PRODUCT GOVERNANCE POLICY V2

X Spot Markets (EU) Ltd.

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A. Introduction & Purpose

X Spot Markets (EU) Ltd (the "Company"), with CIF License No. 235/14, offers a variety of investment products to Retail, Professional and Eligible Counterparties (the "Clients"). Firms such as the Company are required to have procedures in place that regulate the products and services offered by the Company at all stages.

The purpose of this Policy is to ensure investors' protection, by ensuring that the manufacturing and distribution of financial instruments do not subsist to the detriment of the clients, as per the requirements of Directive 2014/65/EU.

The Company shall, therefore, have in place effective product governance policies and procedures that regulate the entire product lifecycle and enable it to act in the best interest of its clients.

For each financial instrument in its product assortment, the Company shall assess whether it falls under the manufacturer or distributor category. There may be cases where the Company shall be considered as both, manufacturer and distributor. For this reason, the applicable requirements and procedures that the Company should follow, depending on whether the Company acts as manufacturer and/ or distributor, can be found in the present Product Governance Policy (the "Policy").

For each financial instrument in its product assortment, the assessment of whether the Company is considered manufacturer and/ or distributor, the identified positive and negative target market, the defined distribution strategy and the scenario analysis conducted can be found in the Appendices of this Policy.

B. Legal Framework

The regulatory framework in place regarding the product governance requirements comprises of the following:

- Directive 2014/65/EU (hereafter the "MiFID II") issued by the European Parliament and the Council of the European Union;
- Law 87(I)/2017 which incorporates MiFID II into Cyprus national law;
- Delegated Directive (EU) 2017/593 on safeguarding of financial instruments and funds belonging to clients, product governance obligations and the rules applicable to the provision or reception of fees, commissions or any monetary or non-monetary benefits;
- ESMA Guidelines on MiFID II product governance requirements;
- CySEC's Directive DI87-01 on safeguarding of financial instruments and funds belonging to clients, product governance obligations and the rules applicable to the provision or reception of fees, commissions or any monetary or non-monetary benefits; and
- CySEC's Circular C236.

C. Definitions

'Distributor' refers to a firm that offers, recommends or sells an investment product and service to a client.

'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.

D. Requirements and procedures for manufacturers

i. General Requirements

When acting as manufacturer of a financial instrument, the Company shall:

1) ensure that the financial instrument it manufactures is designed to meet the needs of an identified target market of end clients within the relevant category of clients;
2) ensure that the strategy for distribution of the financial instrument is compatible with the identified target market; and
3) take reasonable steps to ensure that the financial instrument is distributed to the identified target market.

ii. Product Approval

The Company shall maintain, operate and review a process for the approval of each financial instrument (and significant adaptations of existing financial instruments) before the instrument is marketed or distributed to clients.

The product approval process shall:

a. specify an identified target market of end clients within the relevant category of clients for each financial instrument;
b. ensure that all relevant risks to the identified target market are assessed;
c. ensure that the intended distribution strategy is consistent with the identified target market.

iii. Conflicts of Interest and Stability of Financial Markets

The Company shall have procedures and arrangements in place to ensure that conflicts of interest are properly managed.

Conflicts of interest refer to situations in which the company or its employees are involved in multiple interests, financial or otherwise, and serving one interest could involve working against another. They can arise in situation where either the Company or an individual employed by the company possess information that constitutes an advantage, or can be perceived as constituting an advantage, that can be exploited in a professional or other capacity for either corporate or personal benefit to the detriment of clients.

X Spot Markets (EU) Ltd has in place adequate procedures for eliminating potential conflicts of interest, including restricting the flow of information between departments. In addition, the Company has in place procedures for the proper management of conflicts of interest related to staff remuneration.

Whenever the measures taken by the Company to manage conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to clients' interest will be prevented, the Company proceeds with the disclosure of the conflict to the client. The disclosure must be sufficiently communicated prior to carrying out a transaction or providing an investment or an ancillary service. Furthermore, it must be made in a durable mean and include sufficient details, considering the nature of the client, to enable him or her to take an informed decision with respect to the investment or ancillary service in the context of which the conflict of interest had arisen.

When manufacturing a financial instrument, the Company shall ensure that the design of the financial instrument, including its features, does not adversely affect end clients or does not lead to problems with market integrity, by enabling the Company to mitigate and/ or dispose of its own risks or exposure to the underlying assets of the product where the Company already holds the underlying assets on own account (where applicable).

Each time a financial instrument is manufactured, the Company shall analyse potential conflicts of interest; where applicable, it shall assess whether the financial instrument creates a situation where end clients may be adversely affected if they take:

a. an exposure opposite to the one previously held by the Company itself; or
b. an exposure opposite to the one that the Company wants to hold after the sale of the product.

The Company shall also ensure, before launching a product, that the manufactured product does not represent a threat to the orderly functioning or the stability of financial markets.

More information on the Company's policies and procedures for the prevention of conflicts of interest can be found in the Company's Conflicts of Interest Policy.

iv. Target Market

➢ <u>Positive Target Market</u>

The Company shall specify the type(s) of client for whose needs, characteristics and objectives the financial instrument is compatible.

The potential target market of each financial instrument it manufactures shall be specified at a sufficient granular level. The level of granularity of the target market shall be proportionate to the nature of the financial instrument and distribution strategy.

When the Company acts as manufacturer only, given the absence of specific client information, target market assessment shall be rather abstract and shall be based, inter alia, on the Company's theoretical knowledge of and past experience with the product.

The identification of the target market shall be based on an assessment of end clients for whose needs and objectives the product is intended, taking into account the nature of the product. In particular, the Company shall:

a. assess whether the risk/ reward profile of the financial instrument is consistent with the target market and 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;

b. consider the charging structure proposed for the financial instrument and examine the following:
- whether the financial instrument's costs and charges are compatible with the needs, objectives and characteristics of the target market;
- whether the charges undermine the financial instrument's return expectations, such as where the costs or charges equal, exceed or remove almost all the expected tax advantages linked to a financial instrument; and
- whether the charging structure of the financial instrument is appropriately transparent for the target market, such as that it does not disguise charges or is too complex to understand.

The Company's costs/ charges are appropriately transparent and not complex to understand for the target market-end client. Full explanation of the Company's current charging structure can be found in the Company's Key Information Documents (KIDs) for its products.

When identifying the target market for a financial instrument, the Company shall use the following list of five (5) categories:

1. <u>client type:</u> "retail client", "professional client", "eligible counterparty".
2. <u>knowledge and experience:</u> knowledge and experience about elements such as the product type, product features and/ or knowledge/ experience in thematically related areas to help the client understand the product; knowledge and experience may be dependent on each other in some cases.
3. <u>financial situation with a focus on the ability to bear losses:</u> the percentage of losses target clients are able and willing to afford must be specified; the Company should also specify if there are any additional payment obligations that might exceed the invested amount (e.g. margin calls).
4. <u>risk tolerance</u> <u>and compatibility of the risk/ reward profile of the product with the target market:</u> the general attitude that target clients should have in relation to the risks of investment must be specified and described (e.g. "risk-oriented or speculative", "balanced", "conservative").

5. clients' objectives and needs: the wider financial goals of target clients or the overall strategy they follow when investing must also be specified (e.g. the expected investment horizon - number of years the investment is to be held); the clients' objectives and needs may vary from specific to more generic.

For more complicated products, such as CFDs, the target market shall be identified with more detail, while for simpler, more common products, the target market could be identified with less detail.

➢ Negative Target Market

For each financial instrument it manufactures, the Company shall also identify a negative target market, i.e. any group(s) of clients for whom the product is incompatible, by using the same five categories as stated above.

When acting as a manufacturer only, where the Company does not have a direct relationship with end-clients, it shall identify the negative target market on a theoretical basis.

v. Product Testing

The Company shall conduct a scenario analysis, assessing the risks of poor outcomes for end clients posed by the product and in which circumstances these outcomes may occur.

The Company shall assess the financial instrument under negative conditions, taking into account various factors such as stress testing and reliability of data/ assumptions. For example, the Company shall examine what would happen if:

a. the market environment deteriorated;
b. the Company or a third party involved in manufacturing and or functioning of the financial instrument experiences financial difficulties or other counterparty risk materialises;
c. the financial instrument fails to become commercially viable; or
d. the 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.

vi. Distribution Strategy

The Company shall define its distribution strategy and shall make its best efforts to select distributors whose clients and services are aligned with the Company's identified target market.

The Company shall propose the type of investment service through which the product could be sold (e.g. execution only, advisory, discretionary) and if the product is deemed appropriate for a sale without advice, the Company may also specify the preferred acquisition channel (e.g. face to face, telephone, online etc).

vii. Information exchange between the Company and distributors

In order to enable the distributors to understand and recommend/ sell a financial instrument properly, the Company shall have arrangements in place to ensure that sufficient information is given to distributors, including the appropriate channels for distribution of the financial instrument, the product approval process, the identified target market and target market assessment.

In addition, the Company shall have appropriate and effective arrangements in place to ensure that it receives information back from the distributors in relation to the manufactured products, in order to ensure that such products are being sold to the appropriate target market.

viii. Review

Financial instruments manufactured by the Company shall be reviewed:

a. On a regular basis, taking into account any event any event that could materially affect the potential risk to the identified target market; for each financial instrument it manufactures, the Company shall assess at least whether:
    - the financial instrument remains consistent with the needs, characteristics and objectives of the identified target market;
    - the intended distribution strategy remains appropriate;
    - the financial instrument is being distributed to the target market; and
    - the financial instrument is reaching clients for whose needs, characteristics and objectives the financial instrument is not compatible.

b. Prior to any further issue or re-launch, if the Company is aware of any event that could materially affect the potential risk to investors.

    Crucial events that would affect the potential risk or return expectations of the financial instrument shall also be identified (e.g. the crossing of a threshold that will affect the return profile of the financial instrument or the solvency of certain issuers whose securities or guarantees may impact the performance of the financial instrument).

    When crucial events occur, the Company shall take appropriate action, including inter alia:

    - the provision of relevant information on the event and its consequences on the financial instrument to the clients or the distributors of the financial instrument (if the Company does not offer or sell the financial instrument directly to the clients);
    - changing the product approval process;
    - stopping further issuance of the financial instrument;
    - changing the financial instrument to avoid unfair contract terms;
    - where the Company becomes aware that the financial instrument is not being sold as envisaged, considering whether the sales channels through which the financial instruments are sold are appropriate;
    - contacting the distributor to discuss a modification of the distribution process;
    - terminating the relationship with the distributor; or
    - informing the relevant competent authority.

c. At regular intervals, to assess whether the financial instruments function as intended.

For each financial instrument manufactured, the Company shall determine the frequency of such reviews based on relevant factors, such as factors linked to the complexity or the innovative nature of the investment strategies pursued.

ix. Collaboration with other entities in the manufacturing of products

When collaborating with other entities including entities which are not authorised and supervised in accordance with MiFID II or third-country firms to manufacture a product, the mutual responsibilities of those entities and the Company shall be outlined in a written agreement.
Where the Company collaborates with other entities to manufacture a financial instrument, only one target market shall be identified.

E. Requirements and Procedures for Distributors

x. General requirements

When acting as a distributor, the Company shall:

1. understand the financial instruments it distributes to clients;

2. assess the compatibility of the financial instruments with the needs of the clients to whom it distributes investment services, taking into account the manufacturer's identified target market of end clients; and
3. ensure that financial instruments are distributed only when this is in the best interests of the client.

In selecting manufacturers, the Company shall consider what impact the selection of a given manufacturer could have on the end clients (e.g. in terms of the financial strength of the manufacturer or the charges) and shall also consider whether the given manufacturer will deal with the Company or the end clients (at the point of sale or subsequently) in an efficient and reliable manner.

xi. Obtaining information from manufacturers

The Company shall have in place effective arrangements to ensure that it obtains sufficient information about the financial instruments it offers or recommends from the product manufacturers, in order to gain the necessary understanding and knowledge of the financial instruments it intends to distribute and ensure that the financial instruments are suitable for distribution to the Company's own identified target market.

Where manufacturers are not subject to MiFID II, the Company shall ensure that it obtains adequate and reliable information about their products. Where relevant information is not publicly available, the Company shall take all reasonable steps to obtain such relevant information from the manufacturer or its agent (e.g. entering into an agreement with the manufacturer or its agent in order to obtain all relevant information).

Acceptable publicly available information for products sold on primary and secondary markets is information which is clear, reliable and produced to meet regulatory requirements (e.g. disclosure requirements under the Prospectus Directive, the Transparency Directive, the UCITS Directive, the AIFMD Directive of third-country equivalent requirements).

Where the Company is not in a position to obtain in any way sufficient information on products from out-of-scope manufacturers, it shall refrain from including such products in its product assortment.

xii. Target market and Distribution Strategy

➢ Positive Target Market

The Company shall comply with the relevant product governance requirements even when offering or recommending products manufactured by out-of-scope entities. In this respect, the Company shall determine the target market for each financial instrument it offers or recommends, even if the target market was not defined by the product's manufacturer.

The Company shall use the information obtained from the manufacturer and the Company's knowledge of its own clients in order to identify the actual target market and distribution strategy for each financial instrument it intends to offer or recommend.

When identifying the actual target market, the Company shall use the same list of categories used by manufacturers (see section D(iv) of this Policy).

In addition, it shall consider:

1. the nature of the financial instruments to be offered or recommended and how they fit with end clients' needs and risk appetite;
2. the impact of charges on end clients;
3. the manufacturer's financial strength; and
4. where information is available on the manufacturer's processes, whether the manufacturer will deal with the end clients (at the point of sale or subsequently) in an efficient and reliable manner.

When acting both as a manufacturer and as a distributor, only one target market shall be identified.

It should be noted that the identification of the target market shall be a separate responsibility of the Company to that of conducting an appropriateness test for each client within the identified target market; the target market assessment shall be in addition to and before the assessment of the appropriateness.

- Negative Target Market

The Company shall also identify any groups of clients for whose needs, characteristics and objectives the product or service is not compatible (i.e. negative target market), by using the same five categories as stated above.

- Sales outside the positive target market or within the negative target market

Where all other legal requirements are met (including the applicable rules on disclosure, appropriateness, identification and management of conflicts of interest), products could be sold outside the positive target market, provided that these instances are justified by the facts of each case, the reason for the deviation is clearly documented, and where applicable, included in the suitability report.

Sales to the negative target market should occur only in justified, rare circumstances (e.g. where the client is investing as part of a diversified portfolio approach or for hedging purposes) and the justification for such deviation should be accordingly significant and more substantiated than a justification for a sale outside the positive target market

Sales to the negative target market shall be reported to the manufacturer, who shall decide if remedial action should be taken.

It should be noted that the Company is not required to report sales outside of the positive target market to the manufacturer if these sales are for diversification and hedging purposes and the sales are still suitable, given the client's total portfolio or the risk being hedged.

- Distribution strategy

The distribution strategy shall be defined at an early stage, in order to ensure that a product is only included in the Company's product range when this is aligned with the type of service that the Company provides.

When determining a distribution strategy, the Company shall consider various factors, including the client's needs and risk appetite, impact of charges on the end clients, financial strength of the manufacturer and how the manufacturer will deal with post sale complaints or claims.

The Company shall have in place adequate arrangements to ensure that the distribution strategy is consistent with the target market.

xiii. Review

- Review of product governance arrangements

The Company shall periodically review and update its product governance arrangements and take appropriate actions if necessary.

- Post-sale review of financial instruments

The Company shall regularly review financial instruments it offers or recommends and the services it provides, taking into consideration any event that could materially affect the potential risk to the identified target market and shall assess at least whether the financial instrument is still consistent with the needs of the identified target market and whether the intended distribution strategy remains appropriate. The Company shall take appropriate actions following such review.

If the Company becomes aware that the target market has been incorrectly identified or that the product/service does no longer meet the circumstances of the identified target market (e.g. where the product becomes illiquid or very volatile due to market changes), it shall reconsider the target market and/or update its product governance arrangements.

xiv. Compliance with other rules

When deciding the range of financial instruments and investment services to be distributed as well as the target market of a product, the Company shall ensure that it complies with all applicable rules, including, inter alia, the rules on:

1. disclosure;
2. appropriateness;
3. inducements; and
4. conflicts of interest.

xv. Information Sharing

The Company must provide to manufacturers information on sales and the post-sale reviews carried out by the Company.

The sales information provided shall include items which are necessary for the manufacturers to check consistency with the needs, characteristics and objectives of the target market.

This could include information on which distribution channels have been employed, the proportion of sales outside the target market, the types of clients, complaints received, and any feedback received from clients to questions suggested by the manufacturer.

xvi. Chains of distributors

Where the Company works together with other entities for the distribution of a financial instrument, the following shall apply:

a. Where the Company distributes financial instruments to end clients (i.e. it has the direct client relationship), it shall meet the product governance obligations applying to distributors and are mentioned in this section.
b. When distributing financial instruments to other distributors (i.e. it does not have the direct client relationship), the Company shall:
    - ensure that relevant product information is passed from the manufacturer to the final distributor in the chain;
    - if the manufacturer requires information on product sales in order to comply with their own product governance obligations, enable them to obtain it; and
    - in relation to the service it provides, apply the product governance obligations for manufacturers, as relevant.

F. Additional requirements and procedures for manufacturers and distributors

xvii. Knowledge and competence of staff – Training of staff

The Company shall ensure that the relevant staff involved in the manufacturing of financial instruments possess the necessary expertise to understand the characteristics and risks of the financial instruments it intends to manufacture.

Staff involved in the distribution of financial instruments shall possess the necessary expertise to understand the characteristics and risks of the financial instruments that the Company intends to distribute, and the services provided, as well as the needs, characteristics and objectives of the identified target market.

The Company shall ensure that staff (newly hired and existing staff) involved in the manufacturing and/or distribution of financial instruments possess the CySEC's Basic Certification and are registered in the Public Register.

The Company shall also ensure that staff undertake training of sufficient time and quality, on a regular as well as on a needs basis, to help staff maintain their knowledge and expertise and to further support their understanding of the policy and the relevant product governance requirements.

xviii. Oversight by management and compliance function

The Company's management body shall have effective control over the Company's product governance processes.

Information about the financial instruments manufactured by the Company, including information on the distribution strategy, shall be included in the compliance reports submitted to the management body.

The compliance function shall monitor the development and periodic review of the Company's product governance arrangements, in order to detect any risk of failure by the Company to comply with the relevant product governance obligations.

G. Policy Development and Review Procedure

The present Policy shall be reviewed by the Company's compliance function on an annual basis, as well as on an ad-hoc basis where necessary in order for the Policy to remain robust and fit for its purpose and/ or in order to reflect any updates in the applicable requirements.

Following such review, the Policy shall be approved by the Board of Directors and shall be distributed to the employees involved in the manufacturing and/or distribution of financial instruments.

Appendix 1

Shares

Overview

Shares are units of ownership in a corporation or financial assets that provide for an equal distribution in any profits, if any are declared, in the form of dividends. Traded on a regulated EU market or an MTF and they do not embed a derivative of any kind and they issued by a company and they are not shares in non-UCITS collective investment schemes.

This product is generally suitable for long term investments (capital preservation & income in the form of dividends) but also for short term trading.

The risk indicator for this product has been set by the Company at 1 (i.e. lowest risk with typically higher awards), which rates the potential losses from future performance at a very low level, due to various factors including but not limited to:

- Market risks (the possibility of economic loss arising from movements in market prices)
- Volatility risks
- Interest rate risk (the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves)
- Market liquidity risk (the danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security)
- Issuer risk (the risk of default of the issuer of the product)

A non-exhaustive list of the risks associated with this product is provided in the Company's KID for this product. This product is a listed instrument.

The Company's Role

The Company is considered as distributor only in relation to the said financial product.

Identified Positive Target Market

- Type of clients: retail, professional clients and eligible counterparties
- Clients' knowledge and experience: clients with basic capital markets knowledge or experience about shares. Given the amount of information available through e.g. press and mandatory disclosures, knowledge and experience requirements for such products are generally low. Investors in this product are looking for capital preservation and income generation in the form of dividends. The company on a continuous basis update the clients and products details in order to find any newly created negative market scenarios in order to update its own software and inform accordingly the clients
- Clients' financial situation with a focus on the ability to bear losses: ability to bear a 100% loss
- Clients' risk tolerance and compatibility of the risk/ reward profile of the product with the target market: due to the volatility of stock markets and specific risk if investing in individual company shares, clients should have a medium to high-risk tolerance. They should be willing to accept price fluctuations in exchange for the opportunity for higher returns
- Clients' objectives and needs: clients who are looking for capital preservation; mass market shares are compatible with the needs of clients who seek capital growth or potential dividend returns. Mass-market shares that are very liquid and easily disposable can be suitable for any investment horizon.

Identified Negative Target Market

Clients who should not invest:

- Clients' knowledge and experience: The Retail clients who score 50% or less on 'Trading Experience' questions according to the Company's scoring system cannot start trading; Also, Clients who should not invest are clients who are looking for full capital protection or full repayment of the amount invested, are fully risk averse/have no risk tolerance or need a fully guaranteed income or fully predictable return profile;
- Clients' financial situation with a focus on the ability to bear losses: clients lacking the ability to tolerate a 100% capital loss;
- Clients' risk tolerance and compatibility of the risk/ reward profile of the product with the target market: clients with low risk tolerance;
- Clients' objectives and needs: need a fully guaranteed income or fully predictable return profile.

Distribution Channel

In light of the target market analysis, shares can be eligible for distribution through all types of distribution channels (i.e. portfolio management, advised sales non-advised sales and pure execution services). On the basis of the Company's current license, the product shall be distributed by the Company by providing clients with reception, transmission and execution of clients' orders services on a non-advised basis as per their instructions. All orders are recorded. The client initiates the trade and not the Company. The Company will not have a sales-trading team. The company will never promote any kind of Instrument to its clients or potential clients.

Mass marketing (e.g. billboard ads) must be avoided as the product should only be offered/ marketed to the target market. The Company may use instead financial media outlets such as financial related websites, financial newspapers and financial TV stations to advertise/ market this product. Social media ads (if any) should be targeted and should not be generic. In general, the Company's distribution strategy must favour the sale of its products to the identified target market.

Scenario Analysis

Examples of negative conditions include the following:

- The market environment deteriorated: Systematic risk (Market risk is the risk of loss caused by movements in the prices of traded assets. It reflects the extent to which the return of the security varies in response to, or in association with, variations in the overall market returns).
- The Company or the third party involved in manufacturing and/ or functioning of the financial instrument experiences financial difficulties or another counterparty risk materialises: Settlement risk (the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk); counterparty risk (the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties).
- The Company conducts thorough due diligence of all its counterparties and ensures that they are sufficiently regulated, of good repute, and have solid balance sheets. Nevertheless, periodically the Company's risk department conducts a value-at-risk analysis to determine the maximum potential loss arising from counterparty risk.
- The financial instrument fails to become commercially viable: Unsystematic risk (the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc) that may affect the securities issued by the company; one example is the possibility of poor earnings).
- The 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 only execute accurate instructions as described in its Best Execution Policy. The client clearly states the exact price and the conditions he/ she wishes his/ her order to be executed.

Review
Shares will be reviewed annually and on an ad-hoc basis, taking into account any event that could materially affect the potential risk to the identified target market, to assess potential risk to identified target market (end-client), whether the product remains consistent with the target market (end-client) needs, whether the distribution strategy remains appropriate, whether the product is being distributed to the target market and whether the product is reaching clients for whose needs, characteristics and objectives the product is not compatible.

This product shall also be reviewed prior to any further issue or re-launch, if the Company is aware of any event that could materially affect the potential risk to investors.

Appendix 2

Bonds

Overview

Bonds (or other forms of securitized debt) on a regulated EU market or an MTF and they do not embed a derivative of any kind and they issued by a company and they do not incorporate a structure which makes it difficult for the client to understand the risk involved.

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.

This product is generally suitable for long term investments (capital preservation & income in the form of coupons and interest) but also for short term trading.

The risk indicator for this product has been set by the Company at 1 (i.e. lowest risk with typically higher awards), which rates the potential losses from future performance at a very low level, due to various factors including but not limited to:

- Market risks (the possibility of economic loss arising from movements in market prices)
- Volatility risks
- Interest rate risk (the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves)
- Market liquidity risk (the danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security)
- Credit risk (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation)
- Counterparty risk (the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties).

A non-exhaustive list of the risks associated with this product is provided in the Company's KID for this product. This product is a listed instrument.

The Company's Role

The Company is considered as distributor only in relation to the said financial product.

Identified Positive Target Market

- Type of clients: retail, professional clients and eligible counterparties
- Clients' knowledge and experience: clients with basic capital markets knowledge or experience about bonds. Investors in this product category are looking for capital preservation and income generation in the form of coupons and interest. The company on a continuous basis update the clients and products

details in order to find any newly created negative market scenarios in order to update its own software and inform accordingly the clients

- Clients' financial situation with a focus on the ability to bear losses: ability to bear a 100% loss
- Clients' risk tolerance and compatibility of the risk/ reward profile of the product with the target market: clients with low risk tolerance; the general attitude of target clients in relation to the risk of investment is expected to be defined as low and non-speculative
- Clients' objectives and needs: clients who want to preserve their capital and make income in the form of coupons and interest.

Identified Negative Target Market

Clients who should not invest:

- Clients' knowledge and experience: A negative target market scenario would be a professional client (Fund) with mandate limitations trading on foreign currency and the selected bond is a US denominated asset;
- Clients' financial situation with a focus on the ability to bear losses: Clients lacking the ability to tolerate a 100% capital loss;
- Clients' risk tolerance and compatibility of the risk/reward profile of the product with the target market: Are fully risk averse/ have no risk tolerance;
- Clients' objectives and needs: N/A

Distribution Channel

In light of the target market analysis, bonds can be eligible for distribution through all types of distribution channels (i.e. portfolio management, advised sales non-advised sales and pure execution services). On the basis of the Company's current license, the product shall be distributed by the Company by providing clients with reception, transmission and execution of clients' orders services on a non-advised basis as per their instructions. All orders are recorded. The client initiates the trade and not the company. The Company will not have a sales-trading team. The Company will never promote any kind of Instrument to its clients or potential clients.

Mass marketing (e.g. billboard ads) must be avoided as the product should only be offered/marketed to the target market. The Company may use instead financial media outlets such as financial related websites, financial newspapers and financial TV stations to advertise/market this product. Social media ads (if any) should be targeted and should not be generic. In general, the Company's distribution strategy must favour the sale of its products to the identified target market.

Scenario Analysis

Examples of negative conditions include the following:

- The market environment deteriorated: Systematic risk (Market risk is the risk of loss caused by movements in the prices of traded assets. It reflects the extent to which the return of the security varies in response to, or in association with, variations in the overall market returns).
- The Company or the third party involved in manufacturing and/ or functioning of the financial instrument experiences financial difficulties or another counterparty risk materialises: Settlement risk (the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk); counterparty risk (the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties).
- The Company conducts thorough due diligence of all its counterparties and ensures that they are sufficiently regulated, of good repute, and have solid balance sheets. Nevertheless, periodically the Company's risk department conducts a value-at-risk analysis to determine the maximum potential loss arising from counterparty risk.

- The financial instrument fails to become commercially viable: Unsystematic risk (the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc) that may affect the securities issued by the company; one example is the possibility of poor earnings).
- The 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 only execute accurate instructions as described in its Best Execution Policy. The client clearly states the exact price and the conditions he/ she wishes his/ her order to be executed.

Review

Bonds will be reviewed annually and on an ad-hoc basis, taking into account any event that could materially affect the potential risk to the identified target market, to assess potential risk to identified target market (end-client), whether the product remains consistent with the target market (end-client) needs, whether the distribution strategy remains appropriate, whether the product is being distributed to the target market and whether the product is reaching clients for whose needs, characteristics and objectives the product is not compatible.

This product shall also be reviewed prior to any further issue or re-launch, if the Company is aware of any event that could materially affect the potential risk to investors.

Appendix 3

UCITS (shares or units)

Overview

Undertakings for the Collective Investment of Transferable Securities (UCITS) is a mutual fund based in the European Union. UCITS funds are perceived as safe and well-regulated investments and are popular in Europe, South America and Asia among investors who prefer not to invest in a single public limited company but rather among diversified unit trusts spread out within the European Union. Each specific UCITS invests in a basket of different securities.

This product is considered as non-complex and suitable for long term investments (capital preservation & income in the form of coupons and interest) but also for short term trading.

The risk indicator for this product has been set by the Company at 1 (i.e. lowest risk with typically higher awards), which rates the potential losses from future performance at a very low level, due to various factors including but not limited to:

- Market risks (the possibility of economic loss arising from movements in market prices)
- Volatility risks
- Interest rate risk (the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves)
- Liquidity risk/ Credit risk (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation)
- Counterparty risk (the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties).

A non-exhaustive list of the risks associated with this product is provided in the Company's KID for this product. This product is a listed instrument.

The Company's Role

The Company is considered as distributor only in relation to the said financial product.

Identified Positive Target Market

- Type of clients: retail, professional clients and eligible counterparties
- Clients' knowledge and experience: this product can be distributed to Professional Clients, Eligible Counterparties and Retail Clients. The investors need to have specific knowledge or previous experience in this product. Investors in this product are looking for capital preservation and income generation in the form of coupons & interest. The Company on a continuous basis update the clients and products details in order to find any newly created negative market scenarios in order to update its own software and inform accordingly the clients
- Clients' financial situation with a focus on the ability to bear losses: ability to bear a 100% loss
- Clients' risk tolerance and compatibility of the risk/ reward profile of the product with the target market: clients with medium to high risk tolerance
- Clients' objectives and needs: clients who want to preserve their capital and make income in the form of coupons and interest

Identified Negative Target Market

Clients who should not invest:

- Clients' knowledge and experience: the retail clients who score 50% or less on 'Trading Experience' questions according to the Company's scoring system cannot start trading. Professional Client (Fund) whose mandate strictly prohibits trading UCITS;
- Clients' financial situation with a focus on the ability to bear losses: clients lacking the ability to tolerate a 100% capital loss;
- Clients' risk tolerance and compatibility of the risk/ reward profile of the product with the target market: clients who are fully risk averse/ have no risk tolerance;
- Clients' objectives and needs: clients who need a fully guaranteed income or fully predictable return profile.

Distribution Channel

In light of the target market analysis, UCITS can be eligible for distribution through all types of distribution channels (i.e. portfolio management, advised sales non-advised sales and pure execution services). On the basis of the Company's current license, the product shall be distributed by the Company by providing clients with reception, transmission and execution of clients' orders services on a non-advised basis as per their instructions. All orders are recorded. The client initiates the trade and not the company. The company will not have a sales-trading team. The company will never promote any kind of Instrument to its clients or potential clients.

Mass marketing (e.g. billboard ads) must be avoided as the product should only be offered/marketed to the target market. The Company may use instead financial media outlets such as financial related websites, financial newspapers and financial TV stations to advertise/market this product. Social media ads (if any) should be targeted and should not be generic. In general, the Company's distribution strategy must favour the sale of its products to the identified target market.

Scenario Analysis

Examples of negative conditions include the following:

- The market environment deteriorated: Systematic risk (Market risk is the risk of loss caused by movements in the prices of traded assets. It reflects the extent to which the return of the security varies in response to, or in association with, variations in the overall market returns).
- The Company or the third party involved in manufacturing and/ or functioning of the financial instrument experiences financial difficulties or another counterparty risk materialises: Settlement risk (the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk); counterparty risk (the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties).

  The Company conducts thorough due diligence of all its counterparties and ensures that they are sufficiently regulated, of good repute, and have solid balance sheets. Nevertheless, periodically the Company's risk department conducts a value-at-risk analysis to determine the maximum potential loss arising from counterparty risk.
- The financial instrument fails to become commercially viable: Unsystematic risk (the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc) that may affect the securities issued by the company; one example is the possibility of poor earnings).
- The 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 only execute accurate instructions as described in its Best Execution Policy. The client clearly states the exact price and the conditions he/ she wishes his/ her order to be executed.

Review

UCITS will be reviewed annually and on an ad-hoc basis, taking into account any event that could materially affect the potential risk to the identified target market, to assess potential risk to identified target market (end-client), whether the product remains consistent with the target market (end-client) needs, whether the distribution strategy remains appropriate, whether the product is being distributed to the target market and whether the product is reaching clients for whose needs, characteristics and objectives the product is not compatible.

This product shall also be reviewed prior to any further issue or re-launch, if the Company is aware of any event that could materially affect the potential risk to investors.

Appendix 4

American Depositary Receipts (ADR)/ Global Depositary Receipts (GDR) Overview

American Depositary Receipts (ADRs) are shares that trade in the U.S. but represent a specified number of shares in a foreign corporation. Global Depositary Receipts (GDRs) are shares traded globally. Shares are units of ownership in a corporation or financial assets that provide for an equal distribution in any profits, if any are declared, in the form of dividends. This product is intended for capital growth with medium risk.

The risk indicator for this product has been set by the Company at 2 (i.e. medium risk), which rates the potential losses from future performance at a medium level, due to various factors including but not limited to:

Market risks (the possibility of economic loss arising from movements in market prices)

Volatility risks

Interest rate risk (the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves)

Market liquidity risk (the danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security)

Credit risk (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation)

Counterparty risk (the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties).

A non-exhaustive list of the risks associated with this product is provided in the Company's KID for this product. This product is a listed instrument.

The Company's Role

The Company is considered as distributor only in relation to the said financial product. Identified Positive Target Market

<u>Type of clients:</u> professional clients and eligible counterparties

<u>Clients' knowledge and experience:</u> clients with basic capital markets knowledge or experience about shares. Given the amount of information available through e.g. press and mandatory disclosures, knowledge and experience requirements for such products are generally low. Investors in this product category are looking for capital growth with medium risk & speculative income. The Company on a continuous basis update the clients and products details in order to find any newly created negative market scenarios in order to update its own software and inform accordingly the clients

<u>Clients' financial situation with a focus on the ability to bear losses:</u> ability to bear a 100% loss

<u>Clients' risk tolerance and compatibility of the risk/ reward profile of the product with the target market:</u> clients with high risk tolerance

<u>Clients' objectives and needs</u>: clients who want capital growth or speculative income, clients who are looking for capital preservation; mass market shares are compatible with the needs of clients who seek capital growth or potential dividend returns. Mass-market shares that are very liquid and easily disposable can be suitable for any investment horizon.

Identified Negative Target Market Clients who should not invest:

<u>Clients' knowledge and experience:</u> a negative target market scenario would be a Professional Client (Fund) whose mandate strictly prohibits trading ADRs and GDRs;

Clients' financial situation with a focus on the ability to bear losses: clients lacking the ability to tolerate a 100% capital loss;

Clients' risk tolerance and compatibility of the risk/ reward profile of the product with the target market: clients with low risk tolerance;

Clients' objectives and needs: need a fully guaranteed income or fully predictable return profile.

Distribution Channel

In light of the target market analysis, ADRs & GDRs can be eligible for distribution through all types of distribution channels (i.e. portfolio management, advised sales non-advised sales and pure execution services). On the basis of the Company's current license, the product shall be distributed by the Company by providing clients with reception, transmission and execution of clients' orders services on a non-advised basis as per their instructions. All orders are recorded. The client initiates the trade and not the Company. The Company will not have a sales-trading team. The Company will never promote any kind of Instrument to its clients or potential clients.

Mass marketing (e.g. billboard ads) must be avoided as the product should only be offered/marketed to the target market. The Company may use instead financial media outlets such as financial related websites, financial newspapers and financial TV stations to advertise/ market this product. Social media ads (if any) should be targeted and should not be generic. In general, the Company's distribution strategy must favour the sale of its products to the identified target market.

Scenario Analysis

Examples of negative conditions include the following:

The market environment deteriorated: Systematic risk (Market risk is the risk of loss caused by movements in the prices of traded assets. It reflects the extent to which the return of the security varies in response to, or in association with, variations in the overall market returns).

The manufacturer or the third party involved in manufacturing and or functioning of the financial instrument experiences financial difficulties or another counterparty risk materialises: Settlement risk (the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk).

Counterparty risk (the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties).

The Company conducts thorough due diligence of all its counterparties and ensures that they are sufficiently regulated, of good repute, and have solid balance sheets. Nevertheless, periodically the Company's risk department conducts a value-at-risk analysis to determine the maximum potential loss arising from counterparty risk.

The financial instrument fails to become commercially viable: Unsystematic risk (the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc) that may affect the securities issued by the company; one example is the possibility of poor earnings).

The 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 only execute accurate instructions as described in its Best Execution Policy. The client clearly states the exact price and the conditions he/ she wishes his/ her order to be executed.

Review

ADRs & GDRs will be reviewed annually and on an ad-hoc basis, taking into account any event that could materially affect the potential risk to the identified target market, to assess potential risk to identified target market (end-client), whether the product remains consistent with the target market (end-client) needs, whether the distribution strategy remains appropriate, whether the product is being distributed to the target market and whether the product is reaching clients for whose needs, characteristics and objectives the product is not compatible.

This product shall also be reviewed prior to any further issue or re-launch, if the Company is aware of any event that could materially affect the potential risk to investors.

Appendix 5

Money-market instruments

Overview: Money market is where financial instruments with high liquidity and very short maturities are traded. It is used by participants as a means for borrowing and lending in the short term, with maturities that usually range from overnight to just under a year. Money market transactions are wholesale, meaning that they are for large denominations and take place between financial institutions and companies rather than individuals.

Money-markets instruments include treasury bills, certificates of deposit, commercial paper that do not embed a derivative AND do not incorporate a structure which makes it difficult for the client to understand the risk involved.

This product is considered as non-complex and suitable for long term investments (capital preservation & income in the form of coupons and interest) but also for short term trading.

The risk indicator for this product has been set by the Company at 1 (i.e. lowest risk with typically higher awards), which rates the potential losses from future performance at a very low level, due to various factors including but not limited to:

- Market risks (the possibility of economic loss arising from movements in market prices)
- Volatility risks
- Interest rate risk (the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves)
- Market liquidity risk (the danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security)
- Credit risk (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation)
- Counterparty risk (the possibility of economic loss arising from the credit quality of the counterparty with which the Company

A non-exhaustive list of the risks associated with this product is provided in the Company's KID for this product. This product is a listed instrument.

The Company's Role

The Company is considered as distributor only in relation to the said financial product.

Identified Positive Target Market:

- Type of Clients: Retail, Professional and Eligible Counterparties
- Clients knowledge and experience: no specific knowledge and/or experience
- Clients' financial situation with a focus on the ability to bear losses: ability to bear a <10% loss

- Clients’ risk tolerance and compatibility of the risk/reward profile of the product with the target markets: clients with low risk tolerance; the general attitude of target clients in relation to the risk of investment is expected to be defined as low and non-speculative.
- Clients’ objectives and needs: clients who want to preserve their capital and make income in the form of coupons and interest.

Identified Negative Target Market:

Clients who should not invest:

- Clients’ knowledge and experience: N/A
- Clients’ financial situation with a focus on the ability to bear losses: Clients lacking the ability to tolerate a 10% loss
- Clients’ risk tolerance and compatibility of the risk/reward profile of the product with the target market: Clients who are fully risk averse/have no risk tolerance;
- Clients’ objectives and needs: Clients who need a fully guaranteed income or fully predictable return profile.

Distribution Channel:

N/A.

The Company will ONLY execute clients' orders as per their instructions. All orders are recorded. The client initiates the trade and not the company. The company will not have a sales-trading team. The Company will never promote any kind of Instrument to its clients or potential clients. Traders will be employed in order to execute clients orders as per the appropriateness assessment.

Scenario Analysis:

Examples of negative conditions include the following:

- The market environment deteriorated: Systematic risk (Market risk is the risk of loss caused by movements in the prices of traded assets. It reflects the extent to which the return of the security varies in response to, or in association with, variations in the overall market returns).
- The Company or the third party involved in manufacturing and/ or functioning of the financial instrument experiences financial difficulties or another counterparty risk materializes: Settlement risk (the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk); counterparty risk (the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties).
- The Company conducts thorough due diligence of all its counterparties and ensures that they are sufficiently regulated, of good repute, and have solid balance sheets. Nevertheless, periodically the Company’s risk department conducts a value-at-risk analysis to determine the maximum potential loss arising from counterparty risk.
- The financial instrument fails to become commercially viable: Unsystematic risk (the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly

obsolete technologies, etc) that may affect the securities issued by the company; one example is the possibility of poor earnings).

- The 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 only execute accurate instructions as described in its Best Execution Policy. The client clearly states the exact price and the conditions he/ she wishes his/ her order to be executed.

Review:

Money-market Instruments will be reviewed on an annual basis or whenever changes to the commercial or regulatory environment require so, whichever is soonest.