



Appropriateness Policy

Purpose

Spot Capital Markets Ltd (hereinafter “the Company”) recognizes the need to provide investment and/or ancillary services to its clients in a fair and professional manner in compliance with the Markets in Financial Instruments Directive as adopted by the local legislation - Law 144(I)/2007 (hereinafter “the Law”).

The Appropriateness Test policy (hereinafter “the policy”) is applied prior to the provision of investment and/or ancillary services to clients and the Appropriateness test is performed whenever this is required by the current regulatory and statutory requirements or by this policy.

The Company is not obliged to perform the appropriateness test prior to the provision of an investment service for specific type of transactions only if it has previously received all the information required by the Law so as to assess the suitability of clients’ investment decisions for the specific type of transactions.

The Company may request from the client to re-perform the appropriateness tests in case when a substantial change, in the initial information provided by the client, has occurred.

The Company’s Personnel encourages clients and potential clients to provide all required information in order to assess their suitability to take investment decision and the appropriateness of the financial instruments they want to invest into.

The Company relies on the information provided by the clients and potential clients and it has no responsibility unless it is aware or ought to be aware that the information is manifestly out of date, inaccurate or incomplete.

1. Appropriateness Test

1.1 Main objective

The main objective of performing the appropriateness test is to obtain such information as is necessary for the Company to assess whether the client has the necessary experience and knowledge in order to understand the risks involved in the investment product or in the investment service.

The "Appropriateness Test" (Annex 1) is a regulatory requirement which aims to increase investor protection in the non-advised market. It applies in relation to the application of the following MiFID provisions, namely:

- Articles 19(5) and (6) of MiFID (2004/39/EC)
- Articles 36-38 of the MiFID Implementing Directive (2006/73/EC)

In addition, the Company may assume that a professional client has the necessary knowledge and experience to understand the risks involved relating to the specific product or service for which they are classified as ‘professional’. Where applicable the Company must ask the client to provide information regarding their



knowledge and experience in the investment field, relevant to the specific type of product or service offered, to enable the Company to assess whether the service or product is appropriate for the client.

Article 19(6) (together with Article 38 of the MiFID Implementing Directive), there is an exemption from the appropriateness test for certain types of 'execution-only' business. However, this is currently only available if all of the following conditions are met:

- a) the service consists only of the execution and/or the reception and transmission of orders involving shares admitted to trading on a regulated market or in an equivalent third country market, money market instruments, bonds or other forms of securitised debt (excluding those bonds or other securitised debt that embed a derivative), UCITS and other noncomplex financial instruments; and
- b) the service is provided "at the initiative of the client or potential client"; and
- c) the client or potential client has been clearly informed that in the provision of this service the investment firm is not required to assess the suitability of the financial instrument or service provided or offered, and that therefore the client does not benefit from the corresponding protection of the relevant conduct of business rules; and
- d) the investment firm complies with its obligations under Article 18 of MiFID (conflicts of interest).

Therefore, the Company needs processes:

- (i) to distinguish between "complex" and "noncomplex" products (which may already have been done at the product design stage);
- (ii) to identify whether contact with the client is at the initiative of the Company; and
- (iii) to ensure that necessary warnings have been provided.

The Company performs the appropriateness test only for clients categorized as "Retail" clients and only in relation to complex financial instruments during the provision of the following investment services:

- Reception and Transmission of Orders
- Execution of Orders

The Company conducts appropriateness test for the provision of the investment service for each client by deriving information regarding their experience level and knowledge that enables them to understand the risks related to the investment product or the investment service.

1.2 Information about knowledge and experience

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1.2.1 Client Economic Profile

In accordance with paragraph 21 of [Directive DI144-2007-08](#), a CIF needs to obtain from clients the following information in order to obtain sufficient data and information regarding the customer's business activities and the expected pattern and level of transactions:

- a. the purpose and the reason for requesting the establishment of a business relationship;
- b. the anticipated account turnover;
- c. the nature of the transactions;
- d. the expected origin of incoming funds to be credited in the account;
- e. the expected destination of outgoing transfers / payments;
- f. the customer's size of wealth;
- g. the customer's annual income;
- h. clear description of the main business / professional activities / operations of the customer.

1.2.2 Assessment of Appropriateness

In accordance with paragraphs 15 and 16 of [Directive DI144-2007-02](#), a CIF needs to obtain from clients the following information in order to assess clients' knowledge and experience:

- a. the types of service with which the client is familiar;
- b. the transactions with which the client is familiar;
- c. the financial instruments with which the client is familiar;
- d. the nature of the client's transactions in financial instruments;
- e. the volume of the client's transactions in financial instruments;
- f. the frequency of the client's transactions in financial instruments;
- g. the period over which the client has carried out those transactions in financial instruments;
- h. the level of education of the client or potential client;
- i. the profession or relevant former profession of the client or potential client.

However, this is not an exhaustive or definitive list of information gathering requirements. MiFID provides that the precise components and rigour of information gathering and assessment will vary according to the nature of the client, the nature and extent of the service to be provided and the type of product or transaction envisaged, including their complexity and the risks involved. The Company may also use existing information it has (unless it is aware that the information is manifestly out of date, inaccurate or incomplete) without requesting more from the client, if it is satisfied it has the necessary information to satisfy the appropriateness test.

2. Process of Reception, Transmission and Execution of Orders in complex financial instruments

When the Company provides the services of Reception & transmission and Execution of orders in complex financial instruments, appropriateness test is performed on the provided services to retail clients, by deriving



information regarding their experience level and knowledge that would enable them to understand the risks related to the requested transaction.

If following the Appropriateness test the Company considers the financial instrument appropriate, in relation to the services provided, then the service is properly provided to the client.

If as a result of the Appropriateness test it is derived that a financial instrument, in relation to the services provided, is not appropriate for the specific client, the Company warns the client accordingly through a disclaimer. If the client insists on receiving services in relation to the specific financial instrument the Company can only proceed after having warned the client that the Company is not responsible for the risks resulting from the execution of the specific transaction and the provision of these services and only after having received specific and written instructions by the client. In any other case, the order is not executed.

In cases where the Company does not obtain the necessary information or receives insufficient information to perform the appropriateness test, the Company warns the client accordingly through a disclaimer. If the client insists on receiving services in relation to the specific financial instrument the Company can only proceed after having warned the client that the Company is not responsible for the risks resulting from the execution of the specific transaction and the provision of these services and only after having received specific and written instructions by the client. In any other case, the order is not executed.

3. Warning to the client

Under MiFID, the Company considers, on the basis of the information received from its client, that the product or service is not appropriate for that client, the Company must warn the client. This warning may be provided in a standardised format.

If the client elects not to provide the information to enable the Company to assess appropriateness, or if he provides insufficient information regarding his knowledge and experience, the Company must warn the client that such a decision will not allow the Company to determine whether the service or product envisaged is appropriate for the client. This warning may also be provided in a standardised format.

If a client asks the Company to proceed with a transaction, in spite of being given a warning by the Company, it is for the Company to consider whether to do so in the circumstances, taking into account the client, the nature of the service, the type of product or transaction envisaged the particular risks for the client etc.

4. Review of this policy

This policy will be reviewed and/or amended annually and/or as and when considered necessary by the Board of Directors, General Manager and the Compliance Officer.

Last update: October 2017