

The logo for HF Markets, featuring the letters 'HF' in a bold, red, sans-serif font, followed by the word 'Markets' in a white, italicized, sans-serif font, all contained within a black rectangular background.

HF Markets (Europe) Ltd

Address: Office 601, Nicolaidis Shopping City, Angelos Court,
84 Spyrou Kyprianou Avenue & Papanikoli, 6052 Larnaca, Cyprus
T: +357 24400165 **F:** +357 24023093 **E:** info@hfeu.com **W:** www.hfeu.com

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HF Markets (Europe) Ltd

CLIENT CATEGORISATION POLICY

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1. Introduction

HF Markets (Europe) Ltd (hereinafter referred to as the “Company”) which is a member of HF Markets Group, is incorporated under the laws of the Republic of Cyprus with Registration No. HE 277582 and is registered under the Department of Registrar of Companies and Official Receiver (www.mcit.gov.cy). The Company is authorised and regulated by the Cyprus Securities and Exchange Commission (“CySEC”) (www.cysec.gov.cy) to act as a Cypriot Investment Firm (“CIF”) (License No. 183/12) and to provide the Investment and Ancillary Services under Part I and II of the First Appendix of the Law which provides for the provision of investment services, the exercise of investment activities, the operation of regulated markets and other related matters L. 87(I)/2017 (herein the “Law”). The Law 144(I)/2007 as amended shall be followed to the extent it remains applicable after coming into force of EU Directive 2014/65/EU (herein “MiFID II”).

Under the Law, the Company is required to classify all Clients into the following categories of Retail, Professional or Eligible Counterparty.

The Company currently accepts only Per Se Professional Clients and Eligible Counterparties.

2. Retail Client

Retail Client is a client who is not a Professional Client or an Eligible Counterparty.

Retail Clients (Natural Persons and Legal Entities) are not considered to have relevant and/or sufficient knowledge and experience for investments and thus they are afforded with a higher level of protection in relation to Professional Clients and Eligible Counterparties by the Law.

The Company does not accept Retail Clients.

3. Professional Clients

A Professional Client is a client who has the experience, knowledge, and expertise to make independent investment decisions and to accurately assess the associated risks.

Professional Clients fall into two categories:

- (a) Per Se Professional Clients, and
- (b) Elective Professional Clients

3.1. Per Se Professional Clients

The following should all be regarded as professionals in 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 a Directive, entities authorised or regulated by a Member State without reference to a Directive, and entities authorised or regulated by a third country:
 - 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.
- (b) Large undertakings meeting two of the following size requirements on a portfolio 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 International Monetary Fund, the European Central Bank, the European Investment Bank and other similar international organisations.
- (d) Other institutional investors whose main activity is to invest in financial instruments, including entities dedicated to the securitisation of assets or other financing transactions.

3.2. Elective Professional Client

Clients other than those mentioned in paragraph 3.1 above, may also be allowed to be treated as Professional Clients and hence waive some of the protections afforded by the conduct of business rules of the Company.

The Company should therefore be allowed to treat any of the above Clients as professionals provided the relevant criteria and procedure mentioned below are fulfilled. These Clients should not, however, be presumed to possess market knowledge and experience comparable to that of the categories listed in paragraph 3.1.

Any such waiver of the protection afforded 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 light of the nature of the transactions or services envisaged, that the Client is capable of making his own investment decisions and understands the risks involved.

The fitness test applied to managers and directors of entities licensed under Directives of the European Union in the financial field, may 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 (fitness test), as a minimum, two of the following criteria should 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.

The Company does not accept Elective Professional Clients.

4. Eligible Counterparties

Eligible Counterparty for the purposes of the Law is any of the following entities: Cypriot Investment Firms, other IFs, credit institutions, insurance companies, UCITS and UCITS management companies, pension funds and their management companies, other financial institutions authorised by a Member State or regulated under the laws of Cyprus or under European Union law, national governments and their corresponding offices, including public bodies that deal with public debt at national level, central banks, the Central Bank and supranational organisations. Third country entities equivalent to those categories of entities stated in in this paragraph can also be recognized as Eligible Counterparties.

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 I, of Annex II of the Law, excluding any category which is explicitly mentioned in Section 31(2) 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 II

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 Eligible Counterparty category is applicable only for the following investment services and activity:

- Reception and transmission of Client Orders;
- Execution of Orders on behalf of Clients.

5. Reclassification

5.1. Procedure

a) The clients must provide a written notice to the Company if they wish to change their client categorization, either entirely or in relation to a specific investment service, transaction, or type of transaction or product.

b) The Company must provide the client with a clear written warning of the protection and investor compensation rights it may lose as applicable.

c) The clients must provide a written statement, in a separate document from the main Agreement, acknowledging that they understand the consequences of losing such protections, where applicable.

d) Before accepting any waiver request, the Company must take all reasonable steps to ensure that the client requesting to be treated as a Professional client or Eligible Counterparty meets the relevant legislative requirements.

However, if clients have already been categorised as professionals under parameters and procedures similar to those above, it is not intended that their relationships with the Company should be affected by any new rules adopted pursuant to the MiFID II and the Law.

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 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 Company will take appropriate action.

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

5.2. Request for reclassification

- a) A Retail client may request to be reclassified as an Elective Professional client, thereby accepting a lower level of protection.
- b) A Professional client may request to be reclassified as a Retail client, thereby receiving a higher level of protection.
- c) A Per se Professional client may request to be reclassified as an Eligible Counterparty, thereby accepting a lower level of protection.
- d) An Eligible Counterparty may request to be reclassified as a Professional client or a Retail client, thereby receiving a higher level of protection.

The Company reserves the right, at its sole discretion, to accept or reject any request for a reclassification. It should be noted that the Company does not conduct business with Retail Clients and Elective Professional Clients; it only accepts Per Se Professional Clients and Eligible Counterparties. Therefore, if the client wishes to be treated as a Retail Client it may cease to be a client of the Company either entirely or in relation to a specific transaction.

Per Se Professional Clients and Eligible Counterparties are responsible for keeping the Company informed of any change which could affect their current categorisation. If the Company becomes aware that the Client no longer fulfils the initial conditions, which made them eligible for a professional treatment, the Company shall take appropriate action.

6. Protection Rights

6.1. Retail and Professional Clients

A Retail Client is entitled to more protections under the Law, than if the Client was treated as a Professional Client. In summary, the following apply (the list may not be exhaustive):

- (a) A 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 and the safeguarding of Client financial instruments and Client funds, including summary details of any relevant investor compensation or deposit guarantee scheme, as applicable.
- (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 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, 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, 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 reasonable 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, 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. The Company shall also send a notice to a Retail confirming execution of the Order as soon as possible and no later than the first business day following execution or, if the confirmation is received by the Company from a third party, no later than the first business day following receipt of the confirmation from the third party, as applicable.

Professional Clients are also entitled to a confirmation for the execution of their Orders, however there is no specific timeframe involved as to when the Professional Client will receive this information. Nevertheless, this confirmation shall be provided promptly.

- (d) 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.
- (e) The Company is required to provide Retail Clients with more information than Professional Clients as regards the execution of their Orders.
- (f) The Company is obliged to enter into a written basic agreement with the Retail Client, setting out the essential rights and obligations of both parties.
- (g) 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.
- (h) 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.

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 Professional Client. The following apply (the list may not be exhaustive):

- (a) the Company is not required to provide the Eligible Counterparty 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 of a product or service that it provides to Eligible Counterparty but can assume that the Eligible Counterparty have the expertise to choose the most appropriate product or service for itself.
- (d) the Company is not required to provide the Eligible Counterparty with information

about the Company, its services, financial instruments and proposed investment strategies, execution venues, the arrangements through which the Company will be remunerated and other relevant information.

- (e) the Company is not required to provide reports to the Eligible Counterparty on the execution of its Orders or the management of his investments.
- (f) the Investors Compensation Fund does not cover Eligible Counterparties.

7. General Information

The above information is based on the Law. For more detailed information, you can visit the Cyprus Securities and Exchange Commission website at <http://www.cysec.gov.cy>.

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