

**SKANESTAS INVESTMENTS LIMITED**

**PRODUCT  
GOVERNANCE  
POLICY**

Updated on January 3, 2018

## 1. Definitions

**‘CySEC Directive’:** Directive DI 87-01 of the Cyprus Securities and Exchange Commission for the 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, R.A.D. 2/2018, publication date 5.1.2018.

**‘End client’:** the person or group of persons at the end of the supply chain.

**‘ESMA Final Report on Product Governance’:** Final Report Guidelines on MiFID II product governance requirements, 2 June 2017 | ESMA35-43-620.

**‘ESMA Guidelines’:** ESMA Guidelines on MiFID II product governance requirements, 05/02/2018 | ESMA35-43-620.

**‘Financial instruments’:** the instruments specified in Section C of Annex I of MiFID II.

**‘Investment product’:** means a financial instrument (within the meaning of Article 4(1) (15) of MiFID II) or a structured deposit (within the meaning of Article 4(1)(43) of MiFID II).

**Distributor:** a firm which offers, recommends or sells an investment product or provides investment services to clients: Recital 15 and Article 10(1) of the MiFID II Delegated Directive.

**Manufacturer:** manufacturer’ means, taking into account Recital 15 and Article 9(1) of the MiFID II Delegated Directive, a firm that manufactures an investment product, including the creation, development, issuance or design of that product, including when advising corporate issuers on the launch of a new product.

**MiFID II Delegated Directive:** Commission Delegated Directive (EU) 2017/593 of 7 April 2016 supplementing MiFID II Directive of the European Parliament and of the Council 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.

**MiFID II:** Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast).

**‘PRIIPs’:** Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) (OJ 352, 09.12.2014, p. 1–23).

## **2. General**

2.1 SKANESTAS INVESTMENTS LIMITED (hereinafter referred to as the “Company”) is a distributor, and will at all times comply with, and pay particular attention to the relevant provisions of MiFID II, the MiFID II Delegated Directive, the CySEC Directive and the ESMA Guidelines.

2.2 In its capacity as a distributor, SKANESTAS INVESTMENTS LIMITED must:

2.2.1 understand the financial instruments it distributes to clients;

2.2.2 assess the compatibility of the financial instruments with the needs and characteristics of the clients to whom it distributes investment services, taking into account the manufacturer’s identified target market of end clients; and

2.2.3 ensure that financial instruments are distributed only when this is in the best interests of the client.

2.3 In the exercise of the above duties, SKANESTAS INVESTMENTS LIMITED should consider what impact the selection of a given manufacturer could have on the end client in terms of charges or the financial strength of the manufacturer, or possibly, where information is available to the distributor, how efficiently and reliably the manufacturer will deal with the distributor or end client at the point of sale.

## **3. Obtaining information from manufacturers**

3.1 SKANESTAS INVESTMENTS LIMITED must obtain from manufacturers information to gain the necessary understanding and knowledge of the financial instruments it intends to distribute in order to ensure that the financial instruments will be distributed in accordance with the needs, characteristics and objectives of the target market under MiFID II.

3.2 The Company must obtain from the manufacturer the following information: information about product costs and charges, indicators of whether the manufacturer deems its product to be complex or non-complex, appropriate information on the manufacturer’s product approval process.

3.3 In ensuring that it has obtained sufficient information about the financial instruments it distributes and in ensuring that it understands the financial instruments or investment services distributed, SKANESTAS INVESTMENTS LIMITED:

3.3.1 should consider whether it understands the materials provided by the manufacturer or distributor earlier in the sales chain;

3.3.2 should ask the manufacturer to supply additional information or training where this seems necessary to understand the financial instrument or investment service adequately;

3.3.3 should not distribute the financial instrument or investment service if it does not understand it sufficiently; and

3.3.4 in case it provides information to another distributor in a distribution chain, it should consider how the further distributor will use the information, such as whether it will be given to end clients.

#### **4. Distributing financial instruments manufactured by non-MiFID firms, including third country firms**

4.1 SKANESTAS INVESTMENTS LIMITED must take all reasonable steps to comply with the present policy when distributing financial instruments manufactured by any firm to which MiFID II manufacturer product governance requirements do not apply.

4.2 As part of this, SKANESTAS INVESTMENTS LIMITED must put in place effective arrangements to ensure that it obtains sufficient, adequate and reliable information from the manufacturer about the financial instruments to ensure that they will be distributed in accordance with the characteristics, objectives and needs of the target market SKANESTAS INVESTMENTS LIMITED should determine the target market as well as the distribution strategy also when they are not defined by the manufacturer.

4.3 This principle applies to financial instruments sold on either the primary or secondary market.

4.4 The obligation to obtain adequate and reliable information applies proportionately depending on:

4.4.1 the degree to which publicly available information is obtainable; and

4.4.2 the complexity of the financial instrument.

4.5 Where all relevant information is not publicly available (for example, through the PRIIPs KID or a prospectus), the reasonable steps should include entering into an agreement with the manufacturer or its agent in order to obtain all relevant information enabling SKANESTAS INVESTMENTS LIMITED 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. Acceptable publicly available information is information which is clear, reliable and produced to meet regulatory requirements, for example, information disclosed in compliance with requirements in the EU Prospectus Directive, the EU Transparency Directive, the EU UCITS Directive, the AIFMD Directive or third-country equivalent requirements are acceptable .

#### **5. Target market and distribution strategy**

5.1 The Company is authorized for the distribution of the following financial instruments:

(1) Transferable securities;

(2) Money-market instruments;

(3) Units in collective investment undertakings;

(4) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or other

derivatives instruments, financial indices or financial measures which may be settled physically or in cash;

(5) Options, futures, swaps, forwards and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event;

(6) Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market, a MTF, or an OTF, except for wholesale energy products traded on an OTF that must be physically settled;

(7) Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in point 6 of this Section and not being for commercial purposes, which have the characteristics of other derivative financial instruments;

(8) Derivative instruments for the transfer of credit risk;

(9) Financial contracts for differences;

(10) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event, as well as any other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Section, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market, OTF, or an MTF.

5.2 SKANESTAS INVESTMENTS LIMITED must determine the target market for the particular financial instruments it distributes, even if the target market was not defined by the manufacturer .

5.3 SKANESTAS INVESTMENTS LIMITED must identify the target market and its distribution strategy using:

5.3.1 the information obtained from manufacturers; and

5.3.2 information it has on its own clients.

5.4 Target market identification should occur at an early stage, when SKANESTAS INVESTMENTS LIMITED' business policies and distribution strategies are defined by the management body and on an ex-ante basis. Assessment on a target market is an integral part of the present Policy (Appendix No 1 "Target Market Assessment").

SKANESTAS INVESTMENTS LIMITED must identify negative target market. The financial instruments can be sold within the negative market only in rare justified circumstances such as hedging or diversification purposes, acting in the best interest of the client.

5.5 In identifying the target market and creating a distribution strategy, SKANESTAS INVESTMENTS LIMITED should consider:

5.5.1 the nature of the financial instruments to be offered or recommended and how they fit with end clients' needs, objectives and risk appetite;

5.5.2 the impact of charges on end clients; the financial strength of the manufacturer; and

5.5.3 where information is available on the manufacturer's processes, how efficiently and reliably the manufacturer will deal with the end client at the point of sale or subsequently, such as when complaints arise, claims are made or the financial instrument reaches maturity;

5.5.4 the client type category in relation to which the product is targeted (retail client, professional or eligible counterparty), clients' knowledge and experience, clients' financial situation, clients' risk tolerance and compatibility of the risk / reward profile of the product with the target market, clients' objectives and needs.

5.6 The target market identified by SKANESTAS INVESTMENTS LIMITED for each financial instrument should be identified at a sufficiently granular level. To this end, SKANESTAS INVESTMENTS LIMITED should, in relation to each financial instrument, at least identify:

(a) the client type category, and

(b) the distribution channel category .

5.6.1 Client type categories are:

(a) financial instruments for all investor types (including Retail)

(c) financial instruments for Professional Clients, including Per se Professional Clients and Elective Professional Clients

(b) financial instruments for Per Se Professional Clients and Eligible Counterparties

5.6.2 Distribution Channels are:

(a) Products offered on execution-only regime with no active marketing

(b) Products offered or actively marketed to certain groups of clients (characterized by common features in terms of knowledge, experience, financial situation etc.).

(c) Products offered in the context of the service of portfolio management.

5.7 SKANESTAS INVESTMENTS LIMITED must have in place adequate product governance arrangements to ensure that :

(a) the financial instruments and investment services they intend to distribute are compatible with the needs, characteristics and objectives of the identified target market; and

(b) the intended distribution strategy is consistent with the identified target market.

5.8 SKANESTAS INVESTMENTS LIMITED must appropriately identify and assess the circumstances and needs of the clients they intend to focus on to ensure that their clients' interests are not compromised as a result of commercial or funding pressures.

5.9 SKANESTAS INVESTMENTS LIMITED must identify any groups of end clients for whose needs, characteristics and objectives the financial instrument or investment service is not compatible.

5.10 Distributors must have in place procedures and measures to ensure that when deciding the range of financial instruments and investment services to be distributed, and the target market, all applicable rules are complied with, including but not limited to:

- (a) disclosure;
- (b) suitability;
- (c) appropriateness;
- (d) inducements; and
- (e) conflicts of interest.

5.11 It is noted that the obligation of SKANESTAS INVESTMENTS LIMITED to identify the actual target market and to ensure that a product is distributed in accordance with the actual target market, is not substituted by an assessment of suitability or appropriateness and has to be conducted in addition to, and before such an assessment.

5.12 SKANESTAS INVESTMENTS LIMITED should take particular care to ensure compliance with the principles in par. 5.8 and 5.9 when it intends to distribute new financial instruments or there are variations to the investment services it provides.

5.13 SKANESTAS INVESTMENTS LIMITED should periodically review its product governance arrangements and must take appropriate actions where necessary to ensure they remain robust and fit for their purpose.

## **6. Oversight and training requirements**

6.1 The development, periodic review and updating of product governance arrangements must be monitored by the MIFID II Compliance Officer in order to detect any risk of failure by the SKANESTAS INVESTMENTS LIMITED to comply with applicable provisions of this policy and the relevant legislation.

6.2 The Board of Directors of SKANESTAS INVESTMENTS LIMITED must have effective control over the firm's product governance process to determine:

- 6.2.1 the range of financial instruments the firm offers or recommends; and
- 6.2.2 the investment services provided to the respective target markets.

6.3 All relevant staff must possess the necessary expertise to understand:

- 6.3.1 the characteristics and risks of the financial instruments that the firm intends to distribute;
- 6.3.2 the investment services provided by the firm; and
- 6.3.3 the needs, characteristics and objectives of the identified target market.

## **7. Compliance reports**

7.1 Compliance reports to the Board of Directors must include information about the financial instruments distributed by the firm and the investment services provided.

SKANESTAS INVESTMENTS LIMITED will make the compliance reports available to CySEC on request.

7.2 The Company will ensure that the said staff members possess the necessary expertise to understand the characteristics and risks of the products and services it intends to offer through regular appraisals, which will be formally documented.

## **8. Post - sale review**

8.1 SKANESTAS INVESTMENTS LIMITED must regularly review the financial instruments they distribute and the investment services they provide, taking into account any event that could materially affect the potential risk to the identified target market.

8.2 In carrying out the review in the above principle, SKANESTAS INVESTMENTS LIMITED must assess at least:

8.2.1 whether the financial instrument or investment service remains consistent with the needs, characteristics and objectives of the identified target market; and

8.2.2 whether the intended distribution strategy remains appropriate.

8.3 If SKANESTAS INVESTMENTS LIMITED becomes aware that it has wrongly identified the target market for a specific financial instrument or investment service, or the financial instrument or investment service no longer meets the circumstances of the identified target market, it must take appropriate steps, including at least:

8.3.1 reconsidering the target market; and/or

8.3.2 updating its product governance arrangements.

8.4 SKANESTAS INVESTMENTS LIMITED may need to take action under the above principle in circumstances where the financial instrument becomes very illiquid or very volatile due to market changes.

The current Product Governance Policy of the Company was developed in accordance with Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 (MiFID II), Law L. 87(I)/2017 for the provision of investment services and Board of Directors' Resolution of the Company dated 29th of December 2017.

### **Appendixes:**

Appendix No 1 "Target market assessment".



## TARGET MARKET ASSESSMENT

Shares, Exchange Traded Funds (ETFs), simple cash bonds and other non-complex products in accordance with MiFID II				
No	Criteria	Target Market	Result	Summary
1	Investor type	Retail	Yes	The products are targeted to Retail and Professional clients as well as to Eligible Counterparties in accordance with MiFID II.
		Professional	Yes	
		Eligible Counterparty	Yes	
2	Knowledge and experience	Basic Investor	Yes	Investors having the following characteristics: <ul style="list-style-type: none"> <li>• basic knowledge of relevant financial instruments (a basic investor can make an informed investment decision based on the regulated and authorised offering documentation or with the help of basic information provided by point of sale);</li> <li>• no financial industry experience, i.e. suited to a first time investor.</li> </ul>
		Informed Investor	Yes	Investors having the following characteristics: <ul style="list-style-type: none"> <li>• average knowledge of relevant financial products (an informed investor can make an informed investment decision based on the regulated and authorised offering documentation, together with knowledge and understanding of the specific factors/risks highlighted within them only)</li> <li>• some financial industry experience.</li> </ul>
		Advanced Investor	Yes	Investors having one, or more, of the following characteristics: <ul style="list-style-type: none"> <li>• good knowledge of relevant financial products and transactions</li> <li>• financial industry experience or accompanied by professional investment advice or included in a discretionary portfolio service.</li> </ul>

3	Client's financial situation and ability to bear losses	Limited capital loss	Yes	Investors seeking to preserve capital or can bear losses limited to a level specified by the product.
		No capital guarantee	Yes	100% of capital is at risk.
		Loss beyond capital	Yes*	Investor can accept loss beyond initial capital.
4	Client's risk tolerance and compatibility of the risk / reward profile of the product with the target market	Conservative	Yes	Investor is not willing to accept any loss of the investment or initial amount.
		Balanced	Yes	Investor is willing to accept the risk of losses of the entire investment or initial amount.
		Risk-oriented	Yes*	Investor is willing to accept the risk of losses exceeding the investment or initial amount.
5	Client's objectives and needs	Return Profile: Preservation	Yes	Preservation investors typically seek capital protection.
		Return Profile: Growth	Yes	Growth investors typically seek for capital appreciation.
		Return Profile: Income	Yes	Income investors typically seek for future income stream.

Negative target market: The product or service is incompatible for any client outside the positive target market.

\*-for such kinds of financial instruments, generally the potential maximum loss is 100 % of invested capital.

## TARGET MARKET ASSESSMENT

<b>All Bond types (including securitized debt products) ,OTC and Exchange traded derivatives (Futures, Options) and other complex products in accordance with MiFID II</b>				
No	Criteria	Target Market	Result	Summary
1	Investor type	Retail	No	The products are targeted to Professional clients as well as to Eligible Counterparties in accordance with MiFID II.
		Professional	Yes	
		Eligible Counterparty	Yes	
2	Knowledge and experience	Basic Investor	No	Investors having the following characteristics: <ul style="list-style-type: none"> <li>• basic knowledge of relevant financial instruments (a basic investor can make an informed investment decision based on the regulated and authorised offering documentation or with the help of basic information provided by point of sale);</li> <li>• no financial industry experience, i.e. suited to a first time investor.</li> </ul>
		Informed Investor	Yes	Investors having the following characteristics: <ul style="list-style-type: none"> <li>• average knowledge of relevant financial products (an informed investor can make an informed investment decision based on the regulated and authorised offering documentation, together with knowledge and understanding of the specific factors/risks highlighted within them only)</li> <li>• some financial industry experience.</li> </ul>

		Advanced Investor	Yes	Investors having one, or more, of the following characteristics: <ul style="list-style-type: none"> <li>• good knowledge of relevant financial products and transactions</li> <li>• financial industry experience or accompanied by professional investment advice or included in a discretionary portfolio service.</li> </ul>
3	Client's financial situation and ability to bear losses	Limited capital loss	No	Investor is not willing to accept any loss of the investment or initial amount.
		No capital guarantee	Yes	Investor is willing to accept the risk of losses of the entire investment or initial amount.
		Loss beyond capital	Yes	Investor is willing to accept the risk of losses exceeding the investment or initial amount.
4	Client's risk tolerance and compatibility of the risk / reward profile of the product with the target market	Conservative	No	Investors willing to lose more than the initial amount paid.
		Balanced	Yes	Investors willing to accept large fluctuations in price and returns.
		Risk-oriented	Yes	Investors willing to accept concentrated risk.
5	Client's objectives and needs	Return Profile: Preservation	No	Preservation investors typically seek capital protection.
		Return Profile: Growth	Yes	Growth investors typically seek for capital appreciation.
		Return Profile: Income	Yes	Income investors typically seek for future income stream.

Negative target market: The product or service is incompatible for any client outside the positive target market.