



Client Categorization Policy

1. Definitions

Company - XNT LTD.

Rulebook - Conduct of Business Rulebook of the Malta Financial Services Authority as may be amended from time to time.

All capitalized terms used herein and not otherwise defined in this Policy will have the meanings set forth in the Company's Terms of Business and the Glossary.

2. Purpose

In order to determine obligations that the Company owes its Clients in the course of provision of the Services and to determine a level of protection that Clients are entitled to under the Applicable Regulations by virtue of the MiFID II and other relevant delegated regulations, the Company is obliged to categorize its Clients as either a Retail Client, Professional Client or Eligible Counterparty.

This Policy explains the Company's procedures for categorisation of Clients and re-categorization.

3. Client categorization

a. General approach

Under the Applicable Regulations the Company must assign the category to its Client before starting provision of the Services and keep it under review.

Different levels of regulatory protection are afforded to each category:

- Retail Clients are afforded the most regulatory protection;
- Professional Clients are considered to be more experienced, knowledgeable and sophisticated and able to appropriately assess risks associated with Transactions and Financial Instruments and make their



own investment decisions, therefore this category is afforded less regulatory protection as compared to Retail Clients, but potentially may access to a wider range of Financial Instruments;

- Eligible Counterparties are those who are professional capital market participants and, thus, are considered to be the most sophisticated investors, who do not need special protection and may access any Financial Instruments.

At present the Company does not provide its services to Retail Clients. All mentionings of “Retail Clients” in this Policy are provided to demonstrate the general approach of the Company towards Client categorization.

Protections offered to each category of Clients are set forth in the Company's Conduct of Business document that is available at [xnt.mt](https://www.xnt.mt).

During the onboarding process upon meeting certain criteria the Client will be automatically assigned one of the following categories:

- per se Eligible Counterparty,
- per se Professional Client,
- per se Retail Client.

The Client, which shall not meet the criteria of a per se Eligible Counterparty or per se Professional Client, shall be categorized as per se Retail Client.

Clients are entitled to request to be recategorized in accordance with the terms of this Policy.

The Company will notify the Client of the MiFID II category assigned or reassigned by means of issuing a respective “Notice Letter”.

Acceptance and consent by the Client to the “Notice Letter”, “Conduct of Business” document and this Policy, as well as, where applicable, Client's request for (re)categorization, shall form the Additional Agreement between the Client and the Company in respect of the assigned MiFID II category and the afforded level of protection.

The Client must immediately inform the Company of any changes that could affect Client's eligibility for the MiFID II category assigned and request a higher level of protection where a situation arises that would present an inability of the Client to properly assess or manage the risks associated with any Transaction or Financial Instruments involved.



b. Per se Eligible Counterparty

According to R.4.2.13 of the Rulebook, a Client may be categorized as per se Eligible Counterparty if a Client is an authorised and regulated:

- Investment firm, Credit institution,
- Insurance company,
- UCITS or a UCITS management company,
- Pension fund or a pension fund management company,
- Another financial institution,
- Undertakings which are exempt from the requirements of the MIFID II in terms of Article 2(I)(k) and (l) thereof,
- National government and its corresponding offices including public bodies that deal with public debt, or
- Central bank and supranational organization.

If the Client proves that the Client is one of the above entities, the Client shall be categorized as a per se Eligible Counterparty.

c. Per se Professional Client

If the Client may not be categorized as an Eligible Counterparty, the Client shall be assessed if the Client meets the criteria of a per se Professional Client. According to R.4.2.6 of the Rulebook the Client may be categorized as a per se Professional Client, if the Client is a:

- Credit Institution,
- Investment Firm,
- Other authorised or regulated financial institution,
- Insurance Company,
- Collective investment scheme or management company of such scheme,
- Pension fund or management company of such fund,
- Commodity / commodity derivatives dealer,



- Locals (i.e. traders on future exchanges, being members of such exchanges, who may fill public orders occasionally, but will predominantly buy and sell for their own personal accounts),
- Other institutional investor;

OR the Client is a Large undertaking meeting two of the following size requirements on a company basis:

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

OR the Client is one of the following:

- National or regional government,
- Public body that manages public debt,
- Central bank,
- International and supranational institutions such as the World Bank, the International Monetary Fund, the European Central Bank, the European Investment Bank or other similar international organization;

OR the Client is:

- Other institutional investor whose main activity is to invest in Financial Instruments, including entities dedicated to the securitisation of assets or other financing transactions, e.g. companies such as Special Purpose Vehicles, which issue debt instruments for their parent companies, family offices that manage family wealth, organisations that "pool" money or invest on behalf of their members. If the Client proves that the Client is one of the above entities, the Client shall be categorized as a per se Professional Client.

The Company may ask the Client to provide documentary evidence such as a licence, permit or any other state issued document confirming Client's status.

d. Retail Client

A Client which does not meet the criteria of either per se Eligible Counterparty, per se Professional Client or Elective Professional Client (as described in section 3(e) below), the Client shall be categorized as a Retail Client and denied Account opening (since the Company does not provide the Services to Retail Clients).



e. Elective Professional Client

If the Company is provided an information that the Client meets a minimum of two of the following criteria (the "quantitative test"), the Client shall be notified of a possibility to request to be categorized as an Elective Professional Client:

- i. the Client has carried out transactions in significant size on the relevant market at an average frequency of 10 per quarter of the previous four quarters. For the purpose of this assessment the Company will take into consideration the total notional value of the top 40 transactions of the last 4 quarters which is greater than EUR 200'000. In the case of leveraged transactions, the notional value is the maximum net equity of the specific transaction (i.e. the margin deposited or paid for the Financial Instrument plus any unrealised profits or unrealised losses due to changes in the value of the underlying assets);
- ii. a size of the Clients investment portfolio, defined as including cash deposits and Financial Instruments, exceeds EUR 500'000;
- iii. a Client works or has worked in the financial sector for at least one year in a professional position, which requires knowledge of the planned Transactions or the Services requested. For the purpose of this assessment the Company will take into consideration the following professions:
 - Financial market analyst,
 - Financial instruments broker, Financial instruments dealer,
 - Financial instruments portfolio manager,
 - Financial instruments investment consultant,
 - other similar financial positions.

in a field that allowed the client to acquire knowledge of transactions or services that have comparable features and a comparable level of complexity to the transactions or services envisaged.

If the Client requests to be categorized as an Elective Professional Client and the Company has no reason to doubt the information provided by the Client, the Client shall be categorized as an Elective Professional Client. To verify the information provided by the Client, the Company shall be entitled to request additional information and documentary evidence, assess the information provided by the Client against the overall profile of the Client, perform review of publicly available information or use any other information source which may help to verify the provided information.

If the Client requests to be categorized as an Elective Professional Client in respect to all classes of Financial



Instruments and Services, the Client shall be categorized as an Elective Professional Client for all classes of Financial Instruments and Services.

Client's request to be categorized as an Elective Professional Client and consent to the Conduct of Business and Notice Letter shall form the Additional Agreement between the Client and the Company on categorization assigned.

f. Elective Eligible Counterparty

The Clients are entitled to request to be categorized as an Elective Eligible Counterparty.

The Client may be categorized as an Elective Eligible Counterparty if the Client meets the criteria as set forth in section 3(c) above.

The Company may categorize the Client as an Elective Eligible Counterparty, if the Client is recognized as other undertaking meeting pre-determined proportionate requirements, including quantitative thresholds. The Company will defer to the status of the Client's undertaking as determined by the law or measures of the jurisdiction, in which that undertaking is established.

g. Change of the categorization

The Client is entitled to request to be recategorized:

- an Eligible Counterparty has the right to request to be recategorized as either an Professional Client or a Retail Client;
- Professional Client, has the right to request to be recategorized as a Retail Client or an Eligible Counterparty.

If the Client requests to be categorized as a Retail Client, either generally or specifically for one or more particular Financial Instruments, the Company will not be in a position to continue relationship with the Client thereafter (since the Company does not provide its Services to Retail Clients).

If a Professional Client requests to be recategorized as an Eligible Counterparty, or the Retail Client requests to be recategorized as an Elective Professional Client, the Client thereby waives the highest level of protection the Client would otherwise be entitled as a Professional Client or a Retail Client, respectively.

In order to request a recategorization the Client must submit to the Company a respective request.



4. Suitability and Appropriateness Assessment

a. Suitability assessment

When providing investment advice and/or portfolio management, under the MiFID II and other subordinated delegated regulations the investment services firms are required to assess the appropriateness of trading in complex financial instruments for their clients.

Since the Company does not offer any kind of investment advice or investment portfolio management (unless otherwise agreed with the Client in a separate agreement) and provide its Services on an “execution only” basis, under the Applicable Regulations the Company is not required to assess the suitability of its Services for the Clients.

Additionally, since the Company provides its Services to non-Retail clients only, the Company is not required to assess the appropriateness for the Client of trading in non-complex Financial Instruments. This means that the Client shall not be protected under the Applicable Regulations on assessing the suitability of the Services and appropriateness for the Client of trading in non-complex Financial Instruments. Therefore, the Client has to satisfy itself as to the suitability of the Services for the Client and appropriateness of trading in non-complex Financial Instruments, taking into consideration individual circumstances, financial goals and financial sustainability of the Client, among others. However, the Company will assess the appropriateness of complex Financial Instruments for the Client.

b. Assessment of the Appropriateness of the Complex Financial Instruments

Under the Applicable Regulations the Company has an obligation to assess the appropriateness of complex Financial Instruments for Elective Professional Clients. To this end the Company has to get assured that the Elective Professional Client holds the appropriate knowledge and experience in trading complex Financial Instruments:

Information to be obtained for purposes of assessing appropriateness

Requirements

Client's knowledge and experience in order for the Company to determine whether the Financial Instruments envisaged are appropriate

the types of financial service, transaction and regulated Financial Instruments the Client is familiar with;

the nature, volume and frequency of the Client's transactions in regulated Financial Instruments;

the Client's level of education and profession (or former profession).



The Company is entitled to assume that a Per se Professional Client and an Eligible Counterparty has the necessary experience and knowledge in order to understand the risks associated with Financial Instruments and Services, for which the Client is categorized as a Professional Client or Eligible Counterparty.

c. Non-complex and Complex Financial Instruments

For a Financial Instrument to be classified as non-complex, it must satisfy all the following criteria:

- it is not a derivative or other security giving the right to acquire or sell a transferable security or giving rise to a cash settlement determined by reference to transferable securities currencies, interest rates or yields, commodities or other indices or measures;
- there are frequent opportunities to dispose of, redeem, or otherwise realize this Financial Instrument at a price that is publicly available to market participants and that is either market price or price made available, or validated, by valuation systems independent of the issuer of the Financial Instrument;
- it does not involve any actual or potential liability for the Client that exceeds the costs of acquiring the Financial Instrument;
- it does not incorporate a clause, condition or trigger that could fundamentally alter the nature or risk of the investment or pay out profile. This would include, investments that incorporate a right to convert the Financial Instrument into a different investment;
- it does not include any explicit charges that have the effect of making the investment illiquid even though technically frequent opportunities to dispose or redeem it would be possible;

adequately comprehensive information on its characteristics is publicly available and is likely to be readily understood so as to enable the average Retail Client to make an informed judgment as to whether to enter into a transaction in that Financial Instrument.

All Financial Instruments not satisfying the above criteria are automatically classified as complex Financial Instruments and cannot go through the separate complexity assessment to see if they fall within the definition of a non-complex Financial Instruments.

The list of non-complex and complex financial instruments can be found in Annex I to this Policy.



5. Record keeping

Taking into consideration the record keeping requirements the Company will keep the records on the assessments of the MiFID II categorization of the Client and appropriateness of Financial Instruments for the Client including:

- data, information and documentation used by the Company for the assessments;
- the results of the assessments;
- any warning given to the Client;
- acknowledgements and consents provided by the Client to the Company.

These records will be kept by the Company for a minimum of five years after the Client ceases to be a Client of the Company, unless otherwise required by the Applicable Regulations or the competent supervising authorities.

6. Revision of the Policy

The Company shall review this Policy periodically.

Revision History:

Annual review:	February 2024	Version: 1.4 - technical general changes
Annual review:	May 2023	Version: 1.30 – re-categorization part revision
Annual review:	November 2021	Version: 1.20 – no changes
Annual review:	November 2020	Version: 1.20 – no changes
Periodic review:	January 2020	Version: 1.20
Annual review:	July 2019	Version: 1.10
First release:	July 2017	Version: 1.00



Annex I

Non-complex financial instruments:

- a. shares admitted to trading on a regulated market or on an equivalent third-country market or on a MTF, where those are shares in companies, and excluding shares in non-UCITS collective investment undertakings and shares that embed a derivative;
- b. bonds or other forms of securitised debt admitted to trading on a regulated market or on an equivalent third country market or on a MTF, excluding those that embed a derivative or incorporate a structure which makes it difficult for the Client to understand the risk involved;
- c. money-market Instruments, excluding those that embed a derivative or incorporate a structure which makes it difficult for the Client to understand the risk involved;
- d. shares or units in UCITS, excluding structured UCITS as referred to in the second subparagraph of Article 36(1) of Regulation (EU) No 583/2010;
- e. structured deposits, excluding those that incorporate a structure which makes it difficult for the client to understand the risk of return or the cost of exiting the product before term;
- f. other non-complex Instruments if they satisfy the non-complex Instruments criteria as defined in R.4.4.62 of the Rulebook.

Complex financial instruments and services (including, but not limited to):

- a. Any securities financing transactions (involving loan or leverage) with non-complex Instruments
- b. Any securities lending transactions (including short selling) with non-complex Instruments
- c. Currency Swaps with physical delivery of the underlying asset
- d. Currency Forwards with physical delivery of the underlying asset
- e. Closed end investment funds (investment certificates)
- f. Structured UCITS
- g. Other investment funds not covered by UCITS directive (hedge funds, AIF)
- h. Interest rate swaps (IRS)
- i. Non deliverable forwards (NDF)



- j. Margin Forex trading
- k. Margin Bullions (Metals) trading
- l. REPO and Reverse REPO (including sell/buy-back and buy/sell-back transactions)
- m. Futures (Single stock, commodities, currencies, indices, etc.)
- n. Options (Stock options, futures options)
- o. Contracts for difference (CFD)
- p. Debt Instruments embedding a derivative Instrument (convertible and exchangeable bonds, indexed bonds and turbo certificates, bonds with the rights of the issuer to repurchase before maturity and bonds with the investor's right to request an early redemption, loan-linked bonds)
- q. Debt Instruments incorporating a structure making it difficult for the Client to understand the risk:
 - Debt Instruments whose yield depends on the return on a given set of assets. (asset-backed securities and asset-backed commercial securities, mortgage-backed securities, securities secured by commercial mortgages, secured debt Instruments)
 - Debt Instruments whose cancellation depends on the repayment of debt held by other persons. (downstream debt Instruments, Certificates (as defined in Article 2 (I) (27) of MiFID II)
 - Debt Instruments where the issuer has the discretion to change the cash flow of the Instrument.
 - Debt Instruments without a specific repayment date or maturity. (perpetual bonds)
 - Debt Instruments with an unusual or unknown base asset. (debt Instruments whose value depends on the value of the underlying asset, such as non-public standards, synthetic indices, niche markets, highly technical indicators, catastrophe bonds)
 - Debt Instruments with complex mechanisms for the determination or calculation of profitability. (debt Instruments structured in such a way that the expected revenue flow can often and/or significantly change over the life span of the Instrument due to the observance of certain predefined thresholds or the achievement of certain time periods.)
 - Debt Instruments structured in such a way that full repayment of principal can be not envisaged. (debt Instruments included in the internal recapitalization)
 - Debt Instruments issued by the special purpose vehicle in circumstances where the name of the debt Instrument or the legal name of the special purpose vehicle may mislead investors as to the identity of the issuer or guarantor



- Debt Instruments with complex guarantee mechanisms. (debt Instruments with a guarantee mechanism if the guarantor's obligations arise depending on one or several conditions in addition to the default of the issuer; debt Instruments with a guarantee mechanism if the amount of the guarantee or the actual liability of the guarantor is subject to time limits)
 - Debt Instruments with leverage attributes
- r. Structured deposits, which include a structure that makes it difficult for the Client to understand the risk of return:
- Structured deposit where more than one variable has an impact on profitability. (structured deposits, where the basket of Instruments or assets must exceed the indicated benchmark for the payment of income, structured deposits, where the profitability is determined by a combination of two or more indices)
 - Structured deposit where there is a complex relationship between profitability and the relevant variable or mechanism that determines or calculates profitability. (structured deposits are structured so that the mechanism by which the index price level is reflected in profitability includes different market data points or multiple index measurements at different dates; structured deposits are structured in such a way that capital gains or interest payments increase or decrease in certain circumstances; structured deposits are structured in such a way that expected revenue streams can often and/or significantly change over different periods of time during the life of the Instrument.
 - Structured deposit where the variable used to calculate the yield is unknown or unusual to the average private investor. (structured deposits, where the yield is related to the niche market, the firm's own index or other non-public benchmark, synthetic index or highly technical indicator, such as asset price volatility).
 - Structured deposit where the contract gives the credit institution unilateral right to terminate the contract before maturity.
- s. Structured deposits that include a structure that makes it difficult for the client to understand the cost of early termination:
- Structured deposit where the cancellation fee is not a fixed amount. (structured deposits with a variable or "maximum" termination rate; structured deposits used to calculate the cancellation fee by variable factors such as interest rate.)
 - Structured deposit where the termination fee is not fixed to a specified time limit. (structured deposits with a variable or "maximum" termination rate, which is retained by the due date in case of early termination);



- Structured deposit where the termination fee is not expressed as a percentage of the amount initially invested. (structured deposits with a termination fee, which is at least equal to the amount of profit accumulated before the early termination date.)