



CTS Cloud Trading Solutions Ltd

Client Categorisation Notice
December 2024



Scope of Notice

1. Client Categorisation

In accordance with Law 87(I)/2017 (referred to as the “Law”), CTS Cloud Trading Solutions Ltd, previously registered as Novox Capital Ltd, henceforth known as 'CTS,' 'we,' 'us,' and 'our,' is mandated to categorize each client, (denoted as 'Client,' 'you,' 'your,' and 'yourself,') into one of the following: 'Retail Client,' 'Professional Client,' or 'Eligible Counterparty.'

Each Client's categorization may vary based on specific investment services, transactions, or product types. By default, CTS designates all Clients as 'Retail Clients.' This category enjoys the highest level of protection, as elaborated in subsequent sections. CTS is responsible for notifying a new client of their categorization as a Retail Client, Professional Client, or Eligible Counterparty before commencing the provision of services. If you wish to modify your categorization, please contact us with your request, and we will evaluate it accordingly.

2. Communication of Categorization & Rights

CTS is committed to notifying each Client of their categorization as a Retail Client, Professional Client, or Eligible Counterparty. Additionally, CTS must inform the Client, using a durable medium, of the following:

- Any right that the Client has, to request a different categorization.
- Any limitations to the level of client protection that such a different categorization would entail.

3. Categorization Criteria

The categorization criteria, as mandated by relevant legislation and subject to periodic amendments, include the following:

- **Retail Client:** A Client falls into this category if they are neither a Professional Client nor an Eligible Counterparty. Unless Clients meet the criteria specified or have received written notification to the contrary, all Clients are automatically classified as Retail Clients.
- **Professional Client:** This category pertains to a client with the requisite experience, knowledge, and expertise to independently make investment decisions and accur-

ately assess associated risks. Professional clients are classified into elective professionals, per se professionals, and eligible counterparties:

- **Elective Professional:** CTS can classify a client, who has submitted a re-classification application as per point 5 below, as an 'Elective Professional Client' if they meet at least two of the following criteria:
 - 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 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; and/or
 - The size of the Client's financial instrument portfolio, defined as including cash deposits and financial instruments exceeds EUR500,000.
- **Per-Se Professional:** A "per se professional" client is one whose professional or regulatory status automatically qualifies them as a professional client, eliminating the need for additional assessments or tests. Such clients are presumed to possess the requisite expertise and experience to autonomously make investment decisions and comprehend the related risks. This categorization typically applies to entities required to be authorized or regulated within the financial markets, including:
 - Credit institutions.
 - Investment firms.
 - Other authorized or regulated financial institutions.
 - Insurance companies.
 - Collective investment schemes and their management companies.
 - Pension funds and their management companies.
 - Commodity and commodity derivatives dealers.
 - Locals.
 - Other institutional investors.

Additionally, this category includes major corporations that meet at least two of the following size prerequisites:

- Balance sheet total: EUR 20,000,000
- Net turnover: EUR 40,000,000
- Own funds: EUR 2,000,000

It also includes national and regional governments, public bodies responsible for managing national or regional public debt, central banks, and international and supranational organizations such as the World Bank, the International Monetary Fund, the European Central Bank, the European Investment Bank, and similar international entities. Furthermore, it covers institutional investors primarily involved in financial instrument investments, including entities dedicated to asset securitization and other financing transactions.

- **'Eligible Counterparty (ECP):** An 'Eligible Counterparty' refers to any of the following entities to which an investment firm provides services such as order reception and transmission on behalf of Clients, or the execution of such orders: Cyprus Investment Firms, other investment firms, credit institutions, insurance companies, UCITS and their management companies, pension funds and their management companies, other financial institutions authorized by a Member State or regulated under Cyprus or European Union law, national governments, and their corresponding offices, including public bodies managing national-level public debt, central banks, and supranational organizations. Furthermore, this includes entities as specified in (31)(3), and 31(4) of the Law.

Examples of Eligible Counterparties (ECPs) include, but are not limited to:

- A national government.
- A central bank.
- An investment bank.
- An investment firm.

When a client falls within the categories mentioned above, CTS is obligated to notify the Client, before rendering any services, that, based on the information at CTS's disposal, the Client is regarded as a Professional Client and will be treated as such unless CTS and the Client mutually decide otherwise. The Client may request a variation of the terms of the agreement to secure a higher degree of protection.

CTS does not classify clients as Eligible Counterparties. Nevertheless, should CTS consider granting Eligible Counterparty status to any Professional Client, both parties would establish a formal agreement to facilitate this reclassification.

Clients classified as Professional Clients bear the responsibility to request an enhanced level of protection if they believe they are incapable of adequately assessing or managing the associated risks.

Entities listed under the 'Professional Clients' category are considered 'per se Professionals.' Nevertheless, they have the option to request non-professional treatment, and CTS may consent to offer an elevated level of protection.

Professional Clients, whether categorized as 'per-se professionals' or 'elective professionals,' are obliged to keep the Company informed of any changes that could impact their categorization. If the Company becomes aware that a client no longer meets the initial conditions qualifying them for professional treatment, appropriate measures will be taken. In cases where re-categorization as a Retail Client is necessary, CTS is required to promptly notify the affected client of their new categorization as soon as it is reasonably practicable.

4. Reclassification Request

A Retail Client has the option to request to be treated as a 'Professional Client on request.' In such a scenario, the client will receive a lower level of protection. CTS conducts a comprehensive assessment of the client's expertise, experience, and knowledge, providing reasonable assurance that, given the nature of the envisaged transactions or services, the client is capable of making independent investment decisions and comprehending associated risks.

5. Procedure for Reclassification (Retail to Elective Professional)

The client must submit a written request to CTS, expressing their desire to be treated as a professional client, either in a general sense or in respect to a specific service, transaction, or type of product.

Before accepting any request for waiver, CTS is obliged to take all reasonable measures to confirm that the Professional Client, seeking re-categorization, meets the relevant requirements stated above.

CTS must provide the client with a clear written warning regarding potential losses of protections and investor compensation rights.

The client must furnish a written statement, in a separate document from the contract, acknowledging their awareness of the consequences of losing such protections.

A Client previously categorized as a Professional Client (per-se and Elective Professional) holds the right to request to be treated as a Retail Client at any time, thus enjoying the increased level of protection provided to retail Clients. Similarly, an Eligible Counterparty can request the Company to be treated as a Professional Client or Retail Client at any time, should they seek a higher level of protection. If CTS accepts such a request, the Client and the Company will enter into a written agreement specifying the services, transactions, or types of products to which the opt-down applies.

It is important to note that CTS retains the right to decline any requests for different categorizations, notwithstanding the aforementioned clause.

In the case of an entity rather than an individual, the qualitative test should be conducted in relation to the person authorized to carry out transactions on the entity's behalf. The individual subject to the qualitative assessment must be the one authorized to execute transactions on behalf of the entity i.e., the Authorized Representative.



Any client request related to re-categorization should be processed in accordance with CTS's commitment to act honestly, fairly, and professionally in the best interests of the client.

6. Submitting a Request for Reclassification (for Elective Professionals)

Clients can apply for re-categorization from Retail to an Elective Professional status through the CTS website or by sending an email, as communicated by the Company. To pass this re-categorization test, CTS assesses whether the client possesses sufficient expertise, experience, and knowledge of the envisaged transactions and services, allowing them to make independent investment decisions and understand the associated risks.

Additionally, CTS may require documentary evidence to confirm that the client meets at least two of the three requirements (the 'Quantitative Test'):

- The retail client must have executed transactions in significant size, in a relevant product, with an average frequency of at least 10 per quarter during the previous four quarters, either with CTS or other providers. Relevant products include CFDs/FX (Spot/Forwards/Options), Futures, Options, Leveraged Exchange Traded Products, and Spread betting. The significant size is assessed case by case.
- The size of the retail client's investment portfolio, held with CTS and/or other providers, must exceed EUR 500,000. Acceptable examples of an investment portfolio include cash savings, stock portfolios, stocks, trading accounts, mutual funds, and similar financial instruments.
- The retail client must have worked in the financial sector for at least one year in a professional position requiring knowledge of relevant financial products. CTS will request details of the client's role and its relevance to the financial sector and may require evidence if necessary.

CTS holds the authority to accept or reject requests for re-categorization. If CTS becomes aware that the client no longer meets the initial conditions for professional treatment, appropriate action will be taken by the Company.

7. Request for Different Categorization

The following categorization change requests can be made to CTS:

- Retail Clients may apply to be reclassified as Professional Clients, thereby accepting a lower level of protection.
- Professional Clients can request to be reclassified as Retail Clients, in pursuit of a higher level of protection.



- The company does not classify clients as eligible counterparties. However, in the event of mutual consent for such categorization, eligible counterparties can request reclassification as either Professional Clients or Retail Clients, granting them access to a heightened level of protection.

It's important to note that CTS retains the right to reject any of the categorization change requests mentioned above.

8. Protection Rights

Retail Clients: When CTS categorizes a client as a retail client, they are entitled to a higher level of protection compared to professional clients or eligible counterparties. The protections available to retail clients include, but are not limited to:

- Retail clients receive comprehensive information and disclosures related to CTS, its services, investments, costs, commissions, fees, charges, and the safeguarding of their financial instruments and funds.
- CTS requests information regarding the client's knowledge and experience in the specific type of product or service offered, ensuring that the service or product is appropriate for the retail client.
- Retail clients may be eligible for compensation under the Financial Services Compensation Scheme/Investor Compensation Fund of Cyprus (ICF).
- CTS must execute orders for retail clients with the best possible result, considering the total consideration, including the price of the financial instrument and related execution costs.
- Leverage levels for retail clients are limited to a maximum of 1:30 to 1:2, depending on the underlying asset class, ensuring their protection.
- Retail clients receive negative balance protection, preventing losses exceeding the total amount deposited in their trading account.
- Margin close-out protection is provided to retail clients in accordance with prevailing regulatory requirements.
- Standardized risk warnings about CFD trading are provided to retail clients.

Professional Clients: When CTS treats a client as a professional client, whether per se or on request, they receive a lower level of protection compared to retail clients, which may include, but is not limited to:



- CTS assumes that a professional client possesses the necessary expertise and knowledge to understand the risks associated with their specific investment services or transactions.
- The obligation to provide appropriate information to professional clients before providing services or transactions is reduced.
- CTS may use more sophisticated language when communicating with professional clients but always ensures clear, fair, and non-misleading communication.
- Professional clients are not required to receive current risk warnings or any standardised risk warnings introduced by CySEC.
- There are no tiered leverage restrictions for professional clients.
- Professional clients may not benefit from negative balance protection or margin close-out rules.
- Compensation under the Cyprus Investor Compensation Fund is not available to professional clients.
- In line with the Law, CTS is prohibited from engaging in title transfer collateral arrangements with Retail Clients. However, for Professional Clients, CTS may enter into money and financial instruments title transfer collateral agreements. These arrangements involve a transfer of title ownership for the Client's money and financial instruments, which can be used as collateral for current or future obligations. It's important to note that when title transfer collateral arrangements are in place, the Client's funds and financial instruments are not kept separate from CTS's assets, resulting in the Client assuming a certain level of credit risk with CTS.

Eligible Counterparties: CTS currently does not categorize clients as Eligible Counterparties. However, in the future, should CTS consider granting Eligible Counterparty status to any Professional Client, both parties would engage in a formal agreement to facilitate this categorization.