



MAGIC
COMPASSTM

License No. CIF 299/16 NAVIGATE YOUR TRADING

CLIENT CATEGORISATION POLICY

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1. Introduction

Magic Compass Ltd (hereinafter, “the Company”) is an Investment Firm regulated by the Cyprus Securities and Exchange Commission (hereinafter, “CySEC”) with Licence number 299/16, and operating under the Cypriot law L.87(1)/2017 titled provision of investment services, the Exercise of investment activities, the Operation of Regulated Markets as subsequently amended from time to time (hereinafter the “Law”) which transposed the European Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, as the same may be in force from time to time and modified or amended from time to time (hereinafter “MiFID II”).

Following the implementation of the MiFID II, each Client is categorised by the Company as a “Retail Client” “Professional Client” or “Eligible Counterparty.” Categorisation is undertaken on the basis of objective criteria. A Client may be placed in different categories for particular investment services or transactions or types of transactions or products. The Company shall notify each Client the Client’s categorisation as a Retail Client or Professional Client or, as the case may be, Eligible Counterparty.

2. Definition

A. Retail Client is a Client who is neither a Professional Client by default nor an Eligible Counterparty. Except for Clients who meet the requirements set out in point 3 or 4 below or unless informed otherwise in writing, all Clients are categorized as Retail Clients. Retail clients receive the highest possible level of protection as per the provision of the Law, including, but not limited thereto, investor compensation rights (i.e. coverage from Investor Compensation Fund) for Eligible Clients and as provided under sections 25 (General principles and information to clients), 28 (execute orders on terms most favourable to the client) and 29 (handling client orders) of the Law.

B. Professional Client is a Client who possesses the experience, knowledge and expertise to make his own investment decisions and properly assess the risks that the Client incurs. (See paragraph 3 below)

C. Eligible Counterparty under the Law is similar to a Professional Client but meets the requirements as described in Section 31(2) of the Law (i.e. an investment firm, credit institution, insurance undertaking, UCITS, pension fund, national government, a financial

legal entity subject to applicable law, governmental body or quasi-governmental body) and who has expressly confirmed to being treated as an Eligible Counterparty.

3. Professional Clients

3.1. Categories of Clients who are considered to be professional clients by default:

As per the Law, the following should all be regarded as professional clients in relation to all investment services and activities and financial instruments:

- a. 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:
 - Credit Institutions;
 - Investment Firms;
 - Other Authorised or regulated financial institutions;
 - Insurance Companies;
 - Collective investment schemes and management companies of such schemes;
 - Pension funds and management companies of such funds;
 - Commodity and commodity derivatives dealers;
 - Locals are firms which provide investment services and/or perform investment activities consisting exclusively in dealing on own account on markets in financial futures or options or other derivatives and on cash markets for the sole purpose of hedging positions on derivatives markets or which deal for the accounts of other members of those markets or make prices for them and which are guaranteed by clearing members of the same markets, where responsibility for ensuring the performance of contracts entered into by such firms is assumed by clearing members of the same markets
 - Other institutional investors (ie, Portfolio Investment Companies).
- b. Large undertakings meeting two of the following size requirements on a company basis:

- balance sheet total at least EUR 20,000,000
 - net turnover at least EUR 40,000,000
 - own funds at least EUR 2,000,000
- c. 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.
- d. Other institutional investors whose main activity is to invest in financial instruments, including entities dedicated to the securitization of assets or other financing transactions.

The entities mentioned above are considered to be Professional Clients by default. So, where the Client fulfils one of the criteria referred to above, the Company shall inform the Client prior to any provision of services that, on the basis of 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.

3.1. Non-Professional Clients who may be treated as professional client on request

A Client who has been categorised as a retail Client by the Company may request from the Company, in writing, to be treated as a Professional Client (and hence may lose certain protection and investor compensation rights), either generally or in respect of a particular investment service or transaction, or type of transaction or product. The Company may, at its discretion, decide not to take into consideration such treatment.

If the Company agrees to take into consideration such a request, it will upon receipt of such a request assess whether the Client meets the objective opt-up conditions. The Company will apply a fitness test to assess the expertise, experience and knowledge of the Client and any other element that it deems appropriate. In the course of the above assessment, as a minimum, two of the following criteria should be satisfied:

1. 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,
2. the size of the Client's financial instrument portfolio, defined as including cash deposits and financial instruments exceeds EUR 500 000,

3. 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.

In 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.

The Company will notify the Client if and when it agrees to categorise the Client as a Professional Client.

However, if the Client wishes to be treated as a professional client and the Company agrees to such categorisation, the Company must give to the client a clear written warning of the protections he will lose as described in sections 25 (General principles and information to clients), 28 (execute orders on terms most favourable to the client) and 29 (handling client orders) of the Law, including investor compensation rights (i.e. coverage under the Investor Compensation Fund).

The Client must state in writing, in a separate document from the main Agreement, that they are aware of the consequences of losing such protections.

The Company implements appropriate written internal policies and procedures to categorise clients. Professional Clients are responsible for keeping the Company informed about any change which could affect their current categorization. However, if the Company becomes aware that the Client no longer fulfils the initial conditions which made them eligible for a professional treatment, the Company should take appropriate action.

4. Eligible Counterparties

As defined under point 2 (C) above and as per section 31 (2)(a) of the Law, Eligible Counterparty is any of the following entities:

1. Cypriot Investment Firms (CIFs);
2. Other Investment Firms (IFs);
3. Credit Institutions;
4. Insurance Undertakings;
5. UCITS and their management companies;
6. Pension Funds and their management companies;

7. Other Financial Institutions authorised by a Member State or regulated under laws of Cyprus or the European Union Law;
8. National governments and their corresponding offices, including public bodies that deal with public debt at national level;
9. Central banks and supranational organisations;

Furthermore, the Eligible Counterparty category is applicable only for the following investment services:

- Reception and transmission of Client orders
- Execution of orders on behalf of Clients

The Company may recognize an undertaking as an Eligible Counterparty if that undertaking falls within a category of Clients who are to be considered Professional Clients in accordance with the first, second and third paragraph of Part A, of Annex II of the Law.

The Company may also recognize as eligible counterparties third country entities equivalent to those categories of entities stated in section 31 (2)(a) of the Law.

The Company may also recognize as eligible counterparties undertakings which fall within a category of Clients who are to be considered Professional Clients in accordance with Part B of Annex II of the Law. In such cases, however, the undertaking concerned shall be recognized as an Eligible Counterparty only in respect of the services or transactions for which it could be treated as a Professional Client.

The Company when dealing with clients categorised as Eligible Counterparties, the Company is not required to provide the protection described in sections 25 (General principles and information to clients), 28 (execute orders on terms most favourable to the client) and 29 (1) (ensure prompt, fair and expeditious execution of client orders, relative to other client orders or its trading interests) of the Law.

5. Request for Different Clarification

- A. A Retail Client has the right to request a different classification in order to be treated as Professional Client. However, if the Client wishes to be treated as a Professional Client and the Company agrees to such categorisation, the Client will lose the protections offer by the Law (see paragraph 3 above).

- B. A Professional Client has the right to request a different classification in order to be treated as Retail Client and hence benefit from the higher level of protection. If the Company accepts such a request, the Client shall enter into a written agreement with the Company. The agreement will specify the particular services or transactions, or the types of products or transactions to which the change of classification applies.
- C. An Eligible Counterparty has the right to request a different classification in order to be treated either as a Retail Client or Professional Client. If the Client wishes to be treated as a Professional Client and the Company agrees to such categorisation, the Client will be subject to lower form of protection than that provided by the Law (see paragraph 3 above). If the Client wishes to be treated as a Retail Client and the Company agrees to such categorisation, the Client will be subject to higher protection as described in sections 25 (General principles and information to clients), 28 (execute orders on terms most favourable to the client) and 29 (1) (ensure prompt, fair and expeditious execution of client orders, relative to other client orders or its trading interests) of the Law.

The Company has the right to decline any of the above Client's requests for different classification. In addition, the Company may, on its own initiative, treat as a Professional or Retail client an Eligible Counterparty or treat as a Retail Client a Professional Client.

6. Protection Rights

6.1. Retail, experienced Retail and Professional Clients

Where the Company treats a Client as a Retail Client or an Experienced Retail Client, the Client is entitled to more protections under the Law, than if the Client was treated as a Professional Client. In summary, the protections Retail Clients and Experienced Retail Clients are entitled to are as follows (the list may not be exhaustive):

- a) A Retail Client and an Experienced Retail Client will be given more information disclosures with regards to the Company, its services, its financial instruments and their performance, the nature and risks of financial instruments, its costs, commissions, fees and charges.
- b) Where the Company is providing the services of Reception & Transmission of orders and/or Execution of Client orders, the Company shall ask a Retail Client and an Experienced 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 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 or to an Experienced Retail Client, it shall warn the Client accordingly. Please note that the Company is not required to assess appropriateness in certain cases specified by the Law (for example but not limited to the situation where on an execution only basis the financial instrument concerned is not complex).

On the other hand, 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 and an Experienced 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 Client orders, the Company must take all sufficient steps to achieve what is called “best execution” of the Client’s orders that is to obtain the best possible result for its clients.

Where the Company executes an order of a Retail Client and an Experienced Retail Client, the best possible result shall be determined in terms of the total consideration, representing the price of the financial instrument and the costs 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 third parties involved in the execution of the order.

- d) The Company must inform Retail Clients and Experienced Retail Clients of material difficulties relevant to the proper carrying out of their order(s) promptly upon becoming aware of the difficulty.

- e) Retail Clients and Experienced Retail Clients may be entitled to compensation under the Investor Compensation Fund (“ICF”) for Clients of Investment Firms, while Professional Clients are not entitled to compensation under the ICF.

- f) Where the Company executes orders for Retail Clients and Experienced Retail Clients, it shall provide those clients with a summary of the relevant policy focused on the total costs they incur.

- g) Where the Company holds a Retail Client or Retail Experienced account with positions in leveraged financial instruments or contingent liability transactions, the firm must report to the client if the initial value of each instrument depreciates by 10% and thereafter at multiples of 10%.
- h) The Company cannot conclude title transfer financial collateral arrangements with Retail Clients and Experienced Retail Clients for the purpose of securing or covering present or future, actual or contingent or prospective obligations of clients.
- i) When the Company provides Portfolio Management or has informed a Retail Client or an Experienced Retail Client that it will carry out a periodic assessment of suitability, the periodic report shall contain an updated statement of how the investment meets the client's preferences, objectives and other characteristics of the Retail Client or Experienced Retail Client.

6.2. Eligible Counterparties

Where the Company treats the Client as an Eligible Counterparty, the Client will be entitled to fewer protections under the Law than it would be entitled to as a Retail or Experienced Retail or Professional Client. In particular and in addition to the above of paragraph 7.1 (the list may not be exhaustive):

- a) The Company is not required to provide the Client with best execution in executing the Client's orders.
- b) The Company is not required to implement procedures and arrangements which provide for the prompt, fair and expeditious execution of its Client orders, relative to other Client orders or its trading interests.
- c) The Company is not required to assess the appropriateness or suitability of a product or service that it provides but can assume that the Client has the expertise to choose the most appropriate product or service and that the Client has the ability to bear losses.
- d) The Company is not required to provide the Client with information about the Company's, execution venues, the arrangements through which the Company will be remunerated and other relevant information.
- e) The ICF does not cover Eligible Counterparties.

- f) The Company is not required to ensure that its financial instruments are designed to meet the needs of an identified target market of Eligible Counterparties.
- g) The Company, when dealing with Eligible Counterparties, is not required to ensure that it does not remunerate its staff in a way that conflicts with its duty to act in the best interests of its clients and that it does not accept any fees/commissions in relation to the provision of services to clients.

7. Changes to Professional Client /Eligible Counterparty Categorisation

Professional Clients and Eligible Counterparties are responsible for keeping the Company informed of any change which could affect their categorisation as such. If the Company becomes aware that a Professional Client or Eligible Counterparty no longer fulfils the initial conditions that made him eligible for a Professional Client/Eligible Counterparty treatment, it may take appropriate action, including re-categorising the Client as a Professional Client or a Retail Client.

8. Amendment/Review of the Policy

The Company reserves the right to review and/or amend this Policy at any given time it deems suitable and appropriate without notice to the Client. The Policy is available for review by clients upon request and it is uploaded on the Company's website.