R E D M A R S

PRODUCT GOVERNANCE POLICY
(hereafter "the Policy")

RED MARS CAPITAL LTD.

Version 2.3 07/2023

1. ABOUT THE POLICY

Following the implementation of the Markets in Financial Instruments Directive II in the European Union, the Commission's Delegated Directive (EU) 2017/593 with regard to 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 Law 87(I)/2017 on Investment Services and Activities and Regulated Markets in Cyprus, Red Mars Capital Ltd. (hereinafter "the Company") is required to comply with product governance requirements. The objective of product governance requirements is to enhance the level of investor protection, by regulating all stages of the life-cycle of products or services, in order to ensure, that the Company, which manufacture and distribute financial instruments and structured deposits act in the Clients' best interests.

The Product Governance Policy (hereafter "the Policy") of Red Mars Capital Ltd is a document, which lays down the basic principles and arrangements, which the Company adheres to in the governance and management of the Financial Instruments and products offered to Clients, in the course of provision of investment services and exercise of investment activities. The Policy helps to ensure, that the Company in its capacity as a Distributor of financial investments, acts in the Clients' best interests, during all stages of the life-cycle of products or services offered. For the purpose of product governance requirements, the below definitions apply:

a) **Manufacturers:** investment firms, which create, develop, issue and/or design financial instruments, including, when advising corporate issuers on the launch of new financial instruments; and
b) **Distributors:** investment firms, which offer or sell financial instruments and services to Clients.

1.1. Regulation (EU) No 1286/2014 (PRIIPS Regulation")

The Company acknowledges, that the main goals of Regulation (EU) No 1286/2014 (PRIIPS Regulation") and the Commission Delegated Regulation (EU) 2017/653, which supplements the Regulation are:

a) enhance investor protection standards for Clients, especially Retail Clients;
b) improve transparency for Clients into the risks of investment products;
c) eliminate asymmetries of information between the Clients and those designing and selling investment products;
d) help the Clients to understand and compare the key features and risks of investment products.

The Company does not design products and hence, the Company does not need to identify the target market on a theoretical basis (i.e. without specific knowledge of individual clients, but with a more general view of how the specifics of the product would be compatible for certain types of investors, considering their knowledge of the financial markets and their past experiences with similar products and investors).

The Company will identify its own target market by using existing information on its Clients and by using the Manufacturer's – Liquidity Provider's more general target market assessment, an entity which is also subject to MiFID II. As per the current set-up of the Company, the below entity is considered to be a Manufacturer:

1.2. The Liquidity Provider(s) of the Company

When the Company offers products via the Reception, Transmission, Execution of Orders Authorisation granted by CySEC [i.e. Straight Through Process (STP) model], the Company is considered to be a Distributor of products, manufactured by the Company's Liquidity Provider(s).

The Liquidity Provider(s) of the Company will maintain its/their own Product Governance Policy and arrangements, which fall under the provisions of MiFID II and which assist the Liquidity Provider(s) to detect any risk of failure to comply.

The Product Governance Policy of the Liquidity Provider(s) will be reviewed by the Company's Compliance Officer, in order to ensure, that a MiFID II compliant Product Governance approach is established and implemented by the Liquidity Provider(s).

Since the Company is considered to be a Distributor, it will obtain the relevant Key Information Documents (KIDs) from the Liquidity Provider(s), which will be accessible on the Company`s website and on the Liquidity Provider(s), website.

The Company - Product Distributor must review the KIDs on an ongoing basis and advise the Liquidity Provider(s) to revise the documents, when needed.

1.3. The Policy is developed and established by the Company's:

a) Compliance Officer, in collaboration with:
b) the Risk Manager; and
c) the Chief Executive Officer.

1.4. The Company has based its product governance policy on such basic principles, as the following:

a) Obtaining exhaustive and comprehensive information on each Financial Instrument and / or product it offers and / or intends to offer, for sale to clients;
b) Development and implementation at a sufficiently granular level of the distribution strategy, which fully corresponds to the needs, objectives and characteristics of the identified target markets, offering the products, which remain fully consistent with those;
c) Establishing clear and reliable product approval process;
d) Regular monitoring and review of the product governance arrangements, which shall address conflicts of interest, market integrity and be fully responsible and adaptive to regulatory and market environment.

The Company, being a Distributor, is required to comply with the requirements in a way, which is appropriate and proportionate, considering the nature and degree of complexity of the investment product, the investment service and the target market.

Before offering a Financial Instrument, the Company shall be capable to fully understand the potential target market; such identification is based, *inter alia*, on the compatibility of the Target Group Financial Instrument with the Target Client Group needs, characteristics and objectives. In order to avoid the risk of misinterpretations and misunderstandings, the Company's Target Market Assessments, take into consideration the **five (5) Categories of Product Governance** as these are provided via ESMA's Final Report 35-43-620 dated 02/06/17 and Guidelines ESMA35-43-620 dated 05/02/18 regarding MiFID II product governance requirements. The Company aims to ensure, that a Financial Instrument is offered to a Client, only after it is ensured, that such Financial Instrument is in the Client's interest.

2. THE FIVE (5) CATEGORIES OF PRODUCT GOVERNANCE

In identification of the potential target market, the Company will use the following list of five (5) categories of Product Governance:

1. **Type of Client to whom the product is targeted based on MiFID II client categorisation, which includes:**
   a) Retail Client;
   b) Professional Client;
   c) Client who may be treated as Professional on request;
   d) Eligible Counterparties;
2. **The Client's knowledge and practical experience**, where the Company focuses on elements, such as i.e. relevant product types, product features and / or knowledge in thematically related areas, which help to understand how the product works and the likely outcomes from the product;
3. **Client's Financial situation, with focus on Client's ability to bear losses to its capital,** where the Company specifies the percentage losses, which the Client is able and willing to afford and whether any additional payment obligations exceeding the amount invested exist (i.e. margin calls);
4. **Client's Risk tolerance and compatibility of the risk / reward profile of the product with the Target Market,** where the Company evaluates the general attitude, which the Client has, in relation the risks of investment, and the Company categorises the Client on the basis of the following basic risk-attitudes ("Risk Oriented or Speculative", "Balanced", "Conservative")**;**
5. **Client's Needs and Objectives,** with regards to the Client's investment objectives and needs, a product is designed to meet, including the wider financial goals or the overall strategy the Client follows, when investing (i.e. investment horizon – number of years / months / days / hours that the investment is to be held). The Company may also consider a Client's other restrictions and / or prohibitions in relation to his / her investment strategy and / or risk tolerance.

3. COMPANY'S STAFF INVOLVED

The Company, its Management and Staff involved in the provision of investment services, shall at all times have full understanding and knowledge of the Financial Instruments and products, which the Company offers or intends to offer, including sufficient understanding of their characteristics.

4. ROLE OF THE COMPANY AS A DISTRIBUTOR OF PRODUCTS

The higher the complexity of products on offer by the Company, the more intensively and at a sufficiently granular level shall the Company refine the target market, in its capacity as Distributor, offering products via the Reception, Transmission, Execution of Orders Authorisation granted by CySEC [i.e. Straight Through Process (STP) model].

The above-mentioned process is called the Review and Refinement Process, where the Company is the Distributor and:

a) The Liquidity Provider(s)- Manufacturer makes the product and suggests an appropriate target market for it, which the Company reviews and can accept, or not, on the basis of the Company's Product Governance Policy; or
b) The Liquidity Provider(s)- Manufacturer makes the product and does not suggest an appropriate target market for it, hence allowing the Company to assign an appropriate target market, on the basis of the Company's Product Governance Policy; or
c) The Liquidity Provider(s)- Manufacturer makes the product and in a joint process with the Company, they co-decide for an appropriate target market on the basis of their Product Governance Policies.

Both, the Company in its capacity as a Distributor, and the Liquidity Provider(s)- Manufacturer providing products to the Company's Clients, retain responsibility for their obligations to identify a target market, as described in MiFID II and the MiFID II Delegated Directive 2017/593 and further specified in ESMA's Final Report 35-43-620 dated 02/06/17 and Guidelines ESMA35-43-620 dated 05/02/18.

Red Mars Capital Ltd acting as a Distributor of products ensures, that the staff involved, shall at all times have full understanding and knowledge of the Financial Instruments and products, which the Company offers or intends to offer, including sufficient understanding of their characteristics, and shall possess the necessary expertise and knowledge, in order to sufficiently understand the characteristics of these products, risks they entail and the characteristics, objectives and needs of the identified target market.

Such expertise is not only attested by the professional experience of the employees, but is also subject to regular monitoring and updates. In order to ensure this, the Company's management convenes, on a regular and frequent basis, in-house and external trainings, workshops, analytical conferences. In line with this, the Compliance and Risk Management functions of the Company under close control of the Board, have established the procedures of assessment and review of consistency of each Financial Instrument and Investment Service to be developed, implemented and offered to the clients with the overall Company's risk management and compliance framework.

5. DISTRIBUTION STRATEGY OF THE COMPANY

5.1. Company's Intended Distribution Strategy.
As part of such Intended Distribution Strategy, the Company shall proceed with regularly:
a) obtaining reliable, adequate and sufficient product information from products' Manufacturers; and
b) determining the target market for each such instrument, including the cases, where such market was not defined by the products' Manufacturers.

The Company's Product Governance Policy has been drafted in line with the provisions of Articles 9 and 10 of the Commission Delegated Directive 2017/593, regarding the Product Governance Obligations for Manufacturers and Distributors, respectively.

In making its decision regarding the services and Financial Instruments, which are intended to be offered to clients, the Company shall comply with the following requirements, considering in each case the investment service, the nature of the product and its target market, in a manner and to the extent which shall be deemed proportionate and appropriate:

c) each intended distribution strategy is tested for its consistency; and
d) each intended offered product and provided service are tested for their compatibility with the identified target market, considering its objectives, needs and characteristics. This is implemented through procedures of analysis and assessment undertaken by the Compliance and Risk Management functions under the supervision of the Board.

In order to ensure, that the interests of clients are not and could not be compromised, due to the pressures of funding or commercial nature, the Company undertakes adequate identification, analysis and assessment of the needs and circumstances of the clients, which represent the intended Target Client Group. The Company acknowledges, that it remains liable for identification of the Target Market of a Financial Instrument, however since the Company is a Distributor, it is normally expected from the Manufacturer(s) to do so. For this reason, the Company will obtain such information from the Manufacturer(s), that it is necessary, in order to gain the necessary understanding and knowledge of the products it intends to sell, in order to ensure, that these products will be distributed in accordance with the needs, characteristics and objectives of the identified Target Client Group.

Due to significant differences in objectives, needs and characteristics of the investors, it is understood, that some products, which the Company distributes, could be incompatible with those; as deemed applicable, the Company proceeds with identifying such investors and separating them into certain groups, depending on the compatibility between the product and the target market.

In order to ensure, that the products to be offered and intended to be offered, as well as relevant services, will be distributed in accordance with the needs, objectives and characteristics of the identified target market, the Company shall pay attention to the Distribution strategy suggested by the Manufacturer(s) and obtain the information, which would enable it to attain the necessary understanding and sufficient knowledge of each product intended for sale.

5.2. The duties of the Company in its capacity as a Distributor:

a) Where the Manufacturer is subject to Directive 2014/65/EU; and
b) Where the Manufacturer is <u>NOT</u> subject to Directive 2014/65/EU. In such case the Company shall be also expected to 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. In case, where the product has not been designed in accordance with the MiFID II product governance requirements, this may affect the Company and particularly the information gathering process or the target market identification. Particularly:
   i. <u>Target market definition</u>: The Company- Distributor shall determine the target market also, when the target market is not defined by the Manufacturer. Therefore, even where the Company does not receive a description of the target market from the Manufacturer or information on the product approval process, it has to define its "own" target market. This should be done in an appropriate and proportionate manner.
   ii. <u>Information gathering process</u>**:** The Company- Distributor shall take all reasonable steps to ensure, that the level of product information obtained from the Manufacturer, is of a reliable and adequate standard, to ensure, that products will be distributed in accordance with the characteristics, objectives and needs of the target market. Where all relevant information is not publicly available, the reasonable steps shall include entering into an

agreement with the Manufacturer or its agent in order to obtain all relevant information enabling the Company-- Distributor to carry out its target market assessment. Publicly available information may only be accepted, if it is clear, reliable and produced to meet regulatory requirements.

Where the Company Distributor is not in a position to obtain in any way sufficient information on products manufactured by entities not subject to the MiFID II product governance requirements, the Company will be unable to meet its obligations under MiFID II and, consequently, shall refrain from including them in its product assortment.

Where information relevant to the distribution of a certain product is not publicly available, the Company shall take all reasonable steps to obtain such required information from the products' Manufacturers or their Agents.

In cases, where the Company may collaborate with entities which are, or are not authorised and supervised in accordance with MiFID II or third-country firms, for the creation, development, issuance and / or design of a product; it must outline the mutual responsibilities between the Company and any other entity (i.e. the Liquidity Provider), in a written agreement.

The range of investment products and/ or Financial Instruments and services, which the Company intends to offer and/or offers, is subject to prior scrutiny for their compliance with applicable legislative requirements, specifically, regarding assessment of appropriateness /suitability, inducements, disclosure and efficient conflicts of interest management. These provisions, which are also applicable to the offering of new products and variations to the provided services, are implemented through the IOM and measures, which include, *inter alia*, the close involvement of the Compliance and Risk Management functions under the supervision of the Board of Directors of the Company.

6. PERIODICAL REVIEWS BY THE COMPANY

The implemented and existing product governance arrangements are subject to periodical review and updating with the aim of ensuring, that they continue to be robust and fit for the relevant purposes and of detecting any grounds for their revisions and, where necessary, for taking appropriate actions.

In reviewing on a regular basis, the offered investment products and provided services, the Company shall consider any event, which could materially affect the potential risk to the identified target market.

6.1. The Company acting as a Distributor, on an ongoing basis:

a) monitors the consistency of the offered products and provided services with the characteristics, objectives and needs of the identified target market and the appropriateness of the intended distribution strategy; and
b) specifies the actual target market, considering the boundaries of the potential target market, set by the Liquidity Provider- Manufacturer. The Company shall base its target market on its information and knowledge of its own client base and the information received from the Liquidity Provider (if any), or information, which has been obtained by the Company itself via

desk research (especially in the case of the Company, which is a new firm and which does not yet have enough-actual information about its own clients). The Company shall use the Liquidity Provider's more general target market assessment, together with existing information on its clients or prospective clients, to identify its own target market for a product, which is the group of clients to whom the Company is effectively going to offer the product through the provision of its services.

Where the Company, would become aware, that it has incorrectly identified the target market for a specific financial product, or the service could no longer be considered, as being fully compliant with the conditions and circumstances of the identified target market, it shall reconsider such target market and/or revise and update the product governance arrangements. Some of the conditions for determining such misidentification are the highly increased volatility of the product or its illiquidity.

The Company acknowledges that, upon request from CySEC, it might be necessary to make available any systematic compliance officer reports addressed to the Company's Management Body, which shall include information about the Financial Instruments distributed by the Company.

7. ROLE OF THE COMPLIANCE OFFICER

7.1. The Compliance Officer of the Company:

a) oversees the development, implementation, periodic monitoring; and
b) reviews the product governance arrangements with the aim of possible early detection of any risk of failure of the Company, its management and employees, to comply with the relevant requirements. Any such risk is reported to the Board for discussion and possible remedies.

The range of investment products offered and/or recommended, and services provided to respective target markets, are subject to the approval and regular monitoring of the Board. Any revisions, amendments, expansions or any other alterations to this range shall be possible upon expressed approval of the Board.

On a regular basis, the Board of the Company shall receive the compliance reports, including, *inter alia*, the applicable information on the products the Company offers, as well as relevant services provided. Such reports shall be made available upon the request of the Commission.

The Company shall provide the Liquidity Provider with information on product sales and, where necessary, with the applicable information on product governance arrangements in place, in order for the Liquidity Provider to be able to carry out the relevant product reviews.

7.2. In case the Company shall act as an intermediary entity in the distribution chain of any Financial Instrument or product, it shall comply with the following conditions:

a) Ensure that the relevant instrument or product information (i.e. KID) is passed from the Manufacturer (Liquidity Provider) to the final Distributor (the Company) in the chain and to the end Client;
b) Ensure that the Distribution Strategy of the Manufacturer is consistent with the provisions of MiFID II, Commission Delegated Directive (EU) 2017/593, Regulation (EU) No 1286/2014 ("the Regulation") and the Commission Delegated Regulation (EU) 2017/653 which supplements the

Regulation; and where not satisfied, consider the termination of the professional relationship with the Manufacturer;

c) If the Manufacturer would require additional information, in order to comply with its own product governance obligations, such as the information on the sales of the product, the Company shall enable it to receive such information;

d) Where necessary and as relevant, the product governance obligations for Distributors and Manufacturers in relation to the services they provide, shall be applied.

8. GROUPING OF PRODUCTS - FINANCIAL INSTRUMENTS

8.1. Target market for each product category, e.g. so-called “Target Group Financial Instruments”.

Target Group of products / Financial Instruments is represented by the six (6) various target groups:

	TARGET GROUP FINANCIAL INSTRUMENTS (HEREAFTER “TARGET GROUP FI”)
1.	**Light** Group
2.	**Light+** Group
3.	**Market** Group
4.	**Optimal** Group
5.	**Aggressive** Group
6.	**Extreme** Group

Each Target Group FI includes various types of Financial Instruments with the following characteristics:

a) **MIFID CATEGORISATION:** Various Financial Instruments may be issued for various type of investors. Each Target Group of Financial Instruments indicate the MiFID categorisation of the client, for which the Financial Instrument is applicable for.

b) **DECREASE OF CAPITAL:** The drawdown of capital, to which the Financial Instrument may lead during trading within this Financial Instrument. Considering the products offered by the Company, this may be divided into five (5) groups:

<10%
<20%
<50%
<75%
≤100%.

i. This also includes the overview of the financial situation of the client and the ability to lose the invested capital. This is closely linked to the risk acceptance of the client and the client’s needs and objectives.

ii. For example, the client intends to open the account, in order to preserve his/her capital, he/she invests his/her savings, that were accumulated during the last ten (10) years, the investor does not have any stable income and the loss of the invested capital may lead to the raise of his/her liabilities and inability to bear financial loses, this means the investor will not accept medium to high risks and therefore the decrease of capital, which will be applicable for this investor will be less than 10%. This means that, the Financial Instruments, which pose the possible decrease of capital more than 10%, will not be applicable for this investor.

c) **RISK:** This means the level of risk, which is posed by the relevant Financial Instrument. Such Risk is divided into four (4) groups:
Low;
Medium;
High;
Extremely High.

d) **NEEDS AND OBJECTIVES:** This means the aim (needs and objectives), which can be reached by trading in this Financial Instrument. This could be divided in the following groups:
   i. Capital Preservation;
   ii. Safety of Capital;
   iii. Income in the form of dividends, coupons, interest;
   iv. Capital growth with medium risk;
   v. Speculative income;
   vi. Making Profit;
   vii. Making High Profit at risk of losing principal amount.

e) **EMBEDDED DERIVATIVE:** This means, that some of the Financial Instruments may include derivative, this will be the additional criteria, on the basis of which various Financial Instruments may be grouped.

f) **INCORPORATING A STRUCTURE WHICH MAKES IT DIFFICULT FOR THE CLIENT TO UNDERSTAND THE RISK INVOLVED:** This means, that some of the Financial Instruments may incorporate a structure, making it difficult for the client to understand the risk involved. Various Financial Instruments may be grouped into this category.

g) **TRADED ON:** This means, that various instruments could be traded on different trading venues or outside of the regulated markets, e.g. Regulated Markets within EU or equivalent 3rd country market (RM), Outside the Regulated Markets within EU or equivalent 3rd country market (Outside) and Over the Counter (OTC). (Some of the instruments could be traded on all of these venues and OTC). Various Financial Instruments may be grouped into this category.

h) **KNOWLEDGE:** This means that in order to trade in the different Financial Instruments, the different level of knowledge is required.

   i. **KNOWLEDGE OF INVESTMENTS:** This means the minimum required knowledge of investor in investments in general (this could be: **Zero (0)**, **Basic** or **Advanced**).

Zero (0) knowledge means, for example, the investor who doesn't have high economic education, didn't participate in any conferences, didn't attend any seminars, additional courses and doesn't have any clear idea of investments will be defined as the investor with (0) knowledge. Considering the products offered by the Company, investors with zero (0) knowledge shall not be accepted.

Basic knowledge means, that the investor has general understanding of the investments, has graduated from the University where he/she learnt the Investments/ Capital markets (for example, has economic, business education).

Advanced knowledge means, that the investor attended various courses, seminars, holds various diplomas, certificates in Investments (various areas) and/ or received consulting from advisors and/or consultant companies, or has been involved in business connected with Investments and due to his/her position he/she obtained the relevant knowledge.

ii. **KNOWLEDGE OF FINANCIAL INSTRUMENTS:** This means the minimum required knowledge of investor in the Financial Instruments. (this could be: **Zero (0)**, **Basic Knowledge** of various Financial Instruments/or specific Financial Instrument and specific knowledge of the Financial Instrument. For example, the trading in CFDs on Commodities requires basic knowledge of investments and specific knowledge of CFDs on Commodities, or, **Advanced Knowledge** of investments and no specific knowledge of CFDs on Commodities in such a case. Relatively similar approach on knowledge shall be followed regarding the other categories of Financial Instruments offered by the Company.

9. EXPERIENCE

a. **EXPERIENCE IN INVESTMENTS:** This means the minimum required experience of investor in investments in general, e.g. trading in any instruments (this could be: **Zero (0)**, **Basic** or **Advanced**).

If the investor has never traded, his/her experience will be **(0)**, if the investor traded occasionally, few trades or long time ago and few trades, or just started to trade, then his/her experience will be **Basic**. If the investor traded frequently, then he/she will fall under the **Advanced** category. Various Financial Instruments require various minimum experience of the investor in investments.

b. **EXPERIENCE IN TRADING FINANCIAL INSTRUMENTS:** This means the minimum required experience of investor in trading in a specific Financial Instrument. Some of the Financial Instruments may not require any experience in trading within them (for example, listed depositary receipts on the regulated market within EU).

The minimum required experience can be divided into the following groups:

- Zero (0) (never traded);
- experienced (traded occasionally, few trades or long time ago and few trades, or just started to trade in a specific Financial Instrument or frequently traded within the specific Financial Instrument).

REDMARS

Below are the Groups of Financial Instruments available on sale – distribution by the Company, and their characteristics.

Target Group FI	Light Group	Light + Group	Market Group	Optimal Group	Aggressive Group	Extreme Group
FINANCIAL INSTRUMENTS INCLUDED IN THE TARGET GROUP	Listed on EU RM **shares or on equivalent 3rd countries** Listed on EU RM **bonds or on equivalent 3rd countries**	**Shares** traded outside EU RM or equivalent 3rd country **Bonds** traded outside EU RM or equivalent 3rd country **Eurobonds listed on and** traded outside EU RM or equivalent 3rd country	Debt instruments where the return is dependent on the performance of a defined asset pool; Debt instruments where the return is subordinated to the reimbursement of debt held by others; Debt instruments where the issue has discretion to modify cash flows (such as repayment of principal) of the	OTC Bonds OTC Eurobonds Subordinated bonds Money-market instruments that embed derivatives ETF	Options Share options Share-index options Warrants Forwards/forward rate agreement, Futures, FX/FX Swaps, Swaps, Derivatives Fixed-income instruments, structured financial instrument	OTC Derivatives

			instrument; Debt instruments structured in a way that may not provide for a full repayment of the principal amount; and debt instruments which do not have a specific redemption or maturity date (for example, CLN) Money-market instruments that do not embed derivative			
MIFID CATEGORISATION	Retail, Professional, Eligible Counterparty	Retail (after signing disclaimer) and Professional, Eligible Counterparty	Professional, Eligible Counterparty	Professional, Eligible Counterparty	Professional, Eligible Counterparty	Professional, Eligible Counterparty
DECREASE OF CAPITAL	<10%	<20%	<20%	<50%	<75%	≤100%

RISK	Low	Medium	Medium	High	Extremely High	Extremely High
OBJECTIVES	Capital Preservation Income in the form of dividends, coupons, interest	Income in the form of dividends, coupons, interest Capital growth with medium risk Speculative Income	Income in the form of dividends, coupons, interest Capital growth with medium risk Speculative income	Income in the form of dividends, coupons, interest Speculative income Making Profit	Making High Profit at risk of losing principal amount	Making High Profit at risk of losing principal amount
EMBEDDED DERIVATIVE	No	No	No	No	Yes	Yes
INCORPORATING A STRUCTURE WHICH MAKES IT DIFFICULT FOR THE CLIENT TO UNDERSTAND THE RISK INVOLVED	No	No	No	Yes	Yes	Yes
TRADED ON	RM	RM Outside EU	Outside EU	RM Outside EU OTC	RM Outside EU OTC	RM Outside EU OTC
KNOWLEDGE OF INVESTMENTS	0	Basic	Basic	Basic	Advanced	Advanced

KNOWLEDGE OF FINANCIAL INSTRUMENTS	0	Basic knowledge Of traded outside EU RM or equivalent 3rd Country Shares, Bonds	Basic knowledge of debt instruments	Specific knowledge of the relevant financial instruments The specific knowledge of FI is not required in case there is advanced knowledge of investments	Specific knowledge of the relevant financial instruments or relevant experience	Specific knowledge of OTC Derivatives or relevant experience in OTC Derivatives
EXPERIENCE IN INVESTMENTS	0	0	0	Basic	Advanced or Basic with specific knowledge	Advanced or Basic with specific knowledge in OTC Derivatives
EXPERIENCE IN TRADING FINANCIAL INSTRUMENTS	0	Experience in all or one of Shares traded outside EU RM or equivalent 3rd country Bonds traded outside EU RM or equivalent 3rd country Eurobonds traded on and outside EU RM or equivalent 3rd	Experience in debt instruments or 0 with knowledge of the FI	Experience in OTC Bonds OTC Eurobonds Subordinated bonds Money-market instruments ETF or Advanced knowledge in this FI	Experience in Options Share options Share-index options Warrants Fixed-income instruments Forwards/forward rate agreement, Futures, FX/FX Swaps, Swaps, other Derivatives or Advanced knowledge in this FI	Experience in OTC Derivatives

		countries or 0 with knowledge of the relevant FI				

1. GROUPING OF CLIENTS

Target Market with reference to client's characteristics, e.g. so-called "Target Client Group"

Target Client Group is represented by the below eight (8) various target groups of clients:

- B Group, e.g. Basic Group;
- AD Group A, e.g. Advanced Group A;
- AD Group B, e.g. Advanced Group B;
- OPT Group A, e.g. Optimal Group A;
- OPT Group B, e.g. Optimal Group B;
- HR Group A, e.g. High-Risk Group A;
- HR Group B, e.g. High-Risk Group B;
- EXH Group, e.g. Extreme Group.

Each Target Client Group includes various types of clients with the following characteristics:

1. **MIFID CATEGORISATION:** The Client/Investor may be of different MiFID Categorisation:

    - Retail Client;
    - Professional Client;
    - Client who may be treated as Professional on request;
    - Eligible Counterparties.

2. **DECREASE OF CAPITAL:** The Client/Investor may have different financial situation, different ability to bear loses, can accept various levels of risk and can be ready for different level of the decrease of capital. The "DECREASE OF CAPITAL" means the common evaluation of all these criteria leading to the final percentage (%) of the drawdown of capital to which the investor is ready (may accept). Considering the products offered by the Company, this may be divided into five (5) groups:

    - <10%
    - <20%
    - <50%
    - <75%
    - ≤100%.

    For example, a client intends to open the account in order to preserve his/her capital, he/she invests his/her savings, that were accumulated during the last ten (10) years, the investor does not have any stable income and the loss of the invested capital may lead to the raise of his/her liabilities and inability to bear financial losses. This means that, the investor will not accept medium, high or extremely high risks. It is likely that the client/investor will fall under the category <10%, therefore the decrease of capital that this investor will accept will be less than 10%.

3. **RISK:** This means the level of risk that the Client is able to accept. Such Risk is divided into four (4) groups:

    - Low;
    - Medium;
    - High;

- Extremely High.

4. **OBJECTIVES:** This means the aim (needs and objectives) that the investor/client has and the reason he/she opens the account within the Company. This could be divided in the following groups:

    - Capital Preservation;
    - Safety of Capital;
    - Income in the form of dividends, coupons, interest;
    - Capital growth with medium risk;
    - Speculative income;
    - Making Profit;
    - Making High Profit at risk of losing principal amount.

5. **KNOWLEDGE:** this means that different clients may have different level of knowledge.

    5.1. **KNOWLEDGE OF INVESTMENTS:** This means the minimum required knowledge of investor in investments in general (this could be: **Zero (0)**, **Basic** or **Advanced**).

    Zero (0) knowledge means, for example, the investor who doesn't have high economic education, didn't participate in any conferences, didn't attend any seminars, additional courses and doesn't have any clear idea of investments will be defined as the investor with (0) knowledge. Considering the products offered by the Company, investors with zero (0) knowledge shall not be accepted.

    Basic knowledge means, that the investor has general understanding of the investments, has graduated from the University where he/she learnt the Investments/Capital markets (for example, has economic, business education).

    Advanced knowledge means, that the investor attended various courses, seminars, holds various diplomas, certificates in Investments (various areas) and/or received consulting from advisors and/o consultant companies, or has been involved in business connected with the Investments and due to his/her position he/she obtained the relevant knowledge.

    5.2. **KNOWLEDGE OF FINANCIAL INSTRUMENTS:** This means the minimum required knowledge of investor in the Financial Instruments. (this could be: **Zero (0)**, **Basic Knowledge** of various Financial Instruments/or specific Financial Instrument and specific knowledge of the Financial Instrument. For example, the trading in CFDs on Commodities requires basic knowledge of investments and specific knowledge of CFDs on Commodities, or, Advanced Knowledge of investments and no specific knowledge of CFDs on Commodities in such a case. Relatively similar approach on knowledge shall be followed regarding the other categories of Financial Instruments offered by the Company.

6. **EXPERIENCE**

    6.1. **EXPERIENCE IN TRADING FINANCIAL INSTRUMENTS:** This means the level of experience of investor/client in financial investments in general, e.g. trading in any instruments (this could be: Zero (0), Basic or Advanced). If the investor has never traded, his/her experience will be (0), if the investor traded occasionally, few trades or long time ago and few trades, or just started to trade, then his/her experience will be Basic. If the investor traded frequently, then he/she will fall under the Advanced category.

6.2. **EXPERIENCE IN TRADING SPECIFIC FINANCIAL INSTRUMENTS:** This means the level of experience of investor in trading in a specific financial instrument. Some of the Financial Instruments may not require any experience in trading within them (for example, listed depositary receipts on the regulated market within EU).

Below are the Groups of Clients to whom the Company may sell – distribute Financial Instruments, and their characteristics.

Target Client Group	B Group	AD Group A	AD Group B	OPT Group A	OPT Group B	HR Group A	HR Group B	EXH Group
MIFID CATEGORISATION	Retail, Professional, Eligible Counterparty (ECP)	Retail, Professional, Eligible Counterparty (ECP)	Professional, Eligible Counterparty (ECP)	Professional, Eligible Counterparty (ECP)	Professional, Eligible Counterparty (ECP)	Professional, Eligible Counterparty (ECP)	Professional, Eligible Counterparty (ECP)	Professional, Eligible Counterparty (ECP)
DECREASE OF CAPITAL	<10%	<20%	<20%	<50%	<50%	<75%	≤100%	>100%
RISK	Low	Medium	Medium	High	High	Extremely High	Extremely High	Extremely High
OBJECTIVES	Capital Preservation Safety of Capital Income in the form of dividends, coupons, interest	Income in the form of dividends, coupons, interest Capital growth with medium risk Speculative income	Income in the form of dividends, coupons, interest Capital growth with medium risk Speculative income	Income in the form of dividends, coupons, interest Speculative Income Making Profit	Income in the form of dividends, coupons, interest Speculative Income Making Profit	Making High Profit at risk of Losing principal amount	Making High Profit at risk of Losing principal amount	Making High Profit at risk of Losing principal amount
KNOWLEDGE	0 Basic	0 Basic	Basic	Advanced	Basic	Advanced	Basic	Advanced
SPECIFIC KNOWLEDGE OF FI	0	Eurobonds listed on and traded outside EU RM or equivalent 3rd country Eurobonds	Shares traded outside EU RM or equivalent 3rd country Bonds traded outside EU RM or	OTC Shares OTC Bonds OTC Eurobonds Subordinated bonds Money-market	0	Options Share options Share-index options Warrants Fixed-income instruments	0	OTC Derivatives

		traded on and outside EU RM or equivalent 3rd Countries	equivalent 3rd country	instruments ETF				
SPECIFIC EXPERIENCE IN FI	0	Shares traded outside EU RM or equivalent 3rd country Bonds traded outside EU RM or equivalent 3rd country Eurobonds traded on and outside EU RM or equivalent 3rd countries	0	0	OTC Shares OTC Bonds OTC Eurobonds Subordinated bonds Money-market instruments ETF	0%	Options Share options Share-index options Warrants Fixed-income instrument s	OTC Derivatives
Experience in trading financial instruments	0 Basic	Basic Advanced	0 Basic	0 Basic	Advanced	0 Basic	Advanced	Advanced
Target Group FI	Light Group	Light Group Light+ Group	Light Group Light+ Group Market Group	Light Group Light+ Group Market Group Optimal Group	Light Group Light+ Group Optimal Group	Light Group Light+ Group Optimal Group Aggressive Group	Light Group Light+ Group Optimal Group Aggressive Group	Light Group Light+ Group Optimal Group Aggressive Group Extreme

2. NEGATIVE TARGET MARKET

The Company shall identify a market segment to which the proposed products shall not be marketed / addressed / distributed or offered, the negative target market, as does not meet the dimensions set in determining the target market above.

The negative target market of the Company has the following characteristics:

- **<u>Geographical Restrictions & Limitations</u>**

  The Company does not offer its services and/or products to certain jurisdictions. Details can be found below:

  - Sanctioned Countries: Cuba, North Korea, Sudan and Syria;
  - Regulatory Restrictions (not accepting clients): USA, Belgium;
  - Countries with local license requirements, if such license is not obtained;
  - FATF non-participating country-list.

- **<u>Clients who should not trade</u>**

  In general, the below category of clients should not trade the Company's products:

  - Clients not passing the Appropriateness / Suitability Test;
  - Clients that are not familiar with the risks of trading leverage products;
  - Clients that cannot afford losing all the capital deposited with the Company for trading;
  - Clients falling under the restricted countries as specified above;
  - Clients below 18 years of age;
  - Clients in a distressed financial situation;
  - Clients with no other investments are likely to be in the negative target market where they do not have the necessary knowledge and experience or financial ability to bear losses;
  - Clients who are likely not to be in employment or are not business owners are likely to be in the negative target market;
  - Clients whose wealth (income and savings) does not meet the criteria to be in the positive target market;
  - Clients who cannot demonstrate understanding of leverage.

3. NEUTRAL TARGET MARKET

There is a special category of target market, namely the neutral target market, in which the Company places the clients which do not fall in neither the Positive Target Market or the Negative Target Market. The **clients in this market have the characteristics disclosed below**, and the Company may allow them to trade, subject to the limitations mentioned below. The persons involved in this decision-making process are the Head of the Reception & Transmission & Execution of Orders Department, the two Executive Directors and the Compliance Officer; the Compliance Officer has the right to block a majority decision in relation to a Client's identified target market.

- **Definition of an end-client who does not fall in either the positive or the negative target market:**

  In some cases, the proposed end-Client will not fall firmly into the Company's intended Positive Target Market or the Negative Target Market. Such cases will be assessed on an individual basis. The assessment shall always be made on the basis of the following dimensions:

  - End-Client categorisation (retail, elective professional, professional, eligible counterparty);
  - Knowledge and experience the end-Client should have;
  - The end-Client's ability to bear losses;
  - Risk tolerance of the end-Client and compatibility with the risk / reward profile of the product;
  - End-Client objectives and needs.

  This assessment will be documented in the Client's personal file and be available for inspection upon request.

- **Scenarios under which a Client can be allowed to proceed despite not falling into the Positive Target Market (not exhaustive):**

  <u>Scenario 1:</u> The Client has the ability to bear losses, the risk tolerance appetite and his/her objectives match the purpose of the product. However, said Client does not have the knowledge and experience to trade in such a product. The Company can allow the Client to continue with the product by warning him/her that the product may not be appropriate for him/her, after offering him/her the possibility to increase his/her understanding of the said product.

  Additionally, the Company may offer the said client a limited leverage account to trade in a safer environment with the product for two (2) months, prior to allowing him/her to invest with his/her money in a default leverage account (the Company will record the trading activity).

- **In some other cases where the Client will not fall into either the Positive or the Negative Target Market, the Company may be more inclined to reject such a client. The following scenarios are indicative of such cases:**

  <u>Scenario 1:</u> The Client has the ability to bear losses, he/she has the required knowledge and experience to trade with the product and risk tolerance is compatible with the product. However, the Clients' Investment Objectives do not match the profile of the product. In such a case the Company will not allow the Client to proceed with investing in the product.

  <u>Scenario 2:</u> The Client has the required knowledge and experience to trade with the product and his/her investment objectives are compatible with the product. However, his/her risk tolerance is not compatible with the product as the product has a higher potential loss than the Client is willing to accept. In such a case the Company should not allow the Client to proceed with investing in the product.

4. PRODUCT APPROVAL PROCESS

The Company has setup the following steps to be followed for a New Product approval process:

- **<u>Stage 1:</u>** The Liquidity Provider shall prepare a document ("the Key Information Document - KID") providing the New Product definition and all relevant trading characteristics and risks relevant to the specific New Product proposed, as well as the **Positive Target Market** that the New Product should be distributed to;
- **<u>Stage 2:</u>** The said Key Information Document - KID is provided to the Compliance Officer and the Managing Director for review and comments. The aim is to have the Compliance Officer and the Managing Director, to be aware of the introduction and give comments with regards to any potential concerns, risks, parameters that could affect the department for the smooth introduction and operation throughout the lifecycle of the New Product;
- **<u>Stage 3:</u>** The Company's Compliance Officer (in collaboration with the Risk Manager) review and assess the New Product and prepare a recommendation memo to be presented to the Board of Directors;
- **<u>Stage 4:</u>** The Board of Directors evaluates the New Product to ensure all adequate risk management policies and procedures, including effective procedures for risk assessment, measurement, mitigation control, reporting and monitoring are in place. Only when the Board of Directors approves the New Product it becomes available to clients;
- **<u>Stage 5:</u>** The Company will review the New Product at least on an annual basis, or when there is any material change or increase on potential risks connected with the specific New Product including any alteration to its distribution channels.

The people involved in the New Product approval process shall have the necessary expertise to understand the characteristics and risks of the New Products / Financial Instruments.

5. ASSESSMENT OF CLIENTS

This Sub - Section emphasises on the procedure of categorising clients in a specific "Target Client Group" and assigning them to a relevant "Target Group Financial Instruments", as these have been explained in previous Sub-Sections of this policy.

During the on-boarding stage (Know Your Client), a prospective Client completes the Due-Diligence Questionnaire and Appropriateness / Suitability Assessment, which incorporates the provisions of Law 87(I)/2017, MiFID II, MiFID II Delegated Directive 2017/593, ESMA Final Report 35-43-620 dated 02/06/17 and Guidelines ESMA35-43-620 dated 05/02/18.

A. <u>Client is assessed as belonging to the Positive Target Market</u>

The Company's Back Office Department upon the application of each person to become a Client shall assess the said person against the stated Target Market. Should the person be deemed as compatible with the target market the said person may be allowed to become a Client of the Company (subject to other considerations such as AML).

B. <u>Client is assessed as belonging to the Negative Target Market</u>

Any applicant applying to become the Company's Client shall be assessed against the requirements for the Negative Target Market. In case where the applicant falls into the Negative Target Market, the applicant shall be reviewed and his/her account will be subject to suspension by the Compliance Officer.

C. **Client is an end-client who does not fall in either the positive or the negative target market**

In some cases, the proposed end-Client will not fall firmly into the Company's intended Target Market or the Negative Target Market. Such cases will be assessed on an individual basis, as described in the section "NEUTRAL TARGET MARKET".

This assessment will be documented in the Client's personal file and be available for inspection upon request.

6. PRACTICAL IMPLEMENTATION

The Company shall identify in which "Target Client Group" a client falls i.e.:

- B Group, e.g. Basic Group;
- AD Group A, e.g. Advanced Group A;
- AD Group B, e.g. Advanced Group B;
- OPT Group A, e.g. Optimal Group A;
- OPT Group B, e.g. Optimal Group B;
- HR Group A, e.g. High-Risk Group A;
- HR Group B, e.g. High-Risk Group B;
- EXH Group, e.g. Extreme Group.

Hence, depending on the "Target Client Group" that a client falls under, a respective link shall be made to the "Target Group Financial Instruments" he/she may be able (**Positive Target Market**), or may not be able (**Negative Target Market**) to trade with.

Positive Target Market: means all the Financial Instruments that are relevant / appropriate to the Client within the specified Target Client Group and Target Group Financial Instruments on the basis of Client's profile. The Positive Target will include all ISINs of such Financial Instruments that the Company offers to trade with, and that will be in line with the Client's profile.

Negative Target Market: means all the Financial Instruments that are not relevant / appropriate to the Client within the specified Target Client Group and Target Group Financial Instruments on the basis of Client's profile. The Negative Target will include all ISINs of such Financial Instruments that the Company in general offers to trade with, that fall under the Target Group Financial Instruments that is indicated as not relevant / appropriate to the Client. In certain instances, even if the Target Group Financial Instruments is relevant for the Clients, some of the Financial Instruments may pose higher risk than others, even if it is the same type of the Financial Instrument.

All the instruments that are specified as Non-Appropriate Financial Instruments shall be defined as Negative Target Market by default, and will not be indicated by ISIN, but only by the type of the Financial Instrument as all of them despite the ISIN will be understood as

Negative Target Market and will not be relevant / appropriate for this client.

The Company as a Distributor, considering each manufacturer's more general negative target market, as well as information on its own client base, will be in the position to identify more concretely the group of clients to whom it shall not distribute a specific product. In addition, the Company as a Distributor is also required to identify any group(s) of clients for whose needs, characteristics and objectives, a service related to the distribution of a certain product would not be compatible.

It is important to take account of the principle of proportionality. When assessing a potential negative target market, the number and detail of factors and criteria will depend on the nature, especially the complexity or the risk-reward profile, of the product.

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 shall not be distributed, **the sale to investors within this group shall be a rare occurrence**, the **justification for the deviation shall be accordingly significant** and is generally expected to be more substantiated than a justification for a sale outside the positive target market.

Deviations from the target market (outside the positive or within the negative) which may be relevant for the product governance process of the Manufacturer (especially those that are recurrent) shall be reported by the Company to the Manufacturer, **considering the following exception**:

- The Company in its capacity as Distributor (always subject to the prior approval of the Compliance Officer) 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 **if these sales are still suitable given the client's total portfolio or the risk being hedged**.

Sales of products into the negative target market shall always be reported to the Manufacturer and disclosed to the client, even if those sales are for diversification or hedging purposes.

7. COMPLEX AND NON-COMPLEX FINANCIAL INSTRUMENTS

<u>Commercial characteristic of products to be offered (key features of the products and justification of the product's risk level)</u>

All the financial instruments/products are divided in two (2) main groups on the basis of the MiFID II requirements:

1. **Non-Complex** Financial Instruments; and
2. **Complex** Financial Instruments.

The Financial Instruments also are defined with different types and level of risk, as the Financial Instruments may be more difficult for understanding the risks for the client, others less, some Financial instruments may be traded on various regulated venues, while others may be performed as OTC transactions. Also, some of the Financial Instruments may include (embedded) derivatives. Some of the Financial Instruments require minimum knowledge, while others deep knowledge and/or experience.

Based on this, the Company has described all the types of Financial Instruments and assigned them with the relevant risk level. This description can be seen in the following tab and is taken as the basis for the preparing Target Group Financial Instruments, however in the Target Group Financial Instruments, the Company also adds other characteristics of the Financial Instruments, therefore the below tabs shall be read in conjunction with the Target Group Financial Instruments Tabs.

Non-Complex Financial Instruments

TYPE	DISCRETIONS	RISK TYPE	RISK LEVEL
Shares	Regulated market Equivalent third-country market MTF Shares that do not embed derivative Issued by companies	Price risk Volatility risk Interest rate risk Liquidity risk Issuer risk	Low
BONDS (or other forms of securitized debt)	Regulated market Equivalent third-country market MTF Bonds that do not embed a derivative Bonds that do not incorporate a structure which makes it difficult for the client to understand the risk involved	Issuer risk Interest rate risk Credit risk Counterparty risk Liquidity risk	Low
Money-market instruments (treasury bills, certificates of deposit, commercial paper)	MMI that do not embed a derivative MMI that incorporate a structure which makes it difficult for the client to understand the risk involved	Issuer risk Interest rate risk Credit risk Counterparty risk Liquidity risk Price risk Volatility risk	Low

Complex Financial Instruments.

TYPE	DISCRETIONS	RISK TYPE	RISK LEVEL	REASON THE INSTRUMENT POSE HIGHER RISK
Shares	Traded outside RM (or equivalent 3rd country) or MTF Non-UCITS undertakings	Price risk Volatility risk Interest rate risk Liquidity risk Issuer risk	Medium	Non-derivative No contingent liabilities No additional costs
	Shares that embed derivative	Price risk Volatility risk Interest rate risk Liquidity risk Issuer risk Underlying asset risk	High	Derivative No clear risk indications No clear understanding of costs involved Risk of total loss Risk of loss exceeding acquisition cost
	Convertible shares	Price risk Volatility risk Interest rate risk Liquidity risk Issuer risk	Medium	Non-derivative No contingent liabilities No additional costs
	Funds subscriptions	Price risk Volatility risk Liquidity risk Issuer risk	Medium	Non-derivative No contingent liabilities No additional costs
BONDS (or other forms of securitized debt)	Bonds that embed a derivative Bonds that incorporate a structure which makes it difficult for the client to understand the risk involved	Issuer risk Interest rate risk Credit risk Counterparty risk Liquidity risk	High	Derivative No clear risk indications No clear understanding of costs involved Risk of total loss Risk of loss exceeding acquisition cost
Convertible bonds	Convertible Bonds that incorporate a	Issuer risk Interest rate risk Credit risk	Medium	Non-derivative No contingent liabilities

	structure which makes it difficult for the client to understand the risk involved	Counterparty risk Liquidity risk		No additional costs
OTC Bonds	Bonds that are traded on OTC	Issuer risk Interest rate risk Credit risk Counterparty risk Liquidity risk	Medium	Non-derivative No contingent liabilities No additional costs
Eurobonds	Bonds that is nominated in a currency other than the home currency of the country or market in which it is issued	Issuer risk Interest rate risk Credit risk Counterparty risk Liquidity risk	Medium	Non-derivative No contingent liabilities No additional costs
OTC Eurobond	Eurobonds that are traded on OTC	Issuer risk Interest rate risk Credit risk Counterparty risk Liquidity risk	Medium	Non-derivative No contingent liabilities No additional costs
Share options	Embed a derivative and incorporate a structure that makes it difficult for the client to understand the risk involved	Counterparty risk Liquidity risk Market risk Interconnection risk Price risk Loses can be Liquidity risk Plus: Hard to understand real value, leverage, time restriction, substantial/ enormous losses	High	Derivative No clear risk indications No clear understanding of costs involved Risk of total loss Risk of loss exceeding acquisition cost
Share-index options	Embed a derivative and incorporate a structure that makes it difficult for the client to understand the risk involved	Counterparty risk Liquidity risk Market risk Interconnection risk Price risk Loses can be Liquidity risk Plus: Hard to understand real value, leverage, time restriction, substantial/enormous losses	High	Derivative No clear risk indications No clear understanding of costs involved Risk of total loss Risk of loss exceeding acquisition cost

Subordinated bonds	Incorporate a structure that makes it difficult for the client to understand the risk involved	Issuer risk Interest rate risk Credit risk Counterparty risk Liquidity risk	High	Derivative No clear risk indications No clear understanding of costs involved Risk of total loss Risk of loss exceeding acquisition cost
Perpetual bonds	Incorporate a structure that makes it difficult for the client to understand the risk involved	Issuer risk Interest rate risk Credit risk Counterparty risk Liquidity risk	Medium	No clear risk indications No clear understanding of costs involved Risk of total loss Risk of loss exceeding acquisition cost
Asset-backed securities	Incorporate a structure that makes it difficult for the client to understand the risk involved	Credit risk Counterparty risk Liquidity risk	High	Derivative No clear risk indications No clear understanding of costs involved Risk of total loss Risk of loss exceeding acquisition cost
Warrants	Embed a derivative and incorporate a structure that makes it difficult for the client to understand the risk involved	Counterparty risk Liquidity risk Market risk Interconnection risk Price risk Loses can be Liquidity risk Plus: Hard to understand real value, leverage, time restriction, substantial/enormous losses	High	Derivative No clear risk indications No clear understanding of costs Involved Risk of total loss Risk of loss exceeding acquisition cost
Money-market Instruments	MMI that embed a derivative MMI that incorporate a structure which makes it difficult for the client to understand the	Issuer risk Interest rate risk Credit risk Counterparty risk Liquidity risk Price risk Volatility risk	High	Derivative No clear risk indications No clear understanding of costs involved Risk of total loss Risk of loss

	risk involved			exceeding acquisition cost
Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields or other	Embed a derivative and incorporate a structure that makes it difficult for the client to understand the risk involved	Market risk Price risk Other risks Underlying asset risk	High	Derivative No clear risk indications No clear understanding of costs involved Risk of total loss Risk of loss exceeding acquisition cost
Forward rate agreements	Embed a derivative and incorporate a structure that makes it difficult for the client to understand the risk involved	Currency risk Counterparty risk Liquidity risk Market risk Interconnection risk Price risk Loses can be Liquidity risk Plus: Hard to understand real value, leverage, time restriction, substantial/enormous losses	High	Derivative No clear risk indications No clear understanding of costs involved Risk of total loss Risk of loss exceeding acquisition cost
All forwards	Embed a derivative and incorporate a structure that makes it difficult for the client to understand the risk involved	Currency risks Counterparty risk Liquidity risk Market risk Interconnection risk Price risk Loses can be Liquidity risk Plus: Hard to understand real value, leverage, time restriction, substantial/enormous losses	High	Derivative No clear risk indications No clear understanding of costs involved Risk of total loss Risk of loss exceeding acquisition cost
All futures	Embed a derivative and incorporate a structure that makes it difficult for the client to	Counterparty risk Liquidity risk Market risk Interconnection risk Price risk Loses can be	High	Derivative No clear risk indications No clear understanding of costs involved

	understand the risk involved	Liquidity risk Plus: Hard to understand real value, leverage, time restriction, substantial/enormous losses		Risk of total loss Risk of loss exceeding acquisition cost
All options	Embed a derivative and incorporate a structure that makes it difficult for the client to understand the risk involved	Counterparty risk Liquidity risk Market risk Interconnection risk Price risk Loses can be Liquidity risk Plus: Hard to understand real value, leverage, time restriction, substantial/enormous losses	High	Derivative No clear risk indications No clear understanding of costs involved Risk of total loss Risk of loss exceeding acquisition cos
FX / FX swaps	Embed a derivative and incorporate a structure that makes it difficult for the client to understand the risk involved	Counterparty risk Liquidity risk Currency risk Market risk Interconnection risk Price risk Loses can be Liquidity risk Plus: Hard to understand real value, leverage, time restriction, substantial/enormous losses	High	Derivative No clear risk indications No clear understanding of costs involved Risk of total loss Risk of loss exceeding acquisition cost
Structured FI	Embed a derivative and incorporate a structure that makes it difficult for the client to understand the risk involved	Counterparty risk Liquidity risk Market risk Interconnection risk Price risk Loses can be Liquidity risk Plus: Hard to understand real value, leverage, time restriction, substantial/enormous losses	High	Derivative No clear risk indications No clear understanding of costs involved Risk of total loss Risk of loss exceeding acquisition cost

8. PROPOSED CHARGING STRUCTURE

The proposed charging structure for the investment product must be considered, including:

- whether the product costs and charges are compatible with the needs, objectives and characteristics of the target market;
- that charges do not undermine the product return expectations, such as where the costs or charges equal, exceed or remove almost all the expected tax advantages linked to a product; and

if the charging structure of the product is appropriately transparent for the target market, such as that it does not disguise charges or is too complex to understand.