

Introduction

Following the implementation of the Markets in Financial Instruments Directive II (MiFID II) and in accordance to the provisions of the Investment Services and Activities and Regulated Markets Law of 2017 L. 87(I)/2017 (hereinafter called the “**Law**”) Luna Wealth Asset Management Ltd (hereinafter called the “**Company**”) Is required to categorise Clients as either (a) Retail (b) Professional or (c) Eligible Counterparties. The Company will Inform you as to your client categorisation upon the conclusion of the due diligence process and provided you are accepted as a Client to the Company.

Categorisation Criteria

The criteria for categorising Clients based on the applicable provisions of the Law are as follows:

(A) **Retail Client:** is a Client who is neither Professional nor Eligible Counterparty.

(B) **Professional Client:** is a Client who possesses the experience, knowledge and expertise to make its own investment decisions and properly assess the risks that it incurs. In order to be considered to be professional client, the client must comply with the following criteria:

- 1) Entities which are required to be authorised or regulated to operate in the financial markets. The list below shall 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 of the European Union, entities authorised or regulated by a Member State without reference to a Directive, and entities authorised or regulated by a third country:
 - a) Credit institutions;
 - b) IFs;
 - c) Other authorised 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) Commodity and commodity derivatives dealers;
 - h) Locals;
 - i) Other institutional investors;
- 2) Large undertakings meeting two of the following size requirements on a company basis:
 - a) balance sheet total: EUR 20 000 000
 - b) net turnover: EUR 40 000 000
 - c) own funds: EUR 2 000 000
- 3) National and regional governments, including public bodies that manage public debt at national or regional level, 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.
- 4) Other institutional investors whose main activity is to invest in financial instruments, including entities dedicated to the securitisation of assets or other financing transactions

(C) **Eligible Counterparties:** are any of the following entities to which a credit institution or an investment firm provides the services of reception and transmission of orders on behalf of clients and/ar execution of orders and/a dealing on own account: CIFs, other IFs, credit institutions, insurance undertakings, UCITS and their management companies, pension funds and their management companies and 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.

Request for change of Categorisation

Retail Clients can request to be categorised and treated as Professional Clients, in which case they will be afforded a lower level of protection.

Any such waiver of the protection shall be considered by the Company provided the Client possesses an adequate expertise, experience and knowledge and gives reasonable assurances, in light of the nature of the transactions or services recommended, that the Client is capable of making investment decisions and understanding the risks involved. In addition, a minimum of the following two criteria shall be satisfied:

- 1) 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,
- 2) the size of the client's financial instrument portfolio, defined as including cash deposits and financial instruments exceeds EUR 500 000,
- 3) 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.

Professional Clients can request to be categorised and treated as Retail Clients, in which case they will be afforded a higher level of protection.

Eligible Counterparties can request to be categorised and treated as either Retail or Professional Clients, in which case they will be afforded a higher level of protection.

It is noted that the Company will assess specified quantitative and qualitative criteria in accordance with the provisions of the Law and change of categorization will depend on the Company's absolute discretion and the conclusion of a separate written agreement to this effect.

Procedure for change of Categorisation

Clients may waive the benefit of the detailed rules of business conduct only where the following procedure is followed:

1. the Client 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;

2. the Company must give the Client a clear written warning of the protections and investor compensation rights they may lose,
3. the Client must state in writing, in a separate document from the contract, that they are aware of the consequences of losing such protections.

Before deciding to accept any request for waiver, the Company will take all reasonable steps to ensure that the Client requesting to be treated as a professional client meets the relevant aforementioned requirements.

Retail Client Protections

The additional protection afforded to a Retail Client compared to a Professional Client or an Eligible Counterparty includes, without limitation, the following:

1. Retail Clients are provided with more information regarding the Company's Fees, commissions, and other charges.
2. Retail Clients provide more information regarding their knowledge and experience in the investment field so as to enable the Company to assess whether the investment service or product envisaged is appropriate for the Client.
3. The Company must take all reasonable steps to ensure that a Retail Client's order is executed as such in order to obtain best possible results.
4. A Retail Client will receive information regarding his executed order timely and with more detail as to the content.
5. A Retail Client will be informed of the Company's liability in relation to possible insolvency of the custodian where Clients financial Instruments are held.
6. A Retail Client will be informed of the Company's Conflict of Interest Policy.
7. A Retail Client will be informed of the Company's Complaint Handling Procedures.
8. A Retail Client is eligible for possible coverage from the Investor's Compensation Fund.