



**INVESTMENTS
LIMITED**

Product Governance Policy

Approved by the Board of Directors
May 2018
Limassol

Policy Update History

SN	Author	Description	Date
1	Meerkat Services Ltd (Compliance Officer)	Initial Draft	March 2018
2	Meerkat Services Ltd (Compliance Officer)	Amendments in the Target Market	May 2018
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Recipients:

- Board of Directors
- Senior Managers
- Department Heads
- Compliance Officer
- Risk Manager

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1. Policy Overview

Following the implementation of the Markets in Financial Instruments Directive 2014/65/EU (“MiFID II”) and in accordance to the provisions of the Financial Services and Activities and Regulated Markets Law of 2017 (the “Law”) and based on Directive DI87-01 (the ‘Directive’), NBI Investments Ltd (the ‘Company’) will have in place adequate product governance arrangements, to ensure that it acts in the client’s best interests during all stages of the life-cycle of products or services.

The Company will comply with its product governance requirements in a way that is appropriate and proportionate, taking into account the nature of the investment product, the investment service and the product’s target market.

According to the ESMA Guidelines on MiFID II Product Governance Requirements (ESMA35-43-620):

- i. the term “manufacturer” refers to a firm that manufactures an investment product, where manufacturing includes the creation, development, issuance or design of that product, including when advising corporate issuers on the launch of a new product; and
- ii. the term “distributor” refers to a firm that offers, recommends or sells an investment product and service to a client.

Given the above definition and the Company’s current business model, the policy will entail the requirements of a product “distributor” and “manufacturer”.

In cases where the investment product is a collaborative process with either an entity that is not within the scope of MiFID II or with a third-country entity the Company will outline the mutual responsibilities with its collaborator(s) in a written agreement.

1.1. Investment Services

The Company under its capacity of both product manufacturer and distributor, will distribute its products through the below investment services:

- Reception and transmission of orders in relation to one or more financial instruments;
- Execution of orders on behalf of clients;
- Portfolio management; and
- Provision of investment advice.

1.2. Financial instruments distributed by the Company

As both product manufacturer and distributor, the Company will distribute the following instruments:

- (1) - Transferable securities;
- (2) - Money-market instruments;
- (3) - Units in collective investment undertakings;
- (4) - Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash;
- (5) - Options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event);
- (6) - Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market or/and an MTF;
- (7) - Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in point 6 of Part III and not being for commercial purposes, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are cleared and settled through recognised clearing houses or are subject to regular margin calls;
- (8) - Derivative instruments for the transfer of credit risk;
- (9) - Financial contracts for differences; and
- (10) - Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, emission allowances or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event), as well as any other derivative contract relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Part, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market or an MTF, are cleared and settled through recognised clearing houses or are subject to regular margin calls.

2. General principles

As a product distributor and manufacturer, the Company will:

1. Determine the actual target market for the product;
2. Perform product testing to assess the behavior of the product;
3. Have product governance controls in place to ensure the products and services it offers or recommends are compatible with the needs, characteristics and objectives of an identified target market and that its distribution strategy is consistent with the identified target market;
4. Comply with all applicable requirements of the Law and relevant Directives and Regulations, including those relating to disclosure, assessment of appropriateness, inducements and proper management of conflicts of interest;
5. Periodically review and update its product governance arrangements to ensure they remain robust and fit for their purpose, and take appropriate actions where necessary; and

6. Ensure it can obtain (provide) all required information from (to) the product manufacturers.

2.1. Product governance arrangements

2.1.1. Approval process and oversight

The Board of Directors (the “BoD”) will approve new products and services (as well as changes in existing products and services), in accordance with the needs and characteristics of the clients to whom they will be offered. Additionally, the BoD will monitor and, annually, or at any other time deemed necessary, assess the adequacy of the Company’s product governance arrangements and take appropriate steps to address any deficiencies. The decisions taken by the BoD in this respect will be fully documented through BoD minutes.

Prior to being submitted to the BoD for approval, new products and services (as well as changes to existing ones) will be reviewed by staff members from a broad range of the Company’s functional areas, including the General Manager, the Compliance Officer and the Risk Manager. The Company will ensure that the said staff members possess the necessary expertise to understand the characteristics and risks of the products and services it intends to offer through regular appraisals, which will be formally documented. In the event training and developments needs are identified, they will be timely and appropriately dealt with.

The Company’s compliance officer will be responsible for the monitoring and the periodic review of the Company’s product governance arrangements, in order to detect any risk of failure by the Company to comply with its relevant obligations. In this respect, the compliance reports submitted to the Company’s BoD on an annual or an ad-hoc basis will include information about the products and services offered.

2.1.2. Selection of product manufacturer

The Company will exercise due skill, care and due diligence when selecting a product manufacturer. The Company will consider what impact the selection of a given product manufacturer will have on its clients, against certain criteria including:

- a) The impact of charges;
- b) The financial strength of the manufacturer. Emphasis will be placed on the manufacturer’s capital ratio, which must not be less than 10%. To safeguard this provision, the Company will make such contractual arrangements that will impose an obligation to the manufacturer to disclose this ratio and maintain it up to standards;
- c) To the extent that information is available, how efficiently and reliably the manufacturer will handle complaints and claims (if they arise). The Company’s expectation is that should complaints and/or claims arise, they will be resolved within ten (10) working days; and

- d) The regulatory status of the manufacturer. The Company will only be co-operating with EU or third country manufacturers that are licensed and regulated by their relevant competent authorities. The Company will place emphasis on the distribution of products that have been manufactured by entities which are subject to the MiFID II product governance requirements.

2.1.3. Timing of target market assessment

The identification of the target market will be conducted as part of the general review and approval process. Hence, the identification of the target market will occur at an early stage, when the Company's business policies and distribution strategies are defined by the management body and, on an ex-ante basis.

The Company will ensure from the very beginning, the general consistency of the products that are going to be offered and the related services that will be provided with the needs, characteristics and objectives of target clients.

The Company will focus on the investment services through which the products will be offered to their respective target markets. In this respect, the nature of the products will be duly considered. Where, on the basis of all information and data that may be at the Company's disposal and gathered through investment or ancillary services or through other sources, including the information obtained from product manufacturers, the Company assesses that a certain product will never be compatible with the needs and characteristics of its existing or prospective clients.

The Company's obligation to identify the target market and to ensure that a product is distributed in accordance with the actual target market is not substituted by an assessment of appropriateness, and has to be conducted in addition to, and before such an assessment. In particular, the identification, for a given product, of its target market and related distribution strategy shall ensure that the product ends up with the type of clients for whose needs, characteristics and objectives it had been designed, instead of another group of clients with whom the product may not be compatible.

2.1.4. Identification of the actual target market

The Company will put in place adequate product governance arrangements to ensure that products and services are compatible with the needs, characteristics, and objectives of an identified target market and that the intended distribution strategy is consistent with the identified target market.

The Company under its capacity of both product manufacturer and distributor, it will use the product manufacturer's more general target market assessment (if any), as well as actual information and knowledge of its client base, to identify the target market and the distribution strategy of its products. The criteria that will be considered include:

- a) the type of client to whom the product is targeted, i.e. the Company will specify whether the product is targeted to a retail client, professional or eligible counterparty;
- b) clients' knowledge and experience, i.e. the Company will specify the knowledge that the target clients must have about elements such as the relevant product type, product features and/or knowledge in thematically related areas that help to understand the product;
- c) clients' financial situation with a focus on the ability to bear losses, i.e. the Company will specify the % of losses target clients are able and willing to afford (for example from minor losses to total loss) and if there are additional payment obligations that might exceed the amount invested (for example margin calls);
- d) clients' risk tolerance and compatibility of the risk / reward profile of the product with the target market, i.e. the Company will specify the general attitude that target clients must have in relation to the risks of investment. Basic risk attitudes will be categorized (for example, risk-oriented or speculative, balanced, conservative) and clearly described; and
- e) clients' objectives and needs, i.e. the Company will specify the investment objectives and needs of target clients that a product is designed to meet, including the wider financial goals of target clients or the overall strategy they follow when investing (for example, reference may be made to the expected investment horizon).

Based on the above criteria the Company has identify its current target market as below:

TARGET MARKET ASSESSMENT MAP

A bond is a fixed income investment in which an investor loans money to an entity (typically corporate or governmental) which borrows the funds for a defined period of time at a variable or fixed interest rate. The actual market price of a bond depends on a number of factors including the credit quality of the issuer, the length of time until expiration, and the coupon rate compared to the general interest rate environment at the time. These bonds are publicly traded on exchanges. Two features of a bond- credit quality and duration – are the principal determinants of a bond’s interest rate. If the issuer has a poor credit rating, the risk of default is greater, and these bonds will tend to trade a discount. The longer the bond maturity, or duration, the greater the chances of adverse effects. Longer dated bonds also tend to have lower liquidity.

BONDS DEVELOPED MARKET, INVESTMENT GRADE

The target market assessment is presented for the asset class above. The above financial instruments are targeted to the client base identified through the assessment process based on the categorisation as well as Suitability and Appropriateness tests.

	Criteria	Target Market	Suitability to the target	Comments
1	Investor type	Retail	TARGET	MIFID II categories
		Professional	TARGET	
		Eligible Counterparty	TARGET	
2	KNOWLEDGE & EXPERIENCE TEST	BASIC INVESTOR	TARGET	Investors who doesn't have or has some or no investment experience and able to make an investment decision based on the information, provided from the offering documentation or from the qualified advisor. Has insufficient or basic investment experience
		ADVANCED INVESTOR	TARGET	The Investor has good or excellent knowledge of the financial markets, products and transactions. Has financial industry employment experience or was involved in investments on proprietary account , or used professional advice

3	ABILITY TO BEAR LOSSES	Marginal capital loss (commissions fees)	TARGET	Minimal loss due to fees and commissions are possible
		Limited capital loss	TARGET	Recoverable capital loss during the specified period of time
		Severe capital loss	TARGET	Serious Loss irrecoverable for lengthy period of time
		Full capital loss	TARGET	Total irrecoverable loss of capital
4	FINANCIAL PROFILE/RISK TOLERANCE	Conservative	TARGET	Investor with low risk tolerance and low to medium income expectations
		Balanced	TARGET	Investor is ready to bear some risk to ensure returns higher than average
		Aggressive	TARGET	Investor is eager to take risk to ensure high and extreme returns
5	INVESTMENT OBJECTIVES	Preservation	TARGET	Capital protection and risk averse stable capital appreciation, low expectations
		Income	TARGET	Intention to take some risks with the goal of medium to higher returns, ability to bear some losses for the limited period of time
		Growth	TARGET	High return expectations, tolerance to risks and ability to risk the major part of the capital with the capacity to suffer long periods of severe losses

TARGET MARKET ASSESSMENT MAP

BONDS DEVELOPED MARKET, NON – INVESTMENT GRADE

The target market assessment is presented for the asset class above. The above financial instruments are targeted to the client base identified through the assessment process based on the categorisation as well as Suitability and Appropriateness tests.

	Criteria	Target Market	Suitability to the target	Comments
1	Investor type	Retail	TARGET	MIFID II categories
		Professional	TARGET	
		Eligible Counterparty	TARGET	
2	KNOWLEDGE & EXPERIENCE TEST	BASIC INVESTOR	TARGET	Investors who doesn't have or has some or no investment experience and able to make an investment decision based on the information, provided from the offering documentation or from the qualified advisor. Has insufficient or basic investment experience
		ADVANCED INVESTOR	TARGET	The Investor has good or excellent knowledge of the financial markets, products and transactions. Has financial industry employment experience or was involved in investments on proprietary account , or used professional advice
3	ABILITY TO BEAR LOSSES	Marginal capital loss (commissions fees)	GREY AREA	Minimal loss due to fees and commissions are possible
		Limited capital loss	TARGET	Recoverable capital loss during the specified period of time
		Severe capital loss	TARGET	Serious Loss irrecoverable for lengthy period of time
		Full capital loss	TARGET	Total irrecoverable loss of capital
4	FINANCIAL PROFILE/RISK TOLERANCE	Conservative	GREY AREA	Investor with low risk tolerance and low to medium income expectations

		Balanced	TARGET	Investor is ready to bear some risk to ensure returns higher than average
		Aggressive	TARGET	Investor is eager to take risk to ensure high and extreme returns
5	INVESTMENT OBJECTIVES	Preservation	GREY AREA	Capital protection and risk averse stable capital appreciation, low expectations
		Income	TARGET	Intention to take some risks with the goal of medium to higher returns, ability to bear some losses for the limited period of time
		Growth	TARGET	High return expectations, tolerance to risks and ability to risk the major part of the capital with the capacity to suffer long periods of severe losses

TARGET MARKET ASSESSMENT MAP

BONDS EMERGING MARKET, INVESTMENT GRADE

The target market assessment is presented for the asset class above. The above financial instruments are targeted to the client base identified through the assessment process based on the categorisation as well as Suitability and Appropriateness tests.

	Criteria	Target Market	Suitability to the target	Comments
1	Investor type	Retail	TARGET	MIFID II categories
		Professional	TARGET	
		Eligible Counterparty	TARGET	
2	KNOWLEDGE & EXPERIENCE TEST	BASIC INVESTOR	TARGET	Investors who doesn't have or has some or no investment experience and able to make an investment decision based on the information, provided from the offering documentation or from the qualified advisor. Has insufficient or basic investment experience
		ADVANCED INVESTOR	TARGET	The Investor has good or excellent knowledge of the financial markets, products and transactions. Has financial industry employment experience or was involved in investments on proprietary account , or used professional advice
3	ABILITY TO BEAR LOSSES	Marginal capital loss (commissions fees)	GREY AREA	Minimal loss due to fees and commissions are possible
		Limited capital loss	GREY AREA	Recoverable capital loss during the specified period of time
		Severe capital loss	TARGET	Serious Loss irrecoverable for lengthy period of time
		Full capital loss	TARGET	Total irrecoverable loss of capital
4	FINANCIAL PROFILE/RISK TOLERANCE	Conservative	GREY AREA	Investor with low risk tolerance and low to medium income expectations

		Balanced	TARGET	Investor is ready to bear some risk to ensure returns higher than average
		Aggressive	TARGET	Investor is eager to take risk to ensure high and extreme returns
5	INVESTMENT OBJECTIVES	Preservation	GREY AREA	Capital protection and risk averse stable capital appreciation, low expectations
		Income	TARGET	Intention to take some risks with the goal of medium to higher returns, ability to bear some losses for the limited period of time
		Growth	TARGET	High return expectations, tolerance to risks and ability to risk the major part of the capital with the capacity to suffer long periods of severe losses

TARGET MARKET ASSESSMENT MAP

BONDS EMERGING MARKET, NON – INVESTMENT GRADE

The target market assessment is presented for the asset class above. The above financial instruments are targeted to the client base identified through the assessment process based on the categorisation as well as Suitability and Appropriateness tests.

	Criteria	Target Market	Suitability to the target	Comments
1	Investor type	Retail	TARGET	MIFID II categories
		Professional	TARGET	
		Eligible Counterparty	TARGET	
2	KNOWLEDGE & EXPERIENCE TEST	BASIC INVESTOR	TARGET	Investors who doesn't have or has some or no investment experience and able to make an investment decision based on the information, provided from the offering documentation or from the qualified advisor. Has insufficient or basic investment experience
		ADVANCED INVESTOR	TARGET	The Investor has good or excellent knowledge of the financial markets, products and transactions. Has financial industry employment experience or was involved in investments on proprietary account , or used professional advice
3	ABILITY TO BEAR LOSSES	Marginal capital loss (commissions fees)	GREY AREA	Minimal loss due to fees and commissions are possible
		Limited capital loss	TARGET	Recoverable capital loss during the specified period of time
		Severe capital loss	TARGET	Serious Loss irrecoverable for lengthy period of time
		Full capital loss	TARGET	Total irrecoverable loss of capital
4	FINANCIAL PROFILE/RISK TOLERANCE	Conservative	GREY AREA	Investor with low risk tolerance and low to medium income expectations

		Balanced	TARGET	Investor is ready to bear some risk to ensure returns higher than average
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5	INVESTMENT OBJECTIVES	Preservation	TARGET	Capital protection and risk averse stable capital appreciation, low expectations
		Income	TARGET	Intention to take some risks with the goal of medium to higher returns, ability to bear some losses for the limited period of time
		Growth	TARGET	High return expectations, tolerance to risks and ability to risk the major part of the capital with the capacity to suffer long periods of severe losses

TARGET MARKET ASSESSMENT MAP

EQUITY DEVELOPED MARKET, LARGE CAPITALISATION

The target market assessment is presented for the asset class above. The above financial instruments are targeted to the client base identified through the assessment process based on the categorisation as well as Suitability and Appropriateness tests.

	Criteria	Target Market	Suitability to the target	Comments
1	Investor type	Retail	TARGET	MIFID II categories
		Professional	TARGET	
		Eligible Counterparty	TARGET	
2	KNOWLEDGE & EXPERIENCE TEST	BASIC INVESTOR	TARGET	Investors who doesn't have or has some or no investment experience and able to make an investment decision based on the information, provided from the offering documentation or from the qualified advisor. Has insufficient or basic investment experience
		ADVANCED INVESTOR	TARGET	The Investor has good or excellent knowledge of the financial markets, products and transactions. Has financial industry employment experience or was involved in investments on proprietary account , or used professional advice
3	ABILITY TO BEAR LOSSES	Marginal capital loss (commissions fees)	GREY AREA	Minimal loss due to fees and commissions are possible
		Limited capital loss	GREY AREA	Recoverable capital loss during the specified period of time
		Severe capital loss	TARGET	Serious Loss irrecoverable for lengthy period of time
		Full capital loss	TARGET	Total irrecoverable loss of capital
4	FINANCIAL PROFILE/RISK TOLERANCE	Conservative	GREY AREA	Investor with low risk tolerance and low to medium income expectations

		Balanced	TARGET	Investor is ready to bear some risk to ensure returns higher than average
		Aggressive	TARGET	Investor is eager to take risk to ensure high and extreme returns
5	INVESTMENT OBJECTIVES	Preservation	GREY AREA	Capital protection and risk averse stable capital appreciation, low expectations
		Income	TARGET	Intention to take some risks with the goal of medium to higher returns, ability to bear some losses for the limited period of time
		Growth	TARGET	High return expectations, tolerance to risks and ability to risk the major part of the capital with the capacity to suffer long periods of severe losses

TARGET MARKET ASSESSMENT MAP

EQUITY DEVELOPED MARKET, SMALL CAPITALISATION

The target market assessment is presented for the asset class above. The above financial instruments are targeted to the client base identified through the assessment process based on the categorisation as well as Suitability and Appropriateness tests.

	Criteria	Target Market	Suitability to the target	Comments
1	Investor type	Retail	TARGET	MIFID II categories
		Professional	TARGET	
		Eligible Counterparty	TARGET	
2	KNOWLEDGE & EXPERIENCE TEST	BASIC INVESTOR	TARGET	Investors who doesn't have or has some or no investment experience and able to make an investment decision based on the information, provided from the offering documentation or from the qualified advisor. Has insufficient or basic investment experience
		ADVANCED INVESTOR	TARGET	The Investor has good or excellent knowledge of the financial markets, products and transactions. Has financial industry employment experience or was involved in investments on proprietary account , or used professional advice
3	ABILITY TO BEAR LOSSES	Marginal capital loss (commissions fees)	NEGATIVE TARGET	Minimal loss due to fees and commissions are possible
		Limited capital loss	GREY AREA	Recoverable capital loss during the specified period of time
		Severe capital loss	TARGET	Serious Loss irrecoverable for lengthy period of time
		Full capital loss	TARGET	Total irrecoverable loss of capital
4	FINANCIAL PROFILE/RISK TOLERANCE	Conservative	GREY AREA	Investor with low risk tolerance and low to medium income expectations

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		Aggressive	TARGET	Investor is eager to take risk to ensure high and extreme returns
5	INVESTMENT OBJECTIVES	Preservation	GREY AREA	Capital protection and risk averse stable capital appreciation, low expectations
		Income	TARGET	Intention to take some risks with the goal of medium to higher returns, ability to bear some losses for the limited period of time
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TARGET MARKET ASSESSMENT MAP

EQUITY EMERGING MARKET, LARGE CAPITALISATION

The target market assessment is presented for the asset class above. The above financial instruments are targeted to the client base identified through the assessment process based on the categorisation as well as Suitability and Appropriateness tests.

	Criteria	Target Market	Suitability to the target	Comments
1	Investor type	Retail	TARGET	MIFID II categories
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5	INVESTMENT OBJECTIVES	Preservation	NEGATIVE TARGET	Capital protection and risk averse stable capital appreciation, low expectations
		Income	TARGET	Intention to take some risks with the goal of medium to higher returns, ability to bear some losses for the limited period of time
		Growth	TARGET	High return expectations, tolerance to risks and ability to risk the major part of the capital with the capacity to suffer long periods of severe losses

TARGET MARKET ASSESSMENT MAP

EQUITY EMERGING MARKET, SMALL CAPITALISATION

The target market assessment is presented for the asset class above. The above financial instruments are targeted to the client base identified through the assessment process based on the categorisation as well as Suitability and Appropriateness tests.

	Criteria	Target Market	Suitability to the target	Comments
1	Investor type	Retail	TARGET	MIFID II categories
		Professional	TARGET	
		Eligible Counterparty	TARGET	
2	KNOWLEDGE & EXPERIENCE TEST	BASIC INVESTOR	TARGET	Investors who doesn't have or has some or no investment experience and able to make an investment decision based on the information, provided from the offering documentation or from the qualified advisor. Has insufficient or basic investment experience
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		Growth	TARGET	High return expectations, tolerance to risks and ability to risk the major part of the capital with the capacity to suffer long periods of severe losses

When refining the product manufacturer’s target market, the principle of proportionality will not be adopted, as, given the Company’s business model, only complex products will be offered. If, as a result of the assessment, the Company comes to the conclusion that the target market of the product manufacturer does not need to be refined, it may use the product manufacturer’s target market as it is.

In all cases, the target market will be identified at a sufficiently granular level to avoid the inclusion of any groups of investors for whose needs, characteristics and objectives the product is not compatible. As part of this process, the Company will identify groups of clients for whose needs, characteristics and objectives the product or service is not compatible.

2.1.5. Identification of the ‘negative’ target market

The Company will also consider whether a product would be incompatible with certain target clients (“negative” target market). When doing so, the Company will apply the principles noted in Section 2.1.4.

In situations where a product could, under certain circumstances and where all other legal requirements are met (including those relating to disclosure, assessment of appropriateness, identification and management of conflicts of interest), be sold outside the positive target market, these instances must be justified by the individual facts of the case and the reason for the deviation should be clearly documented. Approval for the sale of such products will be

provided by either the Company's BoD or an Executive Director. An internal registry will be kept, where all such incidents with relevant details will be recorded.

As the negative target market is an explicit indication of those clients for whose needs, characteristics and objectives the product is not compatible and to whom the product should not be distributed, the sale to investors within this group will be a rare occurrence and the justification for the deviation will be accordingly substantiated. The approval and documentation procedure noted in the above paragraph will be adopted.

In the event that the Company becomes aware, for example, through the analysis of clients' complaints or other sources and data, that the sale of a certain product outside the target market identified ex-ante has become a significant phenomenon (for instance, in terms of number of clients involved), such input will be taken into due consideration in the course of its periodic review of the products and related services offered. In such cases, the Company may, for example, come to the conclusion that the target market originally identified was not correct and that it needs to be reviewed or that the related distribution strategy was not appropriate for the product and has to be reconsidered.

2.2. Product Testing

Under its capacity as a product manufacturer, the Company will stress-test the products manufactured under various market conditions. To this end, scenario analysis of the financial instruments manufactured will be conducted, which shall assess the risks of poor outcomes for end clients posed by the product and in which circumstances these outcomes may occur.

In this respect, the Company shall assess the financial instrument under negative conditions covering what would happen if, for example:

1. the market environment deteriorated;
2. the financial instrument fails to become commercially viable; or
3. demand for the financial instrument is much higher than anticipated, putting a strain on the Company's resources and/or on the market of the underlying instrument.

The Company will also examine whether the financial instrument is likely to pose a threat to the orderly functioning or stability of financial markets before deciding to proceed with its launch.

The Company will determine whether a financial instrument meets the identified needs, characteristics and objectives of the target market by examining the following elements:

1. whether the financial instrument's risk/reward profile is consistent with the target market; and
2. whether the financial instrument design is driven by features that benefit the client and not by a business model that relies on poor client outcomes to be profitable.

2.2.1. Distribution strategy

The Company will take into account the distribution strategy identified by the product manufacturer and review it with a critical look. However, ultimately, including when a product manufacturer is an entity not subject to MiFID II and thus it is not obliged to identify a distribution strategy, the Company will define its own distribution strategy in light of information on its client base and type of services provided.

The Company, under its capacity as product manufacturer / distributor, will take reasonable steps to ensure that its financial products are distributed to the identified target market. As per section 1.1. the Company's products will be distributed via the following investment services:

Reception & Transmission of orders;
Portfolio Management;
Investment Advice; and
Execution of Orders investment services.

The preferred acquisition channel will be through an online platform. The Company's products will be distributed directly to retail, professional clients and eligible counterparties of a country which lies within the context of its authorization to freely provide/perform services/activities for Member States and for Third Countries where the Company has a legal opinion or can justify beyond any reasonable doubt with substantive evidence that it can offer such services and products.

2.2.2. Regular review of products

The Company will at least annually, or more frequently if that is deemed necessary, review its products to assess whether they remain consistent with the needs, characteristics and objectives of the identified target market and whether the intended distribution strategy remains appropriate.

Under its capacity as a product manufacturer / distributor, the Company will review products on a regular basis, by considering any event that could materially affect the potential risk of the identified target market. The Company shall consider if:

1. the financial instrument remains consistent with the needs, characteristics and objectives of the target market;
2. the financial instrument is being distributed to the target market; and
3. the financial instrument is reaching clients for whose needs, characteristics and objectives the financial instrument is not compatible.

The Company's Board of Directors will have effective control over the Company's product governance process. The Company's compliance officer will be responsible for the monitoring and the periodic review of the Company's product governance arrangements, to detect any risk of failure by the Company to comply with its relevant obligations. In this respect, the

compliance reports submitted to the Company's Board on an annual or an ad-hoc basis will include information about the products and services offered.

2.2.3. Distribution of products manufactured by entities not subject to MiFID II

In the event where the Company distributes products that have not been manufactured by entities subject to the MiFID II product governance requirements, the Company shall perform the necessary due diligence so as to provide an appropriate level of service and security to its clients compared to a situation where the product had been designed in accordance with the MiFID II product governance requirements.

2.2.4. Conflict of Interest

The Company has established, implements and maintains procedures and measures to ensure that the manufacturing / distribution of financial instruments complies with the requirements on proper management of conflicts of interest, including remuneration. The following conflicts of interest have been identified:

1. Personal Account Dealing;
2. Inside and Proprietary Information;
3. Inducements;
4. Selection of Service Providers;
5. Remuneration of Staff;
6. Access to electronic data; and
7. Supervision and segregation of departments.

In respect of these conflicts, the Company maintains and operates procedures with a view to taking all appropriate steps to prevent conflicts of interest from constituting or giving rise to material risk of damage to the interests of the Company's clients.

2.2.5. Charging Structure

Although the Company will be receiving its products by its Liquidity Providers (manufacturers), it will treat itself as both a manufacturer and distributor because it will amend the Provider's products before their distribution by setting some of the product's parameters, such as leverage, commissions added up to the bid-ask quote, order size and stop loss. When doing so, the Company will provide information about these amendments to its Providers. In relation to the proposed charging structure of the financial instrument, the Company shall always take into consideration the following factors:

1. whether the instrument's costs and charges are compatible with the needs, objectives and characteristics of its target market;

2. whether the charges undermine the instrument's return expectations, such as where such charges equal, exceed or remove almost all of the expected tax advantages linked to the instrument; and
3. whether the charging structure of the instrument is appropriately transparent for its target market.

In this respect, the applicable costs and charges will be disclosed prior to the distribution of the product and the relevant disclosure will not be too complex to understand.

2.2.6. Information from product manufacturers

The Company must obtain from the manufacturer the following information:

1. Costs and charges: additional information about product costs and charges, to enable the Company to meet its obligations towards its clients;
2. Complex and non-complex indicators: indicators of whether the manufacturer deems its product to be complex or non-complex. Given the Company's business model, the relevant indicator will always be in relation to complex products;
3. Product approval process: appropriate information on the manufacturer's product approval process; and
4. Target market description: appropriate information about the intended target market of the financial instrument.

The Company must also take all reasonable steps to ensure it obtains adequate and reliable information from manufacturers who are not subject to MiFID II to ensure that products will be distributed in accordance with the characteristics, objectives and needs of the target market.

2.2.7. Information to product manufacturers

The Company will provide to product manufacturers information on sales and, where appropriate, any other relevant information that may be the outcome of the Company's own periodic review.

Information will also be provided on sales outside the manufacturer's target market (including sales within the negative target market), as well as information regarding the Company's decision to sell outside the target market or to broaden its distribution strategy beyond the one recommended by the manufacturer.