



CLIENT CATEGORIZATION POLICY

EXENICO (CY) LTD

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CIF License Number:	343/17

1. Introduction

EXENICO (CY) Ltd (ex. Grandis Securities Ltd)) (herewith “**Company**”) is authorised and regulated by the Cyprus Securities and Exchange Commission (CySEC) under License No. 343/17 to provide investment services under the Investment Services and Activities and Regulated Markets Law of 2017 (L.87(I)/2017, as amended).

Under the law, the Company is required to categorize all clients as either:

- Retail Clients,
- Professional Clients, or
- Eligible Counterparties.

2. Client Classification

Before entering into a business relationship, the Company informs potential clients of the client classification system it uses and notifies them of the category in which they are initially classified.

The Company accepts as Clients only Professional Clients and Eligible Counterparties.

In light of the above, the Clients of the Company are classified either as:

- Professional clients; or
- Eligible counterparties.

3. Retail Clients

Retail Client is a client who does not meet the criteria of a Professional Client or an Eligible Counterparty.

Retail Clients are not considered to have relevant and/or sufficient knowledge and experience for investment and thus they are afforded with the highest level of regulatory protection under the Law.

The Company does not accept Retail Clients.

4. Professional Clients

A 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 to be professional client, the client must comply with the following criteria:

4.1. Per Se Professional Clients

i. Entities which are required to be authorised or regulated to operate in the financial markets. The list below shall be understood as including all authorised entities carrying out the characteristic activities of the entities mentioned: entities authorised by a Member State under a Directive, entities authorised or regulated by a Member State without reference to a Directive, and entities authorised or regulated by a third country:

- (a) Credit institutions;
- (b) Investment firms;
- (c) Other authorised or regulated financial institutions;
- (d) Insurance companies;
- (e) Collective investment schemes and management companies of such schemes;
- (f) Pension funds and management companies of such funds;
- (g) Commodity and commodity derivatives dealers;
- (h) Locals;
- (i) Other institutional investors;

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

- Balance sheet total: €20 million+
- Net turnover: €40 million+
- Own funds: €2 million+

iii. National and regional governments, including public bodies that manage public debt at national or regional level, Central Banks, international and supranational institutions such as the World Bank, the IMF, the ECB, the EIB 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.

4.2. Elective Professional Clients

Clients other than those mentioned in section 4.1, including public sector bodies, local public authorities, municipalities and private individual investors, may also be allowed to waive some of the protections afforded by the conduct of business rules.

The Company shall therefore be allowed to treat any of those clients as professionals provided the relevant criteria and procedure mentioned below are fulfilled. Those clients shall not, however, be presumed to possess market knowledge and experience comparable to that of the categories listed in section 4.1.

Any such waiver of the protection afforded by the standard conduct of business regime shall be considered to be valid only if an adequate assessment of the expertise, experience and knowledge of the client, undertaken by the investment firm, gives reasonable assurance, in light of the nature of the transactions or services envisaged, that the client is capable of making investment decisions and understanding the risks involved.

The fitness test applied to managers and directors of entities licensed under applicable investment services laws could be regarded as an example of the assessment of expertise and knowledge. 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, on the relevant market at an average frequency of 10 per quarter over the previous four quarters,
- the size of the client's financial instrument portfolio, defined as 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.

Professional clients are responsible for keeping the investment firm 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 eligible for a professional treatment, the investment firm shall take appropriate action.

5. 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.

For that purpose, eligible counterparties may consider to be falling within the following categories:

- Cypriot Investment firms
- Other Investment firms
- Credit institutions
- Insurance companies
- UCITS and UCITS management companies
- Pension funds and management companies

- Other financial institutions authorized by a Member State or regulated under the laws of Cyprus or under EU law,
- National governments and their corresponding offices, including public bodies that deal with public debt at national level
- Central banks
- Supranational organisations
- Equivalent third-country entities in the above categories

The Company when enters 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. The Company also takes note of the requirements under article 31 in relation to transactions with Eligible Counterparties.

5.1. Services applicable to Eligible Counterparties:

- Reception and transmission of orders
- Execution of orders on behalf of clients

6. Reclassification

A Professional Client or an Eligible Counterparty may request from the Company to be re-classified as a client that benefits from a higher degree of protection. The Company is not obliged to agree to such request.

A Professional Client may request to be reclassified as a Retail Client in accordance with applicable regulatory provisions. However, the Company does not provide services to Retail Clients and, as such, any request for reclassification to Retail Client status will not be accepted. If a client believes they are unable to properly assess or manage the risks associated with the services offered by the Company, they should not access—or should immediately cease accessing—such services.

An Eligible Counterparty may request to be reclassified as a Professional Client in accordance with applicable regulatory provisions. The Company is not obliged to deal with the client in accordance with its request.

If the Company becomes aware that a Client no longer fulfils the initial conditions that make such Client eligible for categorization under the relevant category, the Company may take appropriate action as it considers necessary, including terminating the Client Relationship.

7. Protection Rights

7.1. Differences in protection Retail Clients/Professional Clients

When classified as a Professional Client, certain regulatory protections that apply to Retail Clients are either limited or not applicable. These include, but are not limited to, the following:

- A retail client will be given more information disclosures with regard to the Company, its services and any investments, its costs, commissions, fees and charges and the safeguarding of client financial instruments and client funds.
- Under the law, where the Company provides investment services other than 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 investments service or product envisaged is appropriate for the client. In case the Company consider, on the basis of the information received, that the product or service is not appropriate to a retail client, the Company shall warn the client accordingly. Please note that the Company is not required to assess appropriateness in certain cases (e.g. discretionary portfolio management) specified by law.

The Company does not offer portfolio management to any of its clients.

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 (where relevant) for those products and services for which they have been classified as a professional client.

- When executing orders, the Company 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 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.

When providing professional clients with best execution the Company is not required to prioritise the overall costs of the transaction as being the most important factor in achieving best execution for them.

- Investment firms providing investment services must obtain from clients such information as is necessary for the firm, 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 in the course of providing the service of investment advice, or entered into in the course of providing a non-discretionary portfolio management service (when relevant), satisfies the following criteria:

1) It meets the investment objectives of the client in question;

2) It is such that the client is able financially to bear any related investment risks consistent with his investment objectives;

3) 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 the Company 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. In addition, under certain circumstances, the Company shall be entitled to assume that a professional client is able financially to bear any investment risks consistent with its investment objectives.

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.

- The Company is required to provide retail clients with more information than professional clients as regards execution of orders.
- Retail clients may be entitled to compensation under the Investor Compensation Fund for Clients of Investment Firms. Professional Clients are considered as non-eligible for compensation from the ICF.
- An investment firm is obliged to limit the maximum amount of leverage provided to Retail clients while the said limitations may not apply to Professional clients.

7.2. Eligible Counterparties

Where the Company treats you as an eligible counterparty, you will be entitled to less protection under the law than you would receive as a professional client in respect of the reception and transmission of orders, the execution of orders and/or any ancillary service directly related to such transactions. In addition, the Investors Compensation Fund does not cover Eligible Counterparties

In addition to the above, where the Company treats you as an eligible counterparty, is not required to:

- provide you with best execution for your orders;
- disclose to you information regarding any fees or commissions that the Company pays or receives;
- assess the appropriateness of a product or service that the Company provides to you;
- provide you with information the Company, ourselves, its services and the arrangements through which the Company will be remunerated;
- provide you with risk disclosures on the products or services you buy from the Company;
- report to you on the execution of your orders;