



CLIENT CATEGORIZATION POLICY

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APPROVER(S):	Board of Directors
OWNER:	GWG (Cyprus) Ltd
CONTACT PERSON:	CCO
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INTRODUCTION

Following the implementation of the Markets in Financial Instruments Directive 2014/65/EU (MiFID II) in the European Union and in accordance with the Investment Services and Activities and Regulated Markets Law of 2017 (Law 87 (I)/2017) in Cyprus, GWG (Cyprus) Ltd (hereinafter the “Company”) is required to categorize its Clients into one of the following three categories: retail, professional or eligible counterparty.

I. CLIENT CLASSIFICATION

The Company shall inform new clients and existing clients that the Company has newly categorised them about the category in which they are classified by the Company.

The Company shall also inform clients about any right the clients have to request a different categorisation and about any limitations to the level of client protection that a different categorisation would entail.

Clients shall be categorized as follows, based on the criteria outlined below:

a. Eligible Counterparties

The Company, when dealing with eligible counterparties, is exempted from important obligations under conduct of business rules, best execution rules, client order handling rules. Particularly, when receiving and transmitting and/or executing orders on behalf of eligible counterparty clients, the Company is not required to comply with the obligations under section 25, with the exception of subsections (4) and (5), section 26, with the exception of subsection (6), section 28 and section 29(1) of the Law 87(I)/2017, in respect of those transactions or in respect of any ancillary service directly relating to those transactions.

Nevertheless, the Company, in its relationship with eligible counterparties, shall act honestly, fairly and professionally and communicate in a way which is fair, clear and not misleading, taking into account the nature of the eligible counterparty and of its business.

Eligible counterparties 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 authorised or regulated under the European Union law or the laws of Cyprus
- National governments and their corresponding offices including public bodies which manage public debt at national level



- Central Banks
- Supranational organisations
- Third country entities equivalent to the categories mentioned above

The Company, when entering into transactions with eligible counterparties, obtains the express confirmation from the prospective counterparty that it agrees to be treated as an eligible counterparty. This confirmation may be obtained either in the form of a general agreement or in respect of each individual transaction.

b. Per se 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 per se professional client, the client must fall within the following categories of clients:

- i. Entities which are required to be authorised or regulated to operate in the financial market, either from Member States or non-Member States, such as:
 - 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
 - Other institutional investors
- ii. Large undertakings meeting two of the following size requirements, on a company 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, Central Banks, international and supranational institutions and other similar international organisations
- iv. Other institutional investors whose main activity is to invest in financial instruments including entities dedicated to the securitisation of assets or other financing transactions

c. Retail Clients



Every client, which is neither an eligible counterparty nor a professional client, is considered to be a retail client.

II. REQUEST FOR DIFFERENT CATEGORISATION

In accordance with Section III below, the following requests may be submitted to the company:

- a) A Retail Client requesting to be categorised as a Professional Client (i.e. Elective Professional Client). In that case the Client will be afforded a lower level of protection.
- b) A Per se Professional Client requesting to be categorised as a Retail Client. In that case the Client seeks to obtain a higher level of protection.
- c) An Eligible Counterparty requesting to be categorised 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 categorisation.

III. OPTION TO CHANGE CLASSIFICATION

a. Eligible counterparties who may be treated as retail or professional clients on request

An eligible counterparty is allowed to request, either on a general form or on a trade-by-trade basis, treatment as client whose business with the Company is subject to Sections 25, 26, 28 and 29 of the Law 87(I)/2017 and the Company may agree to provide a higher level of protection. In this respect, the Company notifies its clients, prior to the provision of services, in a written form, of their option to request such treatment.

The relevant request to the Company must be made in writing and shall indicate whether the treatment as retail client or professional client refers to one or more investment services or transactions, or one or more types of transaction or product.

Where an eligible counterparty requests treatment as a client whose business with an investment firm is subject to Sections 25, 26, 28 and 29 of the Law 87(I)/2017, but does not expressly request treatment as a retail client, the Company shall treat that eligible counterparty as a professional client.

Where the eligible counterparty expressly requests treatment as a retail client, 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. Such agreement shall specify whether this applies to one or more particular services or transactions or to one or more types of product or transaction. It is the responsibility of the client to ask for a higher level of protection when it deems unable to properly assess or manage the risks involved.

b. Per se professional clients who may be treated as eligible counterparties on request

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Where a client requests to be treated as an eligible counterparty, the following procedure shall be followed:

- (a) the Company shall provide the client with a clear written warning of the consequences for the client of such a request, including the protections they may lose;
- (b) the client shall confirm in writing the request to be treated as an eligible counterparty either generally or in respect of one or more investment services or a transaction or type of transaction or product and that they are aware of the consequences of the protection they may lose as a result of the request.

c. Professional clients who may be treated as retail on request

A 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, prior to the provision of services, in a written form, of their option to be classified as retail clients and secure a higher degree of protection. 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. Such agreement shall specify whether this applies to one or more particular services or transactions or to one or more types of product or transaction.

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.

d. Retail clients who may be treated as professionals on request (i.e. elective professional clients)

Clients who have been initially classified by the Company as retail clients are allowed to request to be treated as professional clients, 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 investing decisions and understanding the risks involved.

An example of the assessment of expertise and knowledge with regards to entities licensed under directives in the financial field could be the fitness test applied to the managers and directors of such entities. In the case of small entities, the person subject to that assessment shall be the person authorised to carry out transactions on behalf of the entity.

In the course of that assessment, as a minimum, two of the following criteria shall be satisfied:



- The client has carried out transactions, in significant size, at an average frequency of 10 per quarter over the previous four quarters.
- The size of the client's financial instrument portfolio exceeds EUR500.000 .
- 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.

Those clients may waive the benefit of the detailed rules of business conduct only where the following procedure is followed:

- 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;
- the Company must give them a clear written warning of the protections and investor compensation rights they may lose;
- they must state in writing, in a separate document from the contract, that they are aware of the consequences of losing such protections.

Before deciding to accept any request for waiver, the Company must take all reasonable steps to ensure that the client requesting to be treated as a professional client meets the relevant requirements stated above. An elective professional client should not be presumed to possess market knowledge and experience comparable to a per se professional client.

Professional clients are responsible for keeping the Company informed about any change, which could affect their current categorisation.

Should the Company become aware however that the client no longer fulfils the initial conditions, which made him/her eligible for a professional treatment, the Company shall take appropriate action. Where the appropriate action involves re-categorising that client as a retail client, the Company shall notify that client of its new categorization.

IV. PROTECTION RIGHTS

A. Retail Clients/ Professional Clients

Where the Company treats the Client as a retail client, he/she will be entitled to more protections under the law than if the Client was categorised as a professional client. In summary, the additional protections retail clients are entitled to are as follows (the list may not be exhaustive):

1. Information to clients

- a. Communication with clients and information about financial instruments: the Company must ensure that its communications with all clients are fair, clear and not misleading. However, the way in which the Company may communicate with professional clients



(about the Company and its services and the nature and risk profile of its products) may be different from the way in which the Company communicates with retail clients.

More specifically, the Company's obligations in respect of the level of detail may vary according to whether the client is a retail client or a professional client, but information will always include any essential elements in accordance with the applicable requirements.

- b. Information about costs and associated charges: the Company must provide clients with information on costs and associated charges. The information provided may not be as comprehensive for professional clients as it must be for retail clients, if so agreed between the Company and the respective client.
- c. Description of the nature and risks of packaged investments: where the Company offers an investment service with another service or product or as part of a package or as a condition of the same agreement or package with a retail client must:
 - i. inform retail clients if the risks resulting from the agreement or package are likely to be different from the risks associated with the components when taken separately; and
 - ii. provide retail clients with an adequate description of the different components of the agreement or package and the way in which its interaction modifies the risks.

The above requirements do not apply in respect of professional clients.

- d. Information about a financial instrument in respect of which a prospectus is available: where the Company provides retail clients with information about a financial instrument that is the subject of a current offer to the public and a prospectus has been published in connection with that offer, it must, in good time before the provision of investment services or ancillary services to clients, inform such retail clients where that prospectus is made available to the public. This requirement does not apply in respect of professional clients.
- e. Information about currency fluctuations: where the Company provides a retail client with information which contains an indication of the past performance of a financial instrument, a financial index or an investment service, and the indication relies on figures denominated in a currency other than that of the Member State in which that retail client is resident, the Company must clearly state the relevant currency and provide enhanced warnings that returns may increase or decrease as a result of currency fluctuations. This requirement does not apply in respect of professional clients.

- 2. **Order Execution Policy summary**: the Company must provide a retail client with a summary of its order execution policy (focused on the total cost the client incurs). This summary must provide a link to the most recent execution quality data for each execution venue listed in the policy. The Company is not obliged to provide a summary that complies



with these specific requirements to professional clients. Information on the Company's order handling and execution policy is, however, required to be provided to professional clients as well.

3. Best execution: the Company must take all sufficient steps to obtain the best possible results for its clients when executing orders. The application of and the relative importance of the relevant execution factors will vary depending on whether the client is a retail or professional client.

- a) Retail clients: Where orders are executed on behalf of a retail client, total consideration must be the overriding factor in determining best execution.
- b) Professional Clients: where orders are executed on behalf of a professional client a range of factors may be considered in determining best execution.

4. Difficulty in carrying out orders: the Company must inform retail clients about any material difficulty relevant to the proper carrying out of orders promptly upon becoming aware of the difficulty. This is not required in respect of professional clients.

5. Title transfer collateral arrangements: the Company must not enter into title transfer financial collateral arrangements in respect of money belonging to a retail client. This requirement does not apply in relation to professional clients.

6. Depreciations in value reporting

Where applicable, in case the Company holds a retail client account that includes positions in leveraged financial instruments or contingent liability transactions, the Company must inform the retail client, where the initial value of each instrument depreciates by 10% and thereafter at multiples of 10%, 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 next business day.

These requirements do not apply in respect of professional client accounts.

7. Suitability and appropriateness

a) Suitability: Where applicable, if the Company makes a personal recommendation or manages investments for a client, it is required to obtain and consider the following information in relation to the client:

- i. the client's knowledge and experience in the investment field relevant to the specific type of investment or service;
- ii. the financial situation of the client; and
- iii. the client's investment objectives.

However, when making a personal recommendation or managing investments to or on behalf of a professional client, the Company is entitled to assume that, in relation to the products, transactions and services for which the professional client is so classified, the client has the necessary level of experience and knowledge in order to understand the risks involved in the transaction or in the management of his/her portfolio. This



assumption cannot be made for a retail client and firms must assess this information separately.

When making a personal recommendation to a *per se* professional client, the Company may also assume that the client is able financially to bear any related investment risks consistent with his/her investment objectives. However, as this assumption is limited to *per se* professional clients, the Company cannot make this assumption for either retail or elective professional clients and the Company must assess this information separately.

Where applicable, where the Company makes personal recommendations to a retail client, the Company is required to provide retail clients with a suitability report but it is not required to provide such a report to professional clients.

Where applicable, when providing investment advice, the Company shall, before the transaction is made, provide the client with a statement on suitability in a durable medium specifying the advice given and how that advice meets the preferences, objectives and other characteristics of the retail client.

Where applicable, where the Company provides portfolio management or has informed the 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.

- b) **Appropriateness:** When assessing appropriateness for non-advised services (i.e. where the Company does not make personal recommendations or carry on portfolio management), the Company may be required to determine whether the client has the necessary experience and knowledge in order to understand the risks involved in relation to the product or service offered or demanded.

Where such an appropriateness assessment requirement applies, the Company may 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.

The Company may not make such an assumption for a retail client.

8. Remuneration and incentivisation of staff

In relation to retail clients, the Company is specifically required not to make any arrangement by way of remuneration, sales targets or otherwise that could provide an incentive to staff to recommend a particular financial instrument to a retail client when the Company could offer a different financial instrument which would better meet that client's needs. For all clients, the Company is nonetheless required to ensure that it does not



remunerate or assess the performance of staff in a way that would conflict with their duty to act in the best interests of their clients.

9. CySEC's National Intervention Measures on CFDs

Based on Directive DI87-09, the following restrictions/ protections are available to retail clients when trading CFDs:

- i. Restricting leverage limits from 30:1 to 2:1 on the opening of a position by a retail client;
- ii. A margin close out protection: closure of one or more of a retail client's open CFDs when the sum of funds in the CFD trading account and the unrealised net profits of all open CFDs connected to that account falls to less than half of the total initial margin protection for all those open CFDs;
- iii. Negative balance protection: the client may not lose more than the total amount deposited in their trading account.
- iv. Prohibiting firms from offering cash or other inducements that encourage retail clients to trade;
- v. Prohibiting communication with clients regarding the marketing, distribution and sale of CFDs unless this information includes standardised risk warnings.

10. The Financial Services Ombudsman

The services of the Financial Ombudsman Service in Cyprus may not be available to professional clients, unless they are, for example, consumers, in accordance with the Law relating to the Establishment and Operation of a Single Agency for the out of Court Settlement of Disputes of Financial Nature of 2010, as amended from time to time.

11. Compensation

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

B. Eligible Counterparties

Where the Company treats the Client as an eligible counterparty, the Client will be entitled to fewer protections under the law than he/she would be entitled to as a professional client.

In particular, and in addition to the above (the list may not be exhaustive):

- a. Client Agreement: the Company is not required to enter into a written agreement setting out the essential rights and obligations of the Company and the client (Client Agreement) when the Company is dealing with an eligible counterparty. This requirement is only applicable with respect to retail and professional clients.
- b. Best Execution: the Company is not required to take all sufficient steps to provide the Client with the best possible execution result when executing/receiving and transmitting a Client's orders. Nevertheless, Eligible Counterparties may request on a trade by trade



- basis or in general, treatment that would allow the Company to take all sufficient steps to achieve best execution.
- c. Order Handling: when executing orders of eligible counterparties, the Company is not required to comply with the client order handling rules, which provide for the prompt, fair and expeditious execution of client orders relative to other client orders or the trading interests of the Company.
 - d. Appropriateness and Suitability: 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 have the expertise to choose the most appropriate product or service for him/her and that he/she is able financially to bear any investment risks consisted with his/her/their investment objectives.
 - e. Target market identification and compatibility: the product governance protections/obligations of the Company in relation to, inter alia:
 - i. the design of financial instruments to meet the needs of an identified target market;
 - ii. the compatibility of the distribution strategy with the identified target market;
 - iii. the distribution of the product to the identified target market;
 - iv. the understanding by the Company of the products offered and sold to clients;
 - v. the assessment of compatibility of the products offered or sold as compared with the clients' needs;
 - vi. the offering/sale of products only where this is in the client's interestdo not apply in relation to eligible counterparties.
 - f. Information to clients: the information which may be provided to eligible counterparties on financial instruments and costs and charges (in some cases, with the client's agreement) may not be as comprehensive or detailed as it would be for a retail/professional client.
 - g. Remuneration and commissions: where the client is treated as an eligible counterparty, the restrictions and disclosure requirements in relation to the payment or receipt by the Company of a fee or commission or the provision or receipt by the Company of a non-monetary benefit in connection with the services provided to the client, to or by a third party do not apply.
 - h. Packaged products: when an investment service is offered together with another service or product as part of a package or as a condition for the same agreement or package, the Company is not required to inform eligible counterparties whether it is possible to buy the different components separately and to provide for separate evidence of the costs and charges of each component.



V. RECORD-KEEPING

The Company must keep records of each notice provided and each agreement entered into in accordance with the present policy.

The Company must keep records in relation to each client of:

- i. the categorisation established for the client, including sufficient information to support that categorisation;
- ii. evidence of despatch to the client of any notice required under this policy and a copy of the actual notice provided; and
- iii. a copy of any agreement entered into with the client under this policy.

VI. REVIEW OF THE POLICY

The present Policy shall be reviewed by the Company's Compliance function on at least an annual basis, as well as on an ad-hoc basis, including where necessary in order to reflect any updates in the applicable requirements.