



Mercia Securities Ltd

(formally Initial Merit Secure Ltd)

Client Categorisation Policy

August 2026

CIF Licence No. 229/14 | Registration No. HE 291905

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I. Introduction

Mercia Securities Ltd (hereinafter “the Company”) is a Cyprus Investment Firm (“CIF”) registered in the Republic of Cyprus through the Department of Registrar of Companies and Official receiver in Cyprus under registration number HE 291905 and is authorized and regulated by the Cyprus Securities and Exchange Commission (hereinafter “CySEC”) under License Number 229/14.

The Company categorises its Clients as Professional Clients by default or Eligible Counterparties, on the basis of objective criteria and in accordance with the applicable legal and regulatory framework. The Company does not accept Retail Clients and does not accept non-professional clients who may request to be treated as Professional Clients. A Client may be placed in different categories for particular investment services or transactions or types of transactions or products, where applicable. The Company notifies each Client of its categorisation as a Professional Client by default or, as the case may be, an Eligible Counterparty.

It is stressed that different rules and different levels of protection apply to Clients depending on their categorisation.

II. Categories

1. **“Retail Client”** is a client who is not a professional client by default, as defined in section A below, or an eligible counterparty. It is noted that Retail Clients are afforded with the highest level of protection.
2. **“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/she incurs.
3. **“Eligible Counterparty”** is a type of professional Clients, applicable only when the service provided to such Professional Client is of receiving & transmitting and/or executing Client orders.



A. Client Categories Accepted by the Company

The Company only accepts Clients that qualify as Professional Clients by default and/or Eligible Counterparties, in accordance with the applicable client categorisation requirements under the Law. The Company does not accept Retail Clients.

Furthermore, the Company does not accept non-professional clients who may request to be treated as Professional Clients.

Accordingly, the Company does not operate a procedure for the reclassification of Retail Clients or other non-professional clients as Professional Clients on request.

Clients accepted by the Company must meet the relevant criteria for categorisation as Professional Clients by default or Eligible Counterparties at the onboarding stage and throughout the business relationship.

All Clients are responsible for keeping the Company informed about any change which could affect their current categorisation.

If the Company becomes aware that a Client no longer fulfils the conditions which made it eligible to be categorised as a Professional Client by default or Eligible Counterparty, the Company shall take appropriate action in accordance with its client categorisation procedures and applicable regulatory obligations.

B. Professionals by default

The following entities that satisfy one or more of the following criteria shall be regarded as professional Clients by default:

- (1) Entities which are required to be authorized or regulated to operate in 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 number 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

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- 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) Firms engaged solely in proprietary trading on markets in futures, options, or derivatives, for hedging purposes, or for dealing on behalf of other market members
 - i) Locals : firms which provide investment services and/or perform investment activities consisting exclusively in dealing on own account on markets in financial futures or options or other derivatives and on cash markets for the sole purpose of hedging positions on derivatives markets or which deal for the accounts of other members of those markets or make prices for them and which are guaranteed by clearing members of the same markets, where responsibility for ensuring the performance of contracts entered into by such firms is assumed by clearing members of the same markets.
 - j) Other institutional services
- (2) Large undertaking meeting two of the following size requirements on a company basis:
- a) balance sheet total at least EUR 20,000,000
 - b) net turnover at least EUR 40,000,000
 - c) own funds at least EUR 2,000,000
- (3) 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 organizations.
- (4) Other institutional investors whose main activity is to invest in financial instruments, including entities dedicated to the securitization of assets or other financing transactions.

The entities mentioned above are considered to be professional Clients by default.

C. “Eligible Counterparty”

An “Eligible counterparty” is a type of professional Client, applicable only when the service provided to such Professional Client is of receiving & transmitting and/or executing orders.

An Eligible Counterparty is an undertaking which falls within categories (1), (2) and (3) of the Clients who are considered to be Professionals by default (of section B above) and/or those included in Section 31(2), 31(3) and 31(4) of the Investment Services and Activities and Regulated Markets Law of 2017, Law 87(I)/2017.

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Further, the Eligible Counterparty category is applicable only for the following investment services:

- Reception and transmission of Client orders
- Execution of orders on behalf of Clients

In the event of a transaction where the prospective counterparty is located in another EU Member State, the Company shall defer to the status of the other undertaking as determined by the legislation of the said Member State in which that undertaking is established.

D. Protection Rights

a) Professional Clients by default

Where the Company treats the Client as a Professional Client by default, the Client will be entitled to the protections applicable to Professional Clients under the Law. Professional Clients are considered to possess the necessary experience, knowledge and expertise to make their own investment decisions and properly assess the risks that they incur in relation to the investment services, transactions, products or financial instruments for which they are classified as Professional Clients.

In particular, and without prejudice to any applicable legal or regulatory obligations, the following shall apply:

- (a) The Company shall provide Professional Clients with appropriate information regarding the Company, its services, financial instruments, costs, commissions, fees and charges, and any other relevant information required under the applicable regulatory framework, in a manner that is fair, clear and not misleading.
- (b) Where the Company provides the services of Reception and Transmission of orders and/or Execution of Client orders, 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 the particular investment services, transactions, types of transaction or products for which the Client is classified as a Professional Client.
- (c) Consequently, the Company should not generally need to obtain additional information from the Client for the purposes of assessing appropriateness in relation to those products and services for which the Client has been classified as a Professional Client, unless otherwise required under the applicable Law or regulatory framework.



- (d) When executing Client orders, the Company shall take all sufficient steps to obtain the best possible result for its Professional Clients, taking into account the
- (e) relevant execution factors, including price, costs, speed, likelihood of execution and settlement, size, nature, or any other consideration relevant to the execution of the order, in accordance with the Company's Order Execution Policy.
- (f) Professional Clients are entitled to receive confirmations for the execution of their orders. Such confirmations shall be provided promptly and in accordance with the applicable legal and regulatory requirements.
- (g) The Company shall inform Professional Clients of any material difficulties relevant to the proper carrying out of their order(s) promptly upon becoming aware of such difficulty, where applicable.
- (h) Where the Company executes orders for Professional Clients, it shall provide information concerning its order execution arrangements and relevant execution policy in accordance with the applicable regulatory requirements.
- (i) The Company may enter into title transfer financial collateral arrangements with Professional Clients, where permitted under the applicable Law. Where the Company uses such arrangements, it shall highlight to Professional Clients the risks involved and the effect of any title transfer collateral arrangement on the Client's financial instruments and funds.
- (j) Professional clients are not entitled to negative balance protection.
- (k) Professional Clients are not entitled to compensation under the Investor Compensation Fund for Clients of Investment Firms, unless otherwise provided under the applicable Law.

b) 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 Professional Client. In particular, and in addition to the above section (the list may not be exhaustive):

- (l) The Company is not required to provide the Client with best execution in executing the Client's orders. Nevertheless, Eligible Counterparties may request on a trade-by-trade basis or in general, treatment that would allow the Company to take all sufficient steps to achieve best execution.



- (m) 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.
- (n) 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 and has the ability to bear losses.
- (o) The Company is not required to provide the Client 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.
- (p) The Company is not required to provide reports to the Client on the execution of its orders or the management of its investments.
- (q) The Investors Compensation Fund does not cover Eligible Counterparties.

However, Eligible Counterparties will be entitled to the reporting obligations applicable to them under the Law and the relevant regulatory framework.

III. Policy Review and Amendments

This Policy constitutes an integral part of the Company's Terms and Conditions and may be updated from time to time to reflect applicable regulatory changes or developments in the Company's business operations and practices. Clients are advised to review this Policy periodically to ensure that they remain aware of their rights and obligations.

For any questions regarding this Policy or your client categorisation, clients are encouraged to contact the Company's Compliance Department at compliance@merciasecurities.com for further guidance and assistance.