Client Classification Policy

Investment Brokerage Company “Alphinox Quality” | AS “ALPHINOX QUALITY”

Dzirnavu iela 42, Riga | Registration No. 40203180478

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Approval

APPROVED — Dmitrijs Bauļins, Chairman of the Supervisory Board, 17 August 2021, Supervisory Board meeting Minutes No. 1.

APPROVED — Jūlija Bistrova, Chairwoman of the Management Board; Jānis Libeks and Andrejs Tumanovs, Members of the Management Board; 10 August 2021, Management Board meeting Minutes No. 2.

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1. Terms used

1.1. Investor Protection Measures — the measures stipulated by the Law, Regulation, Policy and Agreement concluded between the Company and Client that the Company applies according to the Client's classification (Retail Client, Professional Client or Eligible Counterparty), including, without limitation:

1.1.1. determining whether an investment service or product is appropriate or suitable for the Client's interests;

1.1.2. warning the Client of risks associated with an investment service or ancillary service;

1.1.3. providing detailed information about the consequences of an investment service or ancillary service and the characteristics of financial instruments;

1.1.4. providing an order execution policy based on the total costs to the Client;

1.1.5. providing detailed information about costs and associated charges;

1.1.6. and other measures.

1.2. Law — the Financial Instruments Market Law.

1.3. Agreement — an agreement concluded between the Company and the Client under which the Company undertakes to provide investment services and/or ancillary investment services to the Client.

1.4. Policy — the Company's “Client Classification Policy”.

1.5. Client — a natural person, legal person or association of such persons with whom a business relationship has been or may be established and to whom the Company provides or may provide services, irrespective of whether the person is classified as a Professional Client, Retail Client or Eligible Counterparty.

1.6. Retail Client — a Client who is classified neither as a Professional Client nor as an Eligible Counterparty.

1.7. Professional Client — a Client with the knowledge, skills and experience necessary to make informed investment decisions independently, who is able to assess the relevant risks appropriately and who meets the criteria specified in Clauses 3.2–3.8 of this Policy.

1.8. Regulation — Commission Delegated Regulation (EU) 2017/565 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to organisational requirements and operating conditions for investment firms and definitions for the purposes of that Directive.

1.9. Company — the joint-stock investment brokerage company “Alphinox Quality”.

1.10. Eligible Counterparty — a Client meeting the criteria set out in Clauses 3.9–3.15 of this Policy.

1.11. Management Board of the Company — the executive body of the joint-stock investment brokerage company “Alphinox Quality” that manages and represents the Company, conducts and administers its affairs, manages its property and disposes of its funds in accordance with legislation, the articles of association and shareholders' meeting resolutions. The Management Board is responsible for the Company's commercial operations and for maintaining accounting records in accordance with the Commercial Law.

2. Purpose and general provisions

2.1. The purpose of this Policy is to regulate the process whereby Clients wishing to receive the Company's investment services and/or ancillary investment services are classified as Professional Clients, Retail Clients or Eligible Counterparties, and to ensure that evidence confirming the Client's assigned classification is retained.

2.2. The Policy has been developed in accordance with the requirements of Sections 124.1 and 124.2 of the Law.

3. General provisions

3.1. A person to whom the Company provides investment services and ancillary investment services may be classified as a Professional Client, Retail Client or Eligible Counterparty.

3.2. Clients regarded as Professional Clients without further confirmation include:

3.2.1. institutions authorised or regulated to operate in the financial markets in the Republic of Latvia or another country:

3.2.1.1. credit institutions;

3.2.1.2. investment brokerage companies;

3.2.1.3. other authorised or regulated financial institutions;

3.2.1.4. investment funds and investment management companies;

3.2.1.5. alternative investment funds and alternative investment fund managers;

3.2.1.6. insurance undertakings;

3.2.1.7. pension funds and pension fund management companies;

3.2.1.8. commodity dealers;

3.2.1.9. commercial companies dealing on their own account in futures or financial derivatives markets or markets for the underlying assets of derivatives, solely for the purpose of hedging financial risk in the derivatives market, or dealing on account of or making prices for other participants in those markets, which are guaranteed by clearing members of those markets, where responsibility for ensuring performance of contracts concluded by such companies is assumed by those clearing members;

3.2.1.10. other commercial companies whose principal activity is investing in financial instruments and which undertake such investments on a large scale;

3.2.2. commercial companies and other legal persons meeting at least two of the following three requirements:

3.2.2.1.1. equity of at least EUR 2 million;

3.2.2.1.2. net turnover of at least EUR 40 million;

3.2.2.1.3. balance-sheet total of at least EUR 20 million;

3.2.3. government bodies managing public debt, national central banks, the World Bank, the International Monetary Fund, the European Central Bank and other international financial institutions;

3.2.4. other commercial companies whose main activity is investment in financial instruments, including entities engaged in securitisation of financial assets or financing other transactions, which make such investments on a large scale;

3.2.5. persons recognised as Professional Clients in another country under conditions equivalent to those specified in this Clause.

3.3. Persons who may be recognised as Professional Clients:

3.3.1. The Company may classify a Client not listed in Clause 3.2 of this Policy as a Professional Client if:

3.3.1.1. the Client has submitted a corresponding written request (application); and

3.3.1.2. the Company has assessed the Client's knowledge, experience and expertise and is satisfied that, considering the nature of the intended transactions or services, the Client is able to make investment decisions independently and understands the relevant risks, allowing the Client to be classified as a Professional Client; and

3.3.1.3. the Client meets at least two of the following criteria:

3.3.1.3.1. the Client has carried out transactions of significant size on the relevant market at least 10 transactions per quarter during the preceding four quarters (a significant transaction means EUR 50,000 per transaction for equities and investment funds; EUR 200,000 per transaction for sovereign and corporate bonds; and a notional contract value of at least EUR 1,000,000 per transaction for derivative contracts);

3.3.1.3.2. the value of the Client's financial-instrument portfolio, comprising cash and financial instruments, exceeds EUR 500,000;

3.3.1.3.3. the Client has worked in the financial sector for at least one year in a position requiring knowledge of the transactions or services the Client intends to carry out or receive as a Professional Client.

3.3.2. The Company may grant Professional Client status and cease to apply Investor Protection Rights to Clients meeting the criteria in Clause 3.3 if:

3.3.2.1. the Client has submitted a written application to the Company expressing a wish to be treated as a Professional Client, either in respect of all services, transactions or product categories or only in respect of particular services, transactions or product categories;

3.3.2.2. the Company has warned the Client in writing of the Investor Protection Rights that may be lost under Professional Client status, and the Client has signed a statement confirming receipt of that warning and understanding of the consequences of losing those rights;

3.3.2.3. the Company has concluded an agreement with the Client on granting Professional Client status.

3.4. Before recognising a Client as a Professional Client and ceasing to apply the Investor Protection Rights to that Client, the Company verifies compliance with the criteria set out in Clause 3.3.2. After collecting, verifying and analysing the required information, the Company makes the final decision on the classification of the Client.

3.4.1. The Company independently analyses the information stated in the questionnaire using data obtained from various official registers and databases (the Register of Enterprises of the Republic of Latvia, the Lursoft SIA database, information on licences issued by the Financial and Capital Market Commission, etc.).

3.5. A Client classified as a Professional Client in accordance with the Policy is obliged to inform the Company of any changes in the information on which that classification was based. If the Company learns that the Client no longer meets the requirements for a Professional Client, it decides to revoke the Professional Client status and assign Retail Client status. The Company informs the Client of the decision in writing and applies all Investor Protection Rights to the Client.

3.6. In respect of Professional Clients referred to in Clause 3.2 of the Policy, all or part of the Investor Protection Rights may cease to apply at their request.

3.7. The Company informs a Professional Client classified in accordance with Clause 3.2 of the Policy:

3.7.1. of the right to request a change in the Agreement's terms in order to obtain the Investor Protection Rights available to a Retail Client;

3.7.2. of a Professional Client's right to obtain Retail Client status for all services provided or for individual types of investment services, transactions or products.

3.8. A Professional Client referred to in Clause 3.2 wishing to obtain Retail Client status submits an application to the Company specifying the investment service, transaction or product for which Retail Client status is requested. To grant Retail Client status, the Company and the person classified as a Professional Client conclude a written agreement identifying the investment services, transactions or products for which Retail Client treatment applies.

3.9. The following may qualify as Eligible Counterparties:

3.9.1. investment brokerage companies;

3.9.2. credit institutions;

3.9.3. insurance undertakings;

3.9.4. investment management companies;

3.9.5. pension funds and their management companies;

3.9.6. other financial institutions authorised and operating under the legislation governing financial services in an EU Member State or another foreign country;

3.9.7. national governments and other public bodies managing public debt;

3.9.8. central banks;

3.9.9. supranational organisations.

3.10. The Company may also apply Eligible Counterparty status to the persons referred to in Clauses 3.2.1.9, 3.2.1.10, 3.2.2 and 3.2.3 of the Policy.

3.11. In dealings with Eligible Counterparties, the Company acts honestly, fairly and professionally and communicates in a manner that is fair, clear and not misleading, taking into account the nature of the Eligible Counterparty's business.

3.12. Before commencing the provision of investment services and ancillary investment services, the Company informs the persons referred to in Clause 3.9 of the Policy of their Eligible Counterparty status.

3.13. Persons referred to in Clause 3.9 of the Policy are entitled, under the procedures in Clauses 3.6, 3.7 and 3.8, to request classification by the Company as a Professional Client or Retail Client. If a person referred to in Clause 3.9 does not expressly specify whether Professional Client or Retail Client status is requested, the Company assigns Professional Client status.

3.14. To apply Eligible Counterparty status to the persons referred to in Clauses 3.2.1.9, 3.2.1.10, 3.2.2 and 3.2.3 of the Policy, the Company must obtain the Client's consent. Consent may relate to investment services generally, individual investment services or individual transactions.

3.15. If a prospective Client is a commercial company registered in another EU Member State and equivalent to the commercial companies referred to in Clause 3.10 of the Policy, the Company may classify it as an Eligible Counterparty subject to the requirements of the Policy and Section 124.2 of the Law.

3.16. Additional requirements are prescribed by Regulation (EU) 2017/565.

4. Procedure for determining Client classification

4.1. Following evaluation of the questionnaire completed by a Client or prospective Client, the Company's Responsible Employee classifies the Client as a Retail Client, Professional Client or Eligible Counterparty in accordance with the criteria established in the Policy.

4.2. Persons who may be recognised as Professional Clients are recognised as such by a decision of the Company's Responsible Employee.

4.3. The Investor Protection Rights applicable to a Client depend on the classification assigned to that Client and the terms of the Agreement concluded between the Company and the Client.

4.4. Before commencing the provision of investment services and ancillary investment services, the Company informs the Client, in accordance with the procedure laid down in the Agreement, of the classification assigned to them and of the right to request a change of classification.

5. Implementation of the Policy

5.1. The Company's Management Board is responsible for preparing and reviewing the Policy at least once a year or as necessary, and for implementing the Policy.

5.2. The Company reviews the Policy annually and makes amendments where necessary. The Company also reviews the Policy if material changes arise that affect its ability to continue achieving the best possible result for Clients.

5.3. Any amendments or additions to the Policy enter into force on the date they are published on the Company's website.

5.4. The Company informs Clients of material amendments to the Policy by email.