

## CLIENT CATEGORIZATION POLICY



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**In the event of a conflict between R Capital Solutions Ltd and a Client, terms expressed in English and expressed in any other language, the terms expressed in English shall prevail over those expressed in any other language.**

R Capital Solutions Ltd. (hereinafter the “Company”) is required to categorize its Clients into one of the following three categories: retail, professional or eligible counter-party.

## I. CLIENT CLASSIFICATION

The Company, prior to engaging in business relationship with its potential clients, notifies the potential clients of the clients’ classification in use by the Company, informs them about the category in which they are initially classified by the Company as well as their right to request change of categorisation and any limitations to the level of client protection that the change it would entail. Clients shall be categorized as follows, based on the criteria outlined below:

### a. Eligible Counter-parties

The Company, when dealing with eligible counter-parties, is exempted from important obligations under conduct of business rules, best execution rules, client order handling rules.

For that purpose, eligible counter-parties may consider to be falling within the following categories:

- Investment firms;
- Credit institutions;
- Insurance companies;
- UCITS and their management companies;
- Pension funds and their management companies;
- Other financial institutions authorized or regulated under community or national law;
- Commodity and commodity derivative traders (dealing on own account);
- National governments and their corresponding offices including public bodies which manage public debt;
- Central Banks;
- Supranational organizations;
- Third country entities equivalent to the categories mentioned above.

### b. Professional Clients

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.

In order to be considered a professional client, the client must fall within the following categories of clients:

- i. Entities which are required to be authorized or regulated to operate in the financial market, either from Member States or non-Member States, such as:

- Credit institutions;
- Investment Firms;
- Other authorized or regulated financial institutions;
- Insurance undertakings;
- 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;

ii. Large undertakings meeting two of the following size requirements, on a proportional basis:

- Balance Sheet total at least EUR20.000.000;
- Net Turnover at least EUR40.000.000;
- Own Funds at least EUR2.000.000;

iii. National and regional governments and public bodies;

iv. Other institutional investor whose main activity is to invest in financial instruments including entities dedicated to the securitization of assets or other financing transactions;

c. Retail Clients

Each client, who is neither an eligible counter-party nor a professional client, is considered to be a retail client.

## II. REQUEST FOR DIFFERENT CATEGORISATION

In accordance with Section II above, the following request may be submitted to the company:

- a) A Retail Client requesting to be categorized as a Professional Client. In that case the Client will be afforded a lower level of protection;
- b) A Professional Client requesting to be categorized as a Retail Client. In that case the Client seeks to obtain a higher level of protection;
- c) An Eligible Counterparty requesting to be categorized as a Professional Client or Retail Client. In that case the Client seeks to obtain a higher level of protection;

The Company reserves the right to decline any of the above requests for different categorization.

## III. OPTION TO CHANGE CATEGORISATION

It is noted that an eligible counterparty or professional client is allowed to request non professional treatment and the Company may agree to provide a higher level of protection. In this respect, the Company notifies its clients in a written form of their option to request change of categorization as well as about any limitations to the level of client protection that it would entail. The Company proceeds in this action, in order to offer a uniform level of protection to all of its clients.

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. It is the responsibility of the client who is classified as a professional client to ask for a higher level of protection when he is not in a position to properly assess and manage the risks involved in the transactions.

In addition, clients who have been initially classified by the Company as retail clients are allowed to request to be treated as professional clients and in such a case the following procedure must be followed:

- Client must state in writing to the Company that he/she wish 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 will give the client a clear written warning of the protections and investor compensation rights the client may lose
- Client must state in writing, in a separate document from the contract, that he/she is aware of the consequences of losing such protections.

These clients should not, however, be presumed to possess market knowledge and experience and such waiver of the protection that is requested, shall be considered valid only if an adequate assessment of the expertise, experience and knowledge of the client is undertaken by the Company and 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.

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

- The client has carried out transactions, in significant size, at an average frequency of 10 per quarter over the previous ten quarters;
- The size of the client's financial instrument portfolio exceeds EUR 500,000.00;
- 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.

#### IV. PROTECTION RIGHTS

##### Retail Clients/ Professional Clients

Where the Company treats the Client as a retail client, he/she/they will be entitled to more protections under the law than if the Client was entitled to be a professional client. In summary the additional protections retail clients are entitled to are as follows:

- a) A retail client will be given more information/disclosures with regard to the Company, its services and any investments, its cost, commissions, fees and charges and the safeguarding of client financial instruments and client funds;
- b) 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 knowledge and experience in the investment field relevant to the specific type of product

or service offered or demanded so as to enable the investment firm 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 client accordingly.

The Company shall be 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.

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.

c) When executing orders, investment firms and credit institutions providing investment services must take all reasonable steps to achieve what is called “best execution” of the client’s orders that is to obtain the best possible result for their clients.

Where the Company executes an order on behalf of a retail client, the best possible result shall be determined in terms of the total consideration, representing the price of the financial instrument and the cost related to execution, which shall include all expenses incurred by the client which are directly related to the execution of the order, including execution venue fees, clearing and settlement fees and any other fees paid to the third parties involved in the execution of the order.

d) Investment firms and credit institutions providing investment services must obtain from clients 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:

- i. It meets the investment objectives of the client in question;
- ii. It is such that the client is able financially to bear any related investment risks consisted with his investment objectives;
- iii. It is such that the client has the necessary experience and knowledge in order to understand the risks involved in the transaction or in the management of his portfolio.

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 (iii) 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 consisted with its investment objectives.

e) 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.

f) The Company is required to provide retail clients:

- i. with more information than professional clients as regards execution of orders, other than for portfolio management;
- ii. With periodic statements in respect of portfolio management activities carried out on their behalf, more frequently than for professional clients.

g) Retail clients are covered by the Investor Compensation Fund for Cyprus Investment Firms.

h) Eligible Counter-parties

Where the Company treats the Client as an eligible counter-party, the Client will be entitled to fewer protections under the law than he/she/they would be entitled to as a professional client. In particular, and in addition to the above:

- a. The Company is not required to provide the Client with the best execution the Client's orders;
- b. The Company is not required to disclose to Client information regarding any fees or commissions that the Company pays or receives;
- c. The Company is not required to assess the suitability or appropriateness of a product or service that it provides to Client but can assume that the Client has the expertise to choose the most appropriate product or service for him/her/them and that he/she/they is/are able financially to bear any investment risks consistent with his/her/their investment objectives;
- d. 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;
- e. The Company is not required to provide the Client with risk disclosures on the products or services that he/she/they select/s from the Company; and