



## **CLIENT CLASSIFICATION POLICY**

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# **1. INTRODUCTION**

## **1.1 Purpose of the Policy**

This Client Classification Policy outlines the framework adopted by DPRG IM Ltd (Registration Number: HE433850) (the “Company”), a Cyprus Investment Firm authorised and regulated by the Cyprus Securities and Exchange Commission (“CySEC”) under License Number 454/25, for categorising clients in accordance with the applicable regulatory regime. This includes the Investment Services and Activities and Regulated Markets Law of 2017 (Law 87(I)/2017), Directive 2014/65/EU (MiFID II), and guidance issued by the Cyprus Securities and Exchange Commission (CySEC).

The purpose of the Policy is to ensure that each client is categorised in a consistent and transparent manner, based on objective criteria that reflect their level of knowledge, experience, and ability to understand and assume investment risks. Classification ensures that each client receives the appropriate level of regulatory protection and enables the Company to fulfil its legal obligations effectively.

## **1.2 Scope and Applicability**

This Policy applies to all prospective and existing clients of the Company with whom a business relationship is or may be established for the provision of investment services under the Company’s license.

The Company exclusively provides services to Professional Clients. It does not accept Retail Clients or Eligible Counterparties. Accordingly, all internal procedures, onboarding processes, systems, disclosures, and risk controls are tailored specifically to the provision of investment services to Professional Clients only.

This Policy sets out the classification criteria applicable to both per se Professional Clients and Elective Professional Clients and describes the implications of each classification, the procedures for opting up, and the Company’s responsibilities in relation to client classification.

## **1.3 Legal and Supervisory Framework**

This Policy is fully aligned with the following legal and regulatory instruments:

- The Investment Services and Activities and Regulated Markets Law of 2017 (Law 87(I)/2017), as amended

- Directive 2014/65/EU of the European Parliament and of the Council (MiFID II)
- Commission Delegated Regulation (EU) 2017/565
- CySEC Directives (including DI87-01) and Circulars (including but not limited to C139, C168, C198, C417)
- ESMA Guidelines on investor protection, suitability, and categorisation
- The Prevention and Suppression of Money Laundering and Terrorist Financing Law (Law 188(I)/2007)
- The Company's Internal Operations Manual and Anti-Money Laundering Manual

The Policy is implemented in line with the Company's compliance governance framework and forms part of the overall internal control environment.

#### **1.4 Definitions**

Client refers to a natural or legal person with whom the Company has or seeks to establish a business relationship for the provision of investment services.

Professional Client is a client who possesses the experience, knowledge, and expertise to make informed investment decisions and properly assess the risks involved in those decisions.

Per Se Professional means a client who meets objective criteria set out in Annex II of MiFID II and Law 87(I)/2017 and is automatically classified as a professional based on its legal or institutional nature.

Elective Professional refers to a client who does not meet the per se criteria but has been granted professional status following a written request and successful completion of the Company's internal assessment process, in accordance with the law.

Retail Client means a client who does not qualify as a Professional Client or an Eligible Counterparty. The Company does not accept Retail Clients.

Eligible Counterparty denotes a specific client classification under Article 30 of MiFID II applicable to certain execution services. The Company does not maintain relationships with clients in this category.

Τέλεια — συνεχίζουμε με το πλήρως ανανεωμένο Section 2: Client Classification Categories της Client Classification Policy της DPRG IM Ltd, προσαρμοσμένο αποκλειστικά σε Professional Clients, όπως απαιτείται από τη φύση της εταιρείας:

## **2. CLIENT CLASSIFICATION CATEGORIES**

The Company classifies all clients as Professional Clients in accordance with the definitions and criteria established under Annex II of MiFID II and Article 29 of Law 87(I)/2017. Classification takes place prior to the commencement of the business relationship and determines the level of regulatory protection the client will receive.

In accordance with the Company's internal governance and licensing scope, only the following two sub-categories of Professional Clients are permitted:

### **2.1 Per Se Professional Clients**

A client will be classified as a Per Se Professional Client if it falls into one of the categories listed below, as outlined in the applicable legislation:

- Entities which are authorised or regulated to operate in the financial markets, such as:
  - Credit institutions;
  - Investment firms;
  - Other authorised or regulated financial institutions;
  - Insurance companies;
  - Collective investment schemes and their management companies;
  - Pension funds and their management companies;
  - Commodity and commodity derivatives dealers;
  - Local firms;

- Other institutional investors whose main activity is to invest in financial instruments.
- Large undertakings meeting at least two of the following size requirements on a company basis:
  - Balance sheet total of EUR 20,000,000 or more;
  - Net turnover of EUR 40,000,000 or more;
  - Own funds of EUR 2,000,000 or more.
- National and regional governments, public bodies managing public debt, central banks, and international or supranational institutions such as the European Central Bank, the World Bank, the International Monetary Fund, and other similar organisations.
- Other institutional investors whose main activity is the investment in financial instruments, including entities engaged in securitisation or other financing transactions.

Clients that meet the criteria above will be classified as Per Se Professionals automatically. No further suitability assessment is required. However, the Company may request supporting documentation to verify eligibility.

## **2.2 Elective Professional Clients**

A client that does not fall within the categories outlined in section 2.1 may be treated as a Professional Client on request, subject to the completion of the Company's internal opt-up process and suitability assessment.

The Company may approve a client's request to be classified as an Elective Professional Client only if, after conducting an adequate assessment, it is satisfied that the client possesses the necessary level of experience, knowledge, and expertise to make informed investment decisions and understand the risks involved.

In order to qualify as an Elective Professional Client, the client must meet at least two (2) of the following three criteria:

- 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.
- The size of the client's financial instrument portfolio, including cash deposits and financial instruments, exceeds EUR 500,000.
- 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.

Clients wishing to opt up must submit a written request and sign a separate waiver acknowledging the consequences of losing Retail Client protections. The Company will provide a clear written warning regarding the protections being waived and will only proceed with reclassification once this process is complete and approved by the Compliance Department.

### **3. OPT-UP PROCEDURE AND RECLASSIFICATION PROCESS**

#### **3.1 Opt-Up Request and Initiation**

Clients who do not meet the objective criteria for classification as a Per Se Professional may formally request to be treated as Professional Clients by submitting a written opt-up request to the Company. The request may apply either to all investment services or to specific types of services, transactions, or financial instruments.

Upon receipt of the request, the Company will initiate an internal suitability assessment to determine whether the client meets the relevant conditions and is capable of making informed investment decisions and understanding the associated risks.

#### **3.2 Suitability Assessment**

The suitability assessment is conducted by the Compliance Department and may involve review of:

- The client's trading history or transaction volume;
- The size and composition of the client's financial instrument portfolio;

- Employment history and professional experience in financial markets;
- Any additional documentation provided in support of the client's request.

In accordance with Article 44(3) of Law 87(I)/2017 and MiFID II, at least two of the following criteria must be satisfied for a client to be reclassified as a Professional Client:

1. The client has carried out transactions, in significant size, on the relevant market at an average frequency of ten (10) per quarter over the last four quarters.
2. The client has a financial instrument portfolio, including cash deposits and financial instruments, exceeding EUR 500,000.
3. The client has worked in the financial sector for at least one year in a professional position that requires knowledge of the services or transactions envisaged.

The assessment must give the Company reasonable assurance that the client is capable of understanding and bearing the risks of the investment products or services.

### **3.3 Acknowledgement of Waiver of Protections**

If the Company is satisfied that the criteria are met, the client will be provided with:

- A written warning clearly outlining the protections and investor compensation rights that may be lost upon reclassification;
- A waiver form in which the client must confirm, in a separate document from the main service agreement, that they understand and accept the consequences of being treated as a Professional Client.

The reclassification will only take effect once the Company has received all required documentation and formal internal approval has been granted.

### **3.4 Approval and Documentation**

The final decision to approve or reject the opt-up request rests with the Company's Compliance Officer and/or Senior Management, depending on the risk profile of the client and the nature of services requested.



The full documentation relating to the assessment, approval, warnings issued, and client acknowledgment will be maintained in the client's file in accordance with applicable record-keeping obligations.

### **3.5 Right to Request a Higher Level of Protection**

Professional Clients are entitled to request to be treated as Retail Clients for all or part of the services provided, should they believe that they are unable to properly assess or manage the associated risks. Although DPRG IM Ltd does not serve Retail Clients, such requests will be documented and formally declined in writing, in line with the Company's licensing scope and risk policy.

## **4. IMPLICATIONS OF PROFESSIONAL CLASSIFICATION AND LOSS OF PROTECTIONS**

Clients classified as Professional, whether Per Se or Elective, are considered by law to have the necessary knowledge and experience to understand the nature of financial instruments and the risks involved. As such, Professional Clients are not entitled to the full range of protections afforded to Retail Clients under MiFID II and applicable CySEC regulations.

Upon reclassification, the following implications apply:

### **4.1 Reduced Investor Protection**

The Company is legally permitted to assume that a Professional Client is capable of making independent investment decisions and is financially able to bear any related risks. Consequently, the Company is not required to apply certain conduct-of-business protections, including but not limited to:

- **Suitability and Appropriateness Assessments:** The Company is not required to assess whether a product or service is suitable or appropriate for the client unless it is providing investment advice or portfolio management.
- **Detailed Disclosures:** While the Company remains committed to fair, clear, and not misleading communication, it is not obligated to provide the same level of disclosure regarding risks, costs, fees, or remuneration arrangements as it would for a Retail Client.

- **Best Execution Priorities:** When providing execution services, the Company is not required to prioritise price and cost above other factors (such as speed or likelihood of execution) unless explicitly agreed otherwise.
- **Order Handling Transparency:** The Company is not required to inform Professional Clients of material difficulties in executing an order as it must for Retail Clients.
- **Client Reporting Frequency:** The Company may apply more flexible timelines for providing post-trade reporting and periodic statements compared to those applicable to Retail Clients.
- **Investor Compensation Fund (ICF):** Professional Clients are generally not eligible for compensation under the Investor Compensation Fund scheme unless otherwise specified by law.

## **4.2 Acknowledgement of Risk and Responsibility**

Professional Clients are expected to take a proactive role in understanding the features and risks of financial instruments. They must also:

- Monitor their own classification status and inform the Company of any changes that may affect it;
- Accept full responsibility for their investment decisions and the outcomes resulting from those decisions;
- Understand that they are waiving certain protections in exchange for enhanced flexibility and access to broader investment products or execution options.

## **4.3 Documentation and Transparency**

Although the level of formal obligations toward Professional Clients is reduced, the Company continues to maintain:

- Clear communication of classification implications;
- Transparent documentation of all reclassification requests and approvals;

- Adherence to its internal governance and risk management obligations, ensuring Professional Clients are treated with integrity and in accordance with their status.

## **5. RESPONSIBILITIES, MONITORING, AND REVIEW**

### **5.1 Roles and Responsibilities**

The primary responsibility for the implementation and maintenance of this Policy lies with the Company's Compliance Officer, who ensures that all client classification procedures are performed in accordance with the applicable legal and regulatory framework.

Additional responsibilities are allocated as follows:

- The Client Onboarding Department is responsible for collecting all documentation and declarations necessary for classification and verifying the consistency of information provided by prospective clients.
- The Senior Management is responsible for reviewing and approving reclassification requests, particularly in cases of Elective Professional Clients or clients with complex profiles.
- The Internal Audit Function is tasked with reviewing the adequacy, implementation, and effectiveness of the Policy as part of its periodic compliance control assessments.

### **5.2 Record-Keeping**

In accordance with Article 58 of Law 87(I)/2017 and the CySEC Directive DI87-01, the Company maintains complete and accurate records of all client classification decisions, including:

- Initial classification documentation;
- Suitability assessments for Elective Professionals;
- Waiver acknowledgements and warnings issued;
- Reclassification requests and decisions.

These records are retained for a minimum period of five (5) years from the end of the business relationship, or longer where required by applicable legislation or legal proceedings.

### **5.3 Ongoing Monitoring**

The Company monitors the classification status of its clients throughout the business relationship. Clients are required to inform the Company of any material changes that may affect their classification (e.g., change in ownership, status, assets, or experience). The Company may, at its discretion, request periodic confirmation of status or re-assess a client's eligibility for Professional treatment.

Where the Company becomes aware that a client no longer fulfils the conditions under which it was classified as a Professional Client, it will take appropriate measures, which may include:

- Reclassifying the client to a more suitable category (if the Company's licensing model allows);
- Restricting services;
- Terminating the business relationship.

### **5.4 Policy Review and Amendment**

This Policy is subject to review on at least an annual basis or earlier if triggered by any of the following:

- Changes in the regulatory framework (including updates by CySEC, ESMA, or European legislation);
- Internal audit or compliance findings;
- Strategic changes to the Company's services or client base;
- Introduction of new products or services.

Any revisions to this Policy must be approved by the Board of Directors and appropriately communicated to relevant departments. The Compliance Officer is responsible for initiating the review process and coordinating any amendments.

## **6. VERSION CONTROL**

Any interim amendments prior to the next scheduled review will be versioned accordingly.

- Version: 1.0
- Prepared by: Compliance Department
- Approved by: Board of Directors
- Date of Approval: 14/04/2025

## **7. DISCLAIMER**

This Client Classification Policy (the “Policy”) forms part of the Client Agreement between DPRG IM Ltd (the “Company”) and its clients.

The Policy is subject to change and may be amended at any time to reflect changes in applicable laws, regulations, regulatory guidance, or the Company’s business practices.

The Company reserves the right to update this Policy without prior notice, where necessary.

In the event of any inconsistency between this Policy and the Client Agreement, the terms of the Client Agreement shall prevail, unless otherwise specifically stated.

## **8. ANNEX — Implications of Professional Client Status**

This Annex forms an integral part of the Client Classification Policy and is provided to ensure full regulatory transparency regarding the rights waived by clients classified as Professional.

Clients classified as Professional are deemed by law to possess the necessary expertise to understand and assume investment risks. Therefore, they waive certain

regulatory protections available to Retail Clients. The key differences are outlined below:

**1. Suitability and Appropriateness Requirements:**

The Company may assume that the client has sufficient knowledge and experience to understand the risks associated with the services or products provided. No suitability or appropriateness tests are required except in the provision of investment advice or portfolio management.

**2. Disclosure Requirements:**

The Company is not required to provide detailed disclosures on:

- The nature and risks of financial instruments;
- The Company's remuneration models and inducement arrangements;
- Costs and associated charges, to the same level of detail required for Retail Clients.

**3. Best Execution Obligations:**

When executing orders, the Company is not required to prioritise "total consideration" (price and cost) above all other execution factors unless instructed otherwise by the client.

**4. Reporting Obligations:**

The frequency and detail of reporting may be less rigorous than that required for Retail Clients. For example, confirmations and periodic statements may be less frequent or summarised.

**5. Investor Compensation Scheme (ICF):**

Professional Clients are generally not eligible for compensation under the Investor Compensation Fund, unless they fall under an exceptional category as defined by law.

**6. Client Communications and Risk Warnings:**

Risk warnings and product-related disclosures are less extensive. The Company is not required to issue standardised warnings unless deemed appropriate.

**7. Order Handling:**

The Company is not obliged to inform the client about material difficulties encountered in the prompt execution of an order.

**8. Complaint Handling Rights:**

Certain Professional Clients may not be eligible to submit complaints to the Cyprus Financial Ombudsman, particularly if they are regulated entities or institutional investors.

**9. Conflict of Interest and Safeguarding Rules:**

While the Company maintains appropriate controls and client asset segregation, some Retail-specific rules on safeguarding client funds may not apply to Professional Clients.

**10. Inducements and Incentives Disclosure:**

The Company is not required to disclose third-party inducements in the same manner as required for Retail Clients.

The above list is provided for transparency purposes and forms part of the documentation communicated to clients who are reclassified as Elective Professionals.

This Annex is also referenced in client-facing documentation and forms part of the Company's onboarding disclosures.