



# collective2

## **Client Categorization Policy**

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# 1. Introduction

Collective2.eu (C2.eu) is a Brand Name of MEXEM LTD. Subject to the provisions of the Cyprus Law 144(I)/2007 in connection to the provisions of Investment Services, the exercise of investment activities, the operation of regulated markets and other related matters, Mexem Ltd (also referred to as “the Company”) is required to categorize its clients as Retail Clients, Professional Clients or Eligible Counterparties subject to the provisions of the law.

Retail Clients

A Retail Client is considered every client who is not a Professional Client.

# 2. 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. Prospective clients that satisfy one or more of the following criteria shall be classified as Professional Clients.

1. Entities that are required to be authorized or regulated to operate in the financial markets such as:
  - (a) Credit institutions;
  - (b) IFs;
  - (c) Other authorised or regulated financial institutions;
  - (d) Insurance undertakings;
  - (e) Collective.eu investment schemes and management companies of such schemes;
  - (f) Pension funds and management companies of such funds;
  - (g) Commodity and commodity derivatives dealers;
  - (h) Local businesses;
  - (i) Other institutional investors
  
2. Large undertakings meeting two (2) of the following size requirements, on a proportional basis:
  - (a) Balance sheet total at least EUR20.000.000
  - (b) Net turnover at least EUR40.000.00

- (c) Own funds at least EUR2.000.000
- 3. National and regional governments,
- 4. Public bodies that manage public debt,
- 5. Central Banks,
- 6. International and supranational institutions such as the World Bank, the IMF, the ECB, the European Investment Bank and other similar organizations.
- 7. Other institutional investors whose main activity is to invest in Financial Instruments, including entities, dedicated to the securitization of assets or other financing transactions.

### 3. Request for Non-Professional Treatment

The entities referred to above are considered to be Professional Clients and must, however, be allowed to request non-professional treatment, and consequently, the Company may agree to provide a higher level of protection. Where the client of the Company is an undertaking referred to above, the Company must inform it 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.

The Company must also inform the customer that he can request a variation of the terms of the agreement in order to secure a higher degree of protection. It is the responsibility of the client to request a higher level of protection when it deems it is unable to properly assess or manage the risks involved.

This higher level of protection will be provided when a client, who is considered to be a Professional Client, enters into a written agreement with the Company to the effect that it shall not be treated as a Professional Client for the purposes of the applicable conduct of business regime. Such written agreement shall specify that the Professional Client requests to be re-classified as a Retail Client, either generally or, in respect of a particular investment service or transaction.

Clients who may be treated as Professionals on Request (Lower Level of Protection) Clients other than those meeting the criteria for Professional Clients mentioned above under clause 1 (a) – (h), including public sector bodies and private individual sectors, may also be allowed to waive some of the protections afforded by the conduct of business rules of the Company. Consequently, the Company is allowed to treat any client of the above as professional, provided the relevant criteria and procedures mentioned below are fulfilled.

These clients should not be presumed to possess the market knowledge and experience comparable to that of the Professional Clients categories referred to under clause 1 (a) – (h) inclusive, above. Any such waiver of the protection provided by the standard conduct of business regime shall be considered valid only if an adequate assessment of the expertise, experience and knowledge of the client, undertaken by the Company gives reasonable assurance, in view of the nature of the transactions or services envisaged, that the client is capable of making his own investment decisions and undertaking the risks involved.

The Fitness Test is regarded as an example of the assessment of expertise and knowledge. In the event of a small entity, the person subject to the above assessment should be the person authorized to carry out transactions on behalf of the entity.

In the course of the above assessment, at least two of the following criteria must be fulfilled:

- The client has carried out transactions, in significant size, on the relevant market at an average of ten (10) per quarter over the previous four (4) quarters;
- The size of the client's financial instrument portfolio, defined as including cash deposits and financial instruments 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.

The clients defined above may waive the benefit of the detailed rules of conduct only where the following procedure is followed:

- They must state in writing to the Company that they wish to be treated as Professional Clients either generally or in respect of a particular investment service or transaction or type of transaction or product;
- The Company must provide them with a clear written warning of the protections and investor compensation rights they may lose;
- The Clients must state in writing, in a separate document from the contract, that they are aware of the consequences of losing such protections.

The Company shall take all necessary steps to ensure that the client requesting to be treated as a Professional Client meets the relevant requirements as expressly stated above, prior to deciding to accept any request for waiver.

Professional Clients have the responsibility to keep the Company informed and up to date in case of any change, which could affect their current classification.

In a case where the Company becomes aware that a client no longer fulfils the initial conditions, which made him eligible for professional treatment, the Company must take appropriate action.

## 4. Eligible Counterparties

The Company shall 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 clauses 1 – 3 (inclusive) above. The Company shall further be recognized as Eligible Counterparties undertaking, which falls within a category of clients who are to be considered as Professionals on Request, as explained before. 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.

## 5. Request of Eligible Counterparty for Higher Level of Protection

The client considered to be an Eligible Counterparty may request to be classified as a Retail Client or a Professional Client in order to obtain a higher level of protection.

This will be provided when the client who is considered to be an Eligible Counterparty enters into a written agreement with the Company to the effect that the client shall not be treated as an Eligible Counterparty for the purposes of the applicable conduct of business regime, whereby such agreement shall specify that the Eligible Counterparty requests to be re-classified as a Retail Client or a Professional Client as the case may be, either generally or in connection to the particular investment service or transaction.

**SEPTEMBER 2021**