable for Professional Clients: No

5. PROVIDING PRODUCT INFORMATION

5.1. The regulated firm is required to provide the client with information on the general nature of risks of designated investments ("Risk of Investments").

Applicable for Retail Clients: Yes

Applicable for Professional Clients: Yes

5.2. The regulated firm is required to provide the client with a detailed description of the Risks of Investments.

Applicable for Retail Clients: Yes

Applicable for Professional Clients: No

5.3. In relation to investments subject to an offer to the public, the regulated firm is required to inform the client in regards to where a prospectus has been made available.

Applicable for Retail Clients: Yes

Applicable for Professional Clients: No

5.4. The regulated firm is required to provide the client with details required to make a fair assessment of the guarantor of any third party guarantees incorporated in the investment. Likewise, the regulated firm is required to provide information concerning designated investments in advance to providing a service to the client.

Applicable for Retail Clients: Yes

Applicable for Professional Clients: No

6. REPORTING INFORMATION TO CLIENTS

6.1. The regulated firm may when executing orders, other than in the course of managing investments, provide clients with a simplified trade confirmation.

Applicable for Retail Clients: No

Applicable for Professional Clients: Yes

6.2. The client has a right to receive data in relation to each individual tranche, where the regulated firm has averaged certain data in relation to the execution of orders in tranches.

Applicable for Retail Clients: Yes

Applicable for Professional Clients: No

- 6.3. The regulated firm is required to provide a six-monthly statement containing trade confirmation information to the client, when executing a series of orders for units in a collective investment undertaking.

Applicable for Retail Clients: Yes

Applicable for Professional Clients: No

- 6.4. The regulated firm that manages investments on behalf of the client is required to provide periodic statements to clients in a detailed and specialised form with content and timing requirements.

Applicable for Retail Clients: Yes

Applicable for Professional Clients: Yes

- 6.5. The regulated firm owes a duty to the client, when undertaking the managing of investments, or operating a client account that includes an uncovered open position in a contingent liability transaction, to agree a loss threshold or to report any losses that may exceed any agreed threshold.

Applicable for Retail Clients: Yes

Applicable for Professional Clients: No

7. BEST EXECUTION AND ORDER HANDLING

- 7.1. When executing orders for the client, or placing orders for the client with another firm the regulated firm must take all reasonable steps to obtain the "best possible result" for the client.

Applicable for Retail Clients: Yes

Applicable for Professional Clients: Yes

- 7.2. The regulated firm is required to determine the best execution result solely or limited to consideration only.

Applicable for Retail Clients: Yes

Applicable for Professional Clients: No

- 7.3. The regulated firm is required to provide detailed information as to their order execution policy as opposed to detailed information.

Applicable for Retail Clients: Yes

Applicable for Professional Clients: No

- 7.4. The regulated firm when dealing with clients with competing execution venues, should not take into account (et alia) its own commissions, and costs when executing on each of the eligible execution venues.

Applicable for Retail Clients: Yes

Applicable for Professional Clients: No

- 7.5. The regulated firm is required to inform the client of any material difficulty in carrying out the order promptly on becoming aware of the difficulty when carrying out client orders as opposed to providing only "appropriate information."

Applicable for Retail Clients: Yes

Applicable for Professional Clients: No

- 7.6. It may be possible for the regulated firm's clients to enter into transactions for financial instruments on what is known as a "request for quote" basis, where the client requests a quote for the price at which the regulated firm is prepared to purchase an investment from, or sell it to the client. In such circumstances, the regulated firm may not act as entering the relevant transaction "on behalf of the client" and therefore may not owe the duty to take reasonable steps to obtain the best possible result.

Applicable for Retail Clients: No

Applicable for Professional Clients: Yes

8. CUSTODY

- 8.1. "Custody Rules" apply to the regulated firm when it receives or holds investments on behalf of clients.

Applicable for Retail Clients: Yes

Applicable for Professional Clients: Yes

- 8.2. Normally best practice dictates that registration of recording of legal title to a safe custody investment in the regulated firm's own name, the title must be registered or recorded in the name of a separate party (custodian or nominee). Where the regulated firm register or record title in their own name, they are free to do so without the consent of the client.

Applicable for Retail Clients: No

Applicable for Professional Clients: Yes

- 8.3. The regulated firm is required to hold documents of title to a safe custody investment either in the regulated firm's own physical possession or with a custodian in an account designated for clients' safe custody investments, or in accordance with a client's specific written instructions.

Applicable for Retail Clients: No

Applicable for Professional Clients: Yes

- 8.4. The regulated firm is required to obtain the client's express consent prior to undertaking or otherwise engaging in stock lending or other securities financing activity.

Applicable for Retail Clients: Yes

Applicable for Professional Clients: Yes

- 8.5. The regulated firm is required to ensure that the collateral provided by the borrower is "in favour of the client" and it must commit itself to monitoring the realisable value of the safe custody investment or that of the collateral, and it must commit itself to covering the difference between if the current realisable value of the collateral falls below that of the safe custody investment when acting for a client.

Applicable for Retail Clients: Yes

Applicable for Professional Clients: No

- 8.6. The regulated firm is required to obtain the express prior consent of the client prior to undertaking or otherwise engaging in stock lending activity (and other securities financing activity) with or for the client, and it must ensure that collateral is provided by the borrower in favour of the client, and monitor the realisable value of the safe custody investment or that of the collateral, and provide collateral to make up the difference where the current realisable value of the collateral falls below that of the safe custody investment when acting for a client.

Applicable for Retail Clients: Yes

Applicable for Professional Clients: Yes

9. CLIENT MONEY

- 9.1. There are instances where money received by the regulated firm from a client will not be considered "client money" for the purposes of the Cysec rules; in this case the Client Money Rules will not apply. For example, where a client transfers full ownership of money to a firm for the purpose of securing or otherwise covering present or future, actual or contingent or prospective obligations, such money will no longer be regarded as "client money".

Note the specific terms applicable to you in this regard based on your client categorisation in M&L Invest Union Markets' Standard Terms of Business as amended from time to time.

- 9.2. Other firms such as an exchange, clearing house or an intermediate broker, may be tasked by a regulated firm to hold or control client money, however this is only permissible upon the client money being transferred for the purpose of a customer transaction, or in order to meet a customer's obligation to provide collateral for a transaction (initial margin requirements for a contingent liability investment etc.)

Unless the regulated firm notifies you otherwise, interest will not be paid on any money that it holds for the client as "client money".

Applicable for Retail Clients: Yes

Applicable for Professional Clients: Yes

10. STAKEHOLDER PRODUCTS

10.1. The regulated firm is required to follow the requirements set out on advice on "stakeholder products," and the prescribed sales process, product suitability and the further rules on concluding a contract and record keeping when dealing with a client.

Applicable for Retail Clients: Yes

Applicable for Professional Clients: No

11. BUSINESS OUTSIDE THE SCOPE OF THE MARKETS IN FINANCIAL INSTRUMENTS DIRECTIVE
("MIFID")

11.1. The client is granted the additional protections under the Cysec to Retail Clients for business conducted outside the scope of MiFID.

Applicable for Retail Clients: Yes

Applicable for Professional Clients: No