

CLIENT CATEGORIZATION POLICY

1. INTRODUCTION

- 1.1 Broctagon Exchange Ltd is a holder of a Principal's License from the Vanuatu Financial Services Commission
- 1.2 The Business Name Broctagon Exchange Ltd and the Domain Name, www.brocexchange.com is owned by the Company Incorporated and Registered according to the Laws of the Vanuatu under the Vanuatu Financial Services Commission.
- 1.3 Broctagon Exchange Ltd is required to categorize its Clients into one of the following three categories: (a) Retail, (b) Professional or (c) Eligible Counterparty.
- 1.4 Therefore, when the Company is considering an application for opening an Account, it will classify a prospective Client under any of the above categories based on the information provided by the said Client.

2. CATEGORIES

A. Retail Clients

- 2.1.A "Retail Client" is a Client who is not a Professional Client or an Eligible Counterparty.

B. Professional Clients

- 2.2.A "Professional Client" is a Client who possesses the experience, knowledge and expertise to make his own Investment decisions and properly assess the Risks that he incurs. In order to be considered a Professional Client, a Client must comply with one of the following criteria:
 - 2.3. Entities which are required to be authorized or regulated to operate in the Financial Markets. The list below should be understood as including all Authorized Entities carrying out the characteristic activities of the Entities mentioned: Entities authorized by a Member State under the above Directive, Entities authorized or regulated by a Member State without reference to the above Directive, and Entities authorized or regulated by a non-Member State:
 - a. Credit Institutions
 - b. Investment Firms
 - c. Other Authorized 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. Commodities and Commodity Derivatives Dealers
 - h. Locals
 - i. Other Institutional Investors, (like Portfolio Investment Companies)
 - 2.4. Large undertakings meeting two of the following size requirements
 - a. Balance Sheet Total: EUR 20.000.000
 - b. Net Turnover: EUR 40.000.000
 - c. Own Funds: EUR 2.000.000
 - 2.5. National and Regional Governments, Public Bodies that manage Public Debt, Central Banks, International and Supranational Institutions such as the World Bank, the IMF, the ECB, the EIB and other similar International Organizations.

- 2.6. Other Institutional Investors whose main activity is to invest in Financial Instruments, including Entities dedicated to the securitization of assets or other Financing Transactions.
- 2.7. Clients who may be treated as professionals on request, following approval by the Company (please see further below under 'Request for Different Classification').
- 2.8. The Entities mentioned above from (2.3) to (2.5) are considered to be 'Professionals' in relation to all Investment Services and Activities and Financial Instruments. The Clients mentioned in (2.6) may be treated as professionals generally or in respect of a particular Investment Service or Transaction, or type of Transaction or Product.
- 2.9. Professional Clients are responsible for keeping the Company informed about any change, which could affect their Categorization. Should the Company become aware that the Client no longer fulfills the initial conditions which made him eligible for a professional treatment, the Company will take appropriate action.

C. Eligible Counterparties

- 2.10. An "Eligible Counterparty" to which an Investment Firm provides the Services of Reception and Transmission of Orders on behalf of Clients, is an Undertaking which falls within categories of Sections 2.3, 2.4, 2.5 above, of the Clients who are considered to be Professionals by default.

Examples of such Undertakings are: Investment Firms, Credit Institutions, Insurance Companies, UCITS and their Management Companies, Portfolio Investment Companies, Pension Funds and their Management Companies and other Financial Institutions authorized by a Member State or regulated under Community Legislation or the National Law of a Member State, undertakings exempted from the application of the Investment Services and Activities and Regulated Markets Law 144(I) of 2007, in accordance with paragraphs (k) and (l) of subsection (2) of section 3, National Governments and their corresponding offices, including Public Bodies that deal with public debt, Central Banks and Supranational Organizations.

3. REQUEST FOR DIFFERENT CLASSIFICATION

A. Retail Clients

- 3.1. A "Retail Client" has the right to request a different Classification as a Professional Client but he/she will be afforded a lower level of Protection. The Company is not obliged to deal with him/her under a different Classification.
- 3.2. Tests and Criteria: The Company is allowed to treat any of the retail Clients as Professionals, provided the relevant criteria and procedure mentioned below are fulfilled. Any waiver of the Protection afforded by the standard Conduct of Business Regime will be effected 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 understanding the Risks involved.
- 3.3. The fitness test applied to Managers and Directors of Entities licensed under Directives in the Financial Field could be regarded as an example of the assessment of expertise and knowledge. In the case of small Entities, the Person subject to the above assessment should be the Person authorized to carry out Transactions on behalf of the Entity.

- 3.4.** In the course of the above assessment, 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.
- 3.5.** Procedure: The Retail Clients who wish to be treated as Professional Clients need to assume the following procedure: they must state in writing to the Company that they wish to be treated as a Professional Client, either generally or in respect of a particular Investment Service or Transaction, or type of Transaction or Product;the Company will give them a clear written warning of the Protections and Investor Compensation Rights they may lose;they must state in writing, in a separate document from the contract, that they are aware of the consequences of losing such Protections and accept them;before deciding to accept any request for waiver, the Company is required to take all reasonable steps to ensure that the Client requesting to be treated as a Professional Client meets the relevant tests and criteria above.

B. Professional Clients

- 3.6.** A "Professional Client" has the right to request a different Classification as a Retail Client in order to obtain a higher level of Protection.
- 3.7.** It is the responsibility of the Client, considered to be a Professional Client, to ask for 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, enters into a written Agreement with the Company to the effect that it shall not be treated as a Professional for the purposes of the applicable Conduct of Business Regime. Such Agreement will specify whether this applies to one or more particular Services or Transactions, or to one or more types of Products or Transactions.

C. Eligible Counterparties

- 3.8.** An "Eligible Counterparty" has the right to request a different classification either as a Professional Client or Retail Client, in order to obtain a higher level of Protection. Under the Law the Company is not obliged to deal with the Client on this basis.

4. PROTECTION RIGHTS

4.1. Retail and Professional Clients

Where the Company treats a Client as a Retail Client, the Client is entitled to more protections under the Law, than if the Client was treated as a Professional Client. In summary, the protections Retail Clients are entitled to, are as follows, (the list may not be exhaustive):

A Retail Client will be given more information/disclosures with regards to the Company, its Services, its Financial Instruments, the nature and risks of Financial Instruments, Execution Venues and/or list of Entities where it transmits Client Orders for Execution, 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.

Where the Company is providing the Services of Reception & Transmission of Orders and Execution of Client Orders,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 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 144(I)/2007, (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.

When the Company transmits the Client Orders to Third Party (ies), the Company must take all reasonable steps to act in the Best Interest of the Client when receiving and transmitting Orders for Execution. Where the Company transmits the Client Orders to Third Party(ies) 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 Client confirming Execution of the Order by the Third Party(ies) as soon as possible and no later than the first Business Day following receipt of the confirmation from the Third Party(ies), as and where 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.

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 the Service provided to them and the Execution of their Orders by the Third Party(ies), if and as applicable.

The Company is obliged to enter into a written basic Agreement with the Retail Client, setting out the essential rights and obligation of both Parties.

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.

4.2. 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. In particular and in addition to the above of paragraph 4.1, (the list may not be exhaustive):

The Company is not required to take all reasonable steps to act in the Best Interest of the Client when receiving and transmitting Orders for Execution.

The Company is not required to implement Procedures and Arrangements which provide for the prompt, fair and expeditious transmission of its Client Orders, relative to other Client Orders or its Trading interests.

The Company is not required to assess the appropriateness of a product or service that it provides to Client but can assume that the Client have the expertise to choose the most appropriate product or service for itself.

The Company is not required to provide the Client with information about the Company, its Services, Financial Instruments, Execution Venues and/or list of Entities where it transmits Client Orders for Execution, the arrangements through which the Company will be remunerated and other relevant information.

The Company is not required to provide Reports to the Client on the Service provided to him and Execution of its Orders by the Third Party(ies).

The Investors Compensation Fund does not cover Eligible Counterparties.

Should you have any questions or need further information about our "Client Categorization Policy", kindly e-mail your request to info@brocexchange.com.