

# **EUROBANK CYPRUS LTD**

## **INFORMATION ON INVESTMENT and ANCILLARY SERVICES IN FINANCIAL INSTRUMENTS**

### **MiFID Information Package**

**2019 Edition (effective 1st January 2019)**

## IMPORTANT NOTICE DISCLAIMER

This information document hereinafter referred to as «**MiFID Information Package**» is addressed to existing or potential customers of the Bank providing necessary information about the investment and related ancillary services for transactions in Financial Instruments provided by **Eurobank Cyprus Limited** (the **Bank** or **Eurobank**) and its affiliates.

This document and the information provided herein should **NOT** be construed and/or considered and/or taken to constitute advice and/or solicitation and/or an offer or a recommendation or solicitation to enter into any transaction or buy or sell any Financial Instrument or to make any investment and/or as any other investment advice. The Bank, its affiliates, its officers and its employees are not in the business of providing tax or legal advice. Nothing contained herein is intended or written to be used, and cannot be used or relied upon, by any person as legal or tax advice.

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The information in this document is provided **solely** on the basis that a customer (existing or potential) makes his own investment decisions and the Bank has not taken into account the particular investment objectives or financial situation of any person in preparing the information in this document. In addition, nothing in this document shall, or is intended to, constitute financial, legal, accounting or tax advice.

**The Bank strongly recommends that you seek professional investment advice before making any investment decision.**

This MiFID Information Package may be amended and/or revised and/or updated from time to time at the sole discretion of Eurobank and any information included therein is provided on an “**AS IS**” basis.

In this respect, any future revised version of this document will take effect upon its publication on the Bank’s website and the continued use of the Services offered by the Bank thereafter will be deemed to constitute acceptance and notification of the changes to this document.

The Bank may also from time to time send to customers’ supplementary notifications and/or information of new developments and the Bank reserves the right to review and/or amend its Policies referred herein and make the necessary notifications whenever it deems this appropriate. It is, as Customer, your responsibility to ensure that you are aware of the correct, current content of this document and we advise you to check for updates on a regular basis on the Bank’s website [www.eurobank.com.cy](http://www.eurobank.com.cy).

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No liability whatsoever shall arise on Eurobank for any actual or contingent or direct or indirect loss or damage suffered by any recipient of this document as a result of any act or omission pursuant to reliance on the provisions hereof or other use or misuse of any information contained herein.

It is important always to read and understand the information provided in this MiFID Information Package or in any other related document and obtain legal, investment or other advice, as you may consider appropriate, regarding the impact of such information on how Investment Services are provided by the Bank.

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**PART A: GENERAL INFORMATION****1. LEGISLATIVE FRAMEWORK**

The Directive 2004/39/EC on Markets in Financial Instruments was incorporated in Cyprus law by the Investment Services and Activities and Regulated Markets Law of 2007(L.144 (i)/2007) which was effective as from 26<sup>th</sup> October 2007 (**MiFID I**).

The existing European Union Financial Markets legislation namely MiFID I has been replaced by the new Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments (**MiFID II**) and Regulation (EU) No.600/2014 (**MiFIR**)(MiFID II and MiFIR collectively referred below as **MiFID**). In Cyprus, the new legislative framework of MiFID has been transposed into national law, through the Investment Services and Activities and Regulated Markets Law (L.87 (i)/2017) (the **Law**). The new updated legislative framework becomes effective across European Union **as from 3<sup>rd</sup> January 2018**.

**MiFID II** represents a fundamental change for the European financial markets across a multitude of areas. The scope of **MiFID II** and **MiFIR** is to enhance and further strengthen the legislative framework to facilitate greater transparency for all participants in capital markets. New reporting requirements and suitability and appropriateness assessments will be undertaken in the process of offering and receiving such Services.

The new Law, transposing MiFID II in Cyprus legislation, sets out an updated comprehensive regulatory regime governing how banks and investment firms are performing investment and ancillary services and investment activities. MiFID II is a key element of the European Union's financial services regime, which is designed to facilitate the integration of Europe's financial capital markets, enhance investor protection and attract new investors to the European Union capital markets.

The Law is setting out updated regulations on the conduct of business rules of investment firms providing investment services or carrying out investment activities. Furthermore, it establishes a new regulatory regime regarding the customers' orders execution in respect with the high quality execution in the regulated markets, aiming mainly at the investor's protection.

**Eurobank Cyprus Ltd** (the **Bank**) implements appropriate procedures and policies to comply with the requirements of MiFID, as updated, revised and implemented into Cypriot legislation and regulations, from time to time and to be in line with applicable guidelines and best practices in relation to the provision of investment and ancillary services in Financial Instruments (the **Services**, as defined in Appendix III, as).

## 2. EUROBANK BANK CYPRUS

### 2.1 General Information

**Eurobank Cyprus Ltd**, is a member of the Eurobank Group, a dynamic banking group active in six countries, with total assets of €58.5 billion and 13,267 employees. Established in 1990, the Group expanded through organic growth to become a leading force in the Greek banking sector (Eurobank Greece S.A is the holding company of the Group).

Eurobank Group has a total network of 659 branches in Greece and abroad, the Group offers a comprehensive range of financial products and services to its retail and corporate customers. The Group's philosophy focuses on high quality services to its customers.

The Group also holds a strategic position in retail and business banking in Bulgaria and Serbia, as well as offering distinguished Wealth Management services in Luxembourg, London and Cyprus.

In Cyprus, Eurobank commenced operations in August 2007. Eurobank since 2007 is positioned in the Cyprus Banking Market as a boutique banking business operation. The Bank focus exclusively on wholesale banking services across five main pillars:

- Corporate Banking
- Wealth Management
- International Business Banking
- Global Markets
- Affluent Banking

Eurobank Cyprus follows a conservative risk approach and is committed to maintaining high levels of corporate governance within the regulatory framework established by the Central Bank of Cyprus, as well as operating with transparency adhering to strict compliance measures.

More information about Eurobank can be found on the Bank's website at [www.eurobank.com.cy](http://www.eurobank.com.cy).

**Eurobank Cyprus Ltd**, registered and head office is situated at 41 Makarios Avenue, 1065 Nicosia, PO Box 27236, 1643 Nicosia Cyprus (telephone (+357) 22 20 80 00 and fax 00357 22 87 54 02).

**Eurobank Cyprus Ltd** is regulated by the Central Bank of Cyprus (80 Kennedy Avenue, 1076 Nicosia, P.O. Box 25529, 1395 Nicosia) ([www.centralbank.cy](http://www.centralbank.cy)).

Contact details for the provision of Investment Services

#### **Wealth Management Department**

Visiting address : 41 Makarios Avenue, 1065 Nicosia, Cyprus

Email : [CyprusPrivateBanking@eurobank.com.cy](mailto:CyprusPrivateBanking@eurobank.com.cy)

Telephones :

Wealth Management Private Clients Nicosia : +357 22 208074

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## 2.2 Provision of Investment and Ancillary Services in Financial Instruments (Investment Services)

In addition to traditional banking services, the Bank is also licensed to provide both investment and ancillary services for transactions carried out in Financial Instruments (the **Services**), as described below; as are currently offered and services that may be offered in the future.

### 2.2.1 Financial Instruments means and include:

- (1) Transferable securities;
- (2) Money-market instruments;
- (3) Units in collective investment undertakings (UCITS);
- (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) above 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 Part, 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;
- (11) Emission allowances consisting of any units recognised for compliance with the requirements of Directive 2003/87/EC.

### 2.2.2 Investment and Ancillary Services offered by the Bank

The Bank is licensed and authorised by its competent authority the Central Bank of Cyprus (the **CBC**) as per applicable law to provide the following:

#### (a) Investment services and activities

- (1) Reception and transmission of orders in relation to one or more financial instruments;
- (2) Execution of orders on behalf of clients;
- (3) Dealing on own account;
- (4) Portfolio Management; and
- (5) Investment Advice.

#### (b) Ancillary Services

Disclaimer: This document provides only general information. It does not constitute financial or legal or investment advice or research material and is not intended as such. It is recommended before engaging in any activity in Financial Instruments to obtain independent legal, tax or such other financial advice based on individual objectives.

- (1) Safekeeping and administration of financial instruments for the account of customers, including custodianship and related services such as cash/collateral management and excluding maintaining securities accounts at the top tier level;
- (2) Granting credits or loans to investors to allow them to carry out a transaction in one or more financial instruments, where the firm granting the credit or loan is involved in the transaction;
- (3) Advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings;
- (4) Foreign exchange services where these are connected to the provision of investment services;
- (5) Investment services and activities as well as ancillary services of the type included under the above descriptions related to the underlying of the derivatives included under points (5), (6), (7) and (10) of the Financial Instruments definition (paragraph 2.2.1 above) where these are connected to the provision of investment or ancillary services.

## 2.3 Portfolio Management

The Bank either on its own or through its affiliate company Eurobank Asset Management MFMC (member of Eurobank Group), licenced by the Hellenic Capital Market Commission (Licence number: 79/5/09.07.1996, 6/600/11.10.2011 & 8/695/15.10.2014 (<http://www.eurobankam.gr>)) offers Portfolio Management services.

Portfolio Management includes managing portfolios in accordance with mandates given by Customers on a discretionary customer-by-customer basis. The Bank ensures that each Customer's portfolio is in accordance with his investment objectives, financial situation, knowledge and experience.

The assessment of suitability of the Customer determines the type of portfolio that may be suitable for each Customer. Each type of portfolio invests in specific financial instruments with determined percentage limits per type of portfolio and in specific currency subject to the Customer's investment objectives and Investor Profile or a Portfolio is structured subject to Customer's instructions and mandate. The Bank classifies each portfolio type in categories depending on the level of risk the Customer undertakes.

The Bank, subject to applicable law, manages the Customer's portfolio at its own discretion, in line with agreed limits and restrictions for each type of portfolio subject to the terms of the Investment Services Agreement. The types of financial instruments that can be included in each type of portfolio, the allocation limits by investment category, as well as the types of the transactions, are specified in the Investment Services Agreement. The Investment Services Agreement may include other portfolio objectives, the level of risk and any special restrictions imposed by the Customer. In addition, a specific benchmark for each type of portfolio may be selected against which the performance of the Customer's portfolio will be compared or assessed

The financial instruments by investment category that may be included in the portfolio are, in summary, the following:

- Cash Equivalents, Debt & Related Instruments: Repos, Reverse Repos, Time Deposits, Debt Instruments of international organisations and of other issuers.
- Stocks & Related Instruments (Equity like instruments): Listed shares (or shares that will be listed in the near future), warrants or covered warrants, Units of Mutual Funds, Exchange Traded Funds (ETF's), Derivatives.

Information relating to the available types of portfolios, the currency of choice, the level of undertaken risk, potential benchmarks you may contact Wealth Management Department or visit the Bank's website, [www.eurobank.com.cy](http://www.eurobank.com.cy).

## 2.4 Investment Advice

Applicable law provides for distinction between the provision of Investment Advice on an independent basis, and the provision of Investment Advice on a **non-independent basis**.

The Bank will **not** (i) make any **personal recommendation** to the Customer about any transaction in Financial Instruments (ii) advise the Customer on the merits or suitability of a transaction in Financial Instruments (including any trading strategy) and (iii) provide to the Customer Investment Advice, unless expressly requested by the Customer and agreed to by the Bank in writing.

If a Customer elects to be provided with the Service of Investment Advice, such Investment Advice will be provided on a non-independent basis, as such advice will be based on a more restricted analysis of different types of Financial Instruments, and in particular, the range may be limited to Financial Instruments issued or provided by entities having close links or tied with Eurobank Group either due to legal, financial or contractual relationship (**Restricted Advice**).

**The Bank has chosen, if requested, only to offer advice from a range of products from a number of carefully selected issuers, including Eurobank Group. The Bank does not recommend products from the whole financial markets. This is known as Restricted Advice.**

## 2.5 Safekeeping of Financial Instruments / Custody Services (Ancillary Service)

The Bank, if requested, provides its Customers safekeeping and settlement services for Financial Instruments and Metals. At the Bank's level, all Customer holdings and transactions are recorded in dedicated accounts in the name of each Customer.

The Bank deposits Financial Instruments and Metals\* on behalf of a Customer with selected sub-custodians within the European Union and the European Economic Area (EEA) or with sub-custodians established in a country outside the EEA only if the sub-custodians are subject to a regulatory framework and supervision from the local market authorities with regard to the custody and the safekeeping of financial instruments.

The Bank may only deposit financial instruments held on behalf of a Customer in a non-EEA country which does not regulate the holding and safekeeping of financial instruments only if one of the following conditions are met:

- The nature of the financial instruments or investment services associated with them requires that they are deposited with a third party established in that third country; or
- Financial instruments are held on behalf of a Professional Client or an Eligible Counterparty and the Customer has requested the Bank in writing to deposit the assets to a third party in that third country.

*\* Depending on the form of investment in Metals (i.e. Derivative form vs physical form) there are several risks a Customer has to further diligently consider. Please always take into consideration of all characteristics of a product that may represent an investment in Metals and as described in any corresponding key investor information documentation (eg.KID or KIID).*

### Assessment of Sub-Custodians

In order to choose its sub-custodians, the Bank established and follows an outsourcing procedure for the selection and continuous evaluation of its sub-custodian network. Potential candidates are evaluated against the following criteria:

- Credit Rating.
- The experience of the candidates and their market reputation.
- Assessment of candidates by the Bank's executives.
- Assessment of candidates by market professionals.
- Evaluation by specialized magazines for Custodian services.
- The candidate's operation model.

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All potential candidates must meet at least one of the following conditions:

- Credit rating higher or equal to BBB + in the rating of Moody's or Baa in Standard & Poor's rating.
- To have received either "Top Rated" or "Commented" "Best Custodian" recognition by a recognized international magazine such as the "Global Custodian" or Global Finance magazine.
- Once part of the network, each selected sub-custodian is part of an ongoing periodic Due Diligence Review.

Moreover, regular controls and evaluations procedures are established by the Bank for every existing sub-custodian in order to timely recognize potential disfunctions and to guarantee the unhindered provision of the expected services. The Bank applies detailed processes for the reconciliation of client holdings between its systems and the sub-custodian systems and/or the settlement systems. The Bank ensures that the Customers' holdings, which are safeguarded by a sub-custodian or kept in a settlement system, are separated from holdings that are held by the Bank for its own account.

All Financial Instruments are held at sub-custodian level in dedicated Bank's securities accounts on behalf of the Customer. The Bank currently holds security accounts with international custody providers such as Clearstream Banking Luxembourg, Credit Suisse (Zurich), Eurobank Luxembourg and a number of Mutual Fund management companies Registrars/Transfer Agents. For the Cyprus and the Greek markets financial instruments may be kept in the Customer's name at the local Central Securities Depository (CSD) and the services are provided through the Electronic (Dematerialized) Securities System (**DSS**) with operator being Eurobank Ergasias SA.

Through its network of sub-custodians, the Bank also settles on behalf of its Customers all tradable financial instruments and takes all necessary actions for various corporate actions derived from such holdings, such as distribution of dividends and coupons, dividend reinvestment, participation in capital increase, receipt of bonus shares, reduction of nominal value of stocks, tender offer, and any action which may affect the Customers portfolios.

### **Risks / Warnings in relation to Safekeeping / Custody Services**

Despite the fact that the Bank undertakes reasonable measures to monitor and exercises due skill and care in the selection of such third parties as described above, the risks associated with the safekeeping or custody of Financial Instruments deposited with third parties or omnibus accounts and any relevant acts or omissions of such third parties shall be considered and addressed by the Customer.

Notwithstanding that the Bank shall comply with its obligation to use due skill and care in the selection of such third party, in case of insolvency of the third party and depending on the laws of the jurisdiction of such third party, the Customer acknowledges and accepts that he bears the risk that the relevant assets or Financial Instruments may be lost.

Neither of the Bank nor any director, officer, employee or agent of the Bank shall be liable to the Customer for any loss caused directly or indirectly by any act or omission or for the insolvency of any such third party subject to its obligation to use due skill and care in the selection of such third party.

Securities deposited with a sub-custodian, depository or clearing agency/entity are held subject to the rules and operating procedures of such party and any applicable laws and regulations whether of a governmental authority or otherwise which may not be of Cyprus. In case accounts that contain financial instruments or funds belonging to the Customer are or will be subject to the law of a jurisdiction other than that of Cyprus, the rights of the Customer relating to those financial instruments or funds may differ accordingly.

The Customer by electing the ancillary service of safekeeping or custody is deemed to understand and acknowledge that the Bank may not be able to exercise discretion in the selection or monitoring of a depository or clearing system or custodian or in the negotiation of contractual provisions with such party.

The Bank, further, subject to the terms of the Investment Services Agreement, have or may have security interest or lien over the Customer's financial instruments or funds or assets or any right of set-off in relation to

those instruments or funds or assets. Where applicable, a depository or custodian may have a security interest or lien over, or right of set-off in relation to those instruments or funds.

### **Specific Risk Warning for investments in Metals**

There are different ways to invest in Metals (either in physical form or as underlying asset of a Financial Instrument/ Product (trading)). The Customer has to make sure to take the time to consider and to receive specific advice of what to be right for him and his Portfolio.

Transactions in Metals usually entail underlying Derivatives and are therefore classified as Complex Financial Instruments and involve a high degree of risk. It is intended only for investors (Customers) who understand and are capable of assuming all risks involved. Before entering into any transaction, an investor should determine if this transaction suits his/her particular circumstances and should independently assess (with its professional advisers) the specific risks (maximum loss, currency risks, etc.) and the legal, regulatory, credit, tax and accounting consequences. The Bank makes no representation as to the suitability of a transaction for any particular investor nor as to the future performance of a transaction in Metals.

### **2.6 Electronic Services (Trading Platforms)**

The Bank may from time to time provide to Customers, if such electronic trading platforms will be made available in the future in relation to trading in Financial Instruments through the use of internet, electronic means and/ or specialised software either to be provided by the Bank or through any of the Bank's associates. This section will be updated and revised if the Bank elects to provide such electronic services.

It is noted that the use of electronic trading platforms is recommended to be used only by Customers that acknowledge and understand the risks of electronic trading, banking and use of internet.

#### **Special Notice**

**When making a decision to deal in Financial Instruments a Customer must consider the risks inherent in the relevant Financial Instrument or related products. The Customer shall consider all potential risks including those such as, inter alia, relating to credit, the market, liquidity, interest rate, insolvency, foreign exchange, contingent liabilities, execution venue, legal and tax issues.**

Please also refer to **Part C**, which summarises some of the risks associated with certain investments, markets and includes information on: the risks associated with dealing in commodities; certain specific pricing and liquidity considerations associated with exchange traded funds; and an explanation of how barrier options may be executed for you and the particular risks relevant to these types of transactions.

### **3. RELATIONSHIP WITH THE CUSTOMER FOR THE PROVISION OF INVESTMENT SERVICES IN FINANCIAL INSTRUMENTS**

#### **3.1 Language and Methods of Communication for the provision of Investment Services**

- Language: The languages in which the Bank communicates with its customers are Greek and/or English. However, due to the nature of the Investment and Ancillary Service in Financial Instruments (the **Services**), the primary business language used by the Bank in respect of the Services is English, and so if we have not expressly agreed otherwise, communications from the Bank to the Customer in relation to the Services is likely to be in English.
- Methods: The Bank communicates with its Customer, other than verbal communications, via the following channels: postal mail, telephone, fax, e-banking or e-mail.

The Bank communicates with the Customer using only the contact details notified and advised by the Customer in the Investment Services Agreement, and provided, that such details and information are accurate. Any relevant material or documentation will be dispatched to the customer by using the contact details available to the Bank.

Within the context of order execution regarding transactions in financial instruments, the customers may submit their orders in writing, through phone, e-mail or fax. The Bank reserves the right to request the customer to submit or re-submit his Order in writing if communicated verbally.

- Recording: The Bank may make written notes and retain records of any meeting, telephone conversation and electronic communications between the Customer and the Bank in compliance with applicable law. For further information as to the Bank's Processing of Personal Data Policy and recording of telephone/email communications please refer to **Part D: Section 1** and also to the Banks' **Privacy Policy** (available on Bank's website [www.eurobank.com.cy](http://www.eurobank.com.cy)).

**However**, your attention is drawn to the fact that the Bank has specific reporting obligations to make and maintain records of communications (e.g. telephone or emails), for the reception, transmission and execution of Customer Orders in Financial Instruments (further information provided in Section 3.7 herein below) and to submit specific data of Orders to the competent regulatory authorities (**Part A: Section 3.7**).

#### **3.2 Customer Information for the provision of Investment Services**

Upon the commencement of the collaboration the documents and information to be provided and received from the Customer, relate in principle on:

- (i) the Customer's identity (Know Your Customer (KYC) and Anti-Money Laundering (AML) assessments for funds processed through the Bank- please also refer to **Part D: Section 2**); and
- (ii) for the assessment of his financial Investor Profile in relation to the provision of the Services requested to be offered and in relation to the Financial Instruments in which the Customer intends to receive for executing transactions in Financial Instruments,

as to enable the Bank to categorise the Customer under the relevant categories set by the Law in relation to the provision of the Services (**Assessment of Appropriateness and Suitability**, Part A: Section 3.5 below).

It is noted that if the Customer does not provide the information requested this will have an impact on whether the Bank can actually provide the Services at all.

Effective as from **3<sup>rd</sup> January 2018** subject to **Regulatory Transaction Reporting Obligations** (Part A: Section 3.7 below), unless the Customer provides or confirms his personal details as noted below, the Bank may not be able to provide any Service or to process or execute a Transaction in cases where the Bank is not in a position to report a trade on behalf of a customer and/or if the Bank does not have all information or detail requested from a customer to enable the Bank to process any Order requested by a customer.

(i) Physical/ Natural Persons

Each Customer, including each person listed in an account as joint account holder, has to notify or confirm his/her personal identifying details to the Bank as per his country of residence or nationality.

(ii) Legal Entities

Legal entities (funds, provident funds, corporate entities and partnerships) to be able to trade in Financial Instruments shall provide the Bank their **LEI Code**. The LEI Code is a new global standard code (a unique 20 digit code) with the aim of providing improved transparency of financial transactions. Each Customer needs to obtain a LEI Code and subsequently to be provided to the Bank in order to enable the execution of any requested transaction in financial instruments. LEI Codes are issued by Local Operating Units (**LOUs**). A list of LOUs from which a LEI Code may be obtained is listed below:

- Cyprus Stock Exchange (CSE) ([www.cse.com.cy](http://www.cse.com.cy))
- Global Legal Entity Identifier Foundation (GLEIF) ([www.gleif.org](http://www.gleif.org))
- Global Market Entity Identifier Utility (GMEI) ([www.gmeiutility.org](http://www.gmeiutility.org))

**LEI Code shall be renewed annually by the Customer.**

Further information can be provided by the Bank's Wealth Management Department and your Relationship Officer.

All information provided to the Bank is retained in electronic or physical records, according to the Bank's procedures and applicable legislation on Personal Data Processing (as applicable from time to time).

### **3.3 Customer Categorisation**

#### **3.3.1 Categories of Classification**

Pursuant to applicable law, upon the entering into an Investment Services Agreement the Bank proceeds with the categorisation of the Customer in respect of the Services requested to be offered. The Customer categorisation is performed according to the criteria provided by the applicable law in respect of the Services and types of Financial Instruments requested to be offered and on the basis of the information made available by the Customer to the Bank.

The Law recognises that investors have different levels of knowledge, experience and skills and are classified in three (3) categories. These are:

(i) **Retail Client**

Retail Clients are considered as those customers who do not fulfil the criteria to be treated as Professional Clients or Eligible Counterparties (unless he is opt-in).

**The Retail Client performs transactions in financial instruments on its own behalf and not for another counterparty.**

**(ii) Professional Client**

**Professional Client** is a customer who possesses the experience, knowledge and expertise to make his own investment decisions and properly assess the risks that he incurs. In order to be considered to be Professional Client, the customer must comply with one of the following criteria.

- (1) Entities which are required to be authorised or regulated to operate in the Financial Markets. The list below shall be understood as including all authorised entities, carrying out the characteristic activities of the entities mentioned thereto, that are subject to any of the following authorisation: (i) entities authorised by a Member State under a Directive of the European Union, (ii) entities authorised or regulated by a Member State without reference to a Directive, and (iii) entities authorised or regulated by a third country:
  - (a) Credit institutions;
  - (b) Investment firms;
  - (c) Other authorised or regulated financial institutions;
  - (d) Insurance companies;
  - (e) Collective investment schemes and management companies of such schemes;
  - (f) Pension funds and management companies of such funds;
  - (g) Commodity and commodity derivatives dealers;
  - (h) Locals; and
  - (i) Other institutional investors.
- (2) Large undertakings meeting two (2) of the following size requirements on a company basis:
  - balance sheet total: EUR 20 000 000;
  - net turnover: EUR 40 000 000;
  - own funds: EUR 2 000 000.
- (3) National and regional governments, including public bodies that manage public debt at national or regional level, Central Banks, international and supranational institutions such as the World Bank, the International Monetary Fund, the European Central Bank, the European Investment Bank and other similar international organisations.
- (4) Other institutional investors whose main activity is to invest in financial instruments, including entities dedicated to the securitisation of assets or other financing transactions.

Any customers not falling within the list above are, by default, classified **Retail Clients**.

The entities referred to above are considered to be professionals and, the Bank will inform the Customer prior to providing the Services, on the basis of the information available to the Bank, that the Customer is deemed to be a professional client, and will be treated as such unless the Bank and the customer agree otherwise. However, the Customer is allowed to request the Bank to be classified as non-professional Client and the Bank may agree to provide a higher level of protection (**Reclassification: Part A:Section 3.3.3**).

**(iii) Eligible Counterparty**

These are Professional Clients which operate in the financial sector and are therefore deemed to have the necessary investment expertise. Eligible Counterparties, for the purposes of the Law are:

- Investment Firms.
- Credit Institutions.
- Insurance Undertakings.

- UCITS and their management companies.
- Pension Funds and their management companies.
- Other financial Institutions authorized by a member state or regulated under community legislation or the national law of a member state.
- National governments and their corresponding offices including public bodies that deal with public debt.
- Central Banks.
- Supranational Organisations.
- Other member state or third country undertakings or third country entities who meets pre-defined proportionate requirements, including quantitative thresholds.

In addition, the Bank **may** recognise as an Eligible Counterparty an undertaking which falls within a category of customers who are considered as Professional Client in accordance with the description and the identification criteria noted above. It is noted that this refers only to the cases where the Bank receives a request for reclassification and it is subject to the Bank's internal assessment as described in Section 3.3.3.

The Bank **will require**, inter alia, the Customer's **express consent** regarding his categorisation as Eligible Counterparty.

Based on applicable law, the categorisation is necessary, due to the fact that not all investors have the same level of knowledge and experience of Financial Instruments and of the related risks.

Within this context, a **Retail Client** benefits of the highest level of protection, compared to a **Professional Client** or an **Eligible Counterparty**, which will have a reduced level of protection due to the fact that they are considered more experienced and knowledgeable in carrying out transactions in Financial Instruments.

**Monitoring of Categorisation:** The Bank on a regular basis monitors customers' categorisation (at least during 'customer review process'), and if it is identified that changes are required shall inform the customer and liaise with the customer for review of its categorisation.

### 3.3.2 Differences in Client Protection

The different treatment as per customer categorisation relates mainly to the following:

- (a) the information communicated to the customer;
- (b) the assessment of appropriateness and suitability of the investment service/financial instrument provided to the customer;
- (c) the reports sent to the customer regarding the investment service or financial instrument offered;
- (d) the manner in which execution of orders is performed achieving the best possible result for the Customer.

As noted in Section 3.3.1, a Retail Client benefits of the highest level of protection and information received compared to a Professional Client and an Eligible Counterparty.

The additional protection and information provided to a **Retail Client** is summarised below:

- (i) A Retail Client will be given more information with regard to the Services and Financial Instruments offered costs, commissions, fees, charges and the services of safekeeping of client's financial instruments and funds.
- (ii) In cases where the Bank provides Services other than Investment Advice (in the form of personal recommendations) or Discretionary Portfolio Management, the Bank will request the Retail Client to provide information regarding his knowledge and experience in the investment field relevant to the specific type of product or service offered or demanded.

The Bank requires this information in order to assess whether the Service or Financial Instrument envisaged is appropriate for the customer. In cases where, on the basis of the information received, the

Product or Service is deemed as not appropriate for the Retail Client, the Bank will **warn** the customer accordingly. Please note that the Bank is **not** required to assess appropriateness of Financial Instruments in certain cases specified by applicable laws (please refer also to **Part A: Section 3.5.2: Appropriateness Test**).

Comparison of the above with a Professional Client: On the contrary, the Bank is entitled to assume according to applicable laws that a **Professional Client** has the necessary experience and knowledge in order to understand the risks involved in relation to the particular Services or Financial Instruments he is requested to be provided.

Consequently, and unlike the situation with a Retail Client, the Bank will not generally need to obtain additional information from the Customer for the purposes of the assessment of appropriateness for those Services or Financial Instrument for which a customer has been categorised as a **Professional Client** other than as provided in Part A: Section 3.5 (below).

(iii) When executing Orders, for a Retail Client, the Bank must take all reasonable steps to achieve what is called **Best Execution** of the customer's Orders, that is, to obtain the best possible result or its customers (please refer to **Part B: Section 1** for further information on **Order Execution Policy** (Summary) applied by the Bank).

In principle, where the Bank executes an Order on behalf of a **Retail Client**, the best possible result shall be determined in terms of the total consideration, representing the price of the Financial Instrument and the costs related to execution, which shall include all expenses incurred by the Customer which are directly related to the execution of the order, including execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order.

Comparison of the above with a Professional Client: When providing a **Professional Client** with Best Execution, the Bank is **not** required to prioritise the overall costs of the transaction as being the most important factor in achieving best execution for them.

(iv) The Bank is obliged to inform Retail Clients of material difficulties relevant to the proper carrying out of their order(s) promptly upon becoming aware of the difficulty.

(v) Retail Clients may, under certain preconditions, be entitled to compensation under (a) the Deposit Protection Scheme and/or (b) by the corresponding Investor Compensation Fund.

For further information please refer to **Part B: Section 4: Investor Compensation Schemes**.

### **Note on results of being categorised as Eligible Counterparty**

When the Bank classifies a customer as an Eligible Counterparty, the Bank's obligations regarding the information provided on the nature and risks of financial instruments, transactions reporting, assessment of appropriateness, best execution, transmission or placement of orders with other entities for execution, and inducements, **shall not** apply to that customer in respect of (a) the investment services of (i) Reception and Transmission of Orders, (ii) Execution of Orders on behalf of customers and (iii) Dealing on own account, and/or (b) any ancillary service directly related to such transactions under (i).

As regards the remaining of the Bank's obligations, those shall apply to Eligible Counterparties only to the extent required by applicable law. Generally in relation to business other than Reception and Transmission of Orders, Execution of orders on behalf of a customer and Dealing on own account, and/or any ancillary service directly related to such transactions, an Eligible Counterparty will receive the same

treatment as a Professional Client unless such Eligible Counterparty requests to be reclassified and treated as a Retail Client and the Bank agrees to such request. Acceptance of such request is at the Banks' discretion.

### 3.3.3 Reclassification

A Customer is entitled to request a different categorisation, i.e. a Reclassification at any time by submitting the relevant application in a Durable Medium.

The Bank, reserves the right **not** to accept such request or only to be able to undertake such reclassifications if the necessary regulatory requirements are met to its satisfaction.

Customers have the possibility of asking for the following changes to their categorisation:

- (i) Professional Client and Retail Client: a Retail Client may waive the protection and request to be considered as a Professional Client. Inversely, a Professional Client may ask for the higher degree of protection of a Retail Client.
- (ii) Professional Client and Eligible Counterparty: a Professional Client may ask to be considered as an Eligible Counterparty and vice versa.

**Important Note: Reclassifications always leads to a change in the level of protection afforded to a customer.**

The following categorisation changes are possible, **subject to further review by the Bank (if a request for change is acceptable)**, as illustrated in the Table below:

	Initial Categorisation	Possible Changes in Categorisation
1.	<b>Retail Client</b>	<b>Elective Professional Client</b>
2.	<b>Professional Client</b>	Retail Client
3.	<b>Professional Client Per Se</b> (i.e. a client that has not been originally categorised as a Retail Client)	Eligible Counterparty
4.	<b>Eligible Counterparty</b>	Professional Client

For changes in category from Retail Client to Elective Professional Client, or from Professional Client Per Se to Eligible Counterparty, the Bank has to be provided by the Customer of such data (e.g. Orders history record) and information which to the Bank's opinion justify such change.

### 3.3.4 Retail Clients who may be treated as Professional Clients on Request

Customers, other than those mentioned in Section 3.3.1(ii) above, including public sector bodies, local public authorities, municipalities and private individual investors, may also be allowed to waive some of the protections afforded by the conduct of business rules of the Bank.

The Bank **may** treat any Retail Client as Professional Client provided the relevant criteria and procedure mentioned below are satisfied. Any request for waiver of the protection afforded by the standard conduct of business regime will be considered and may be accepted by the Bank only if an adequate assessment of the expertise, experience and knowledge of the Customer, undertaken by the the Bank, gives reasonable assurance, in light of the nature of the transactions or services recommended, that the Customer is capable of making investment decisions and understanding the risks involved.



In the course of such categorisation assessment, as a minimum, two (2) of the following criteria shall be satisfied:

- (i) the Customer has carried out transactions, in significant size, on the relevant market at an average frequency of ten (10) per quarter over the previous four (4) quarters;
- (ii) the size of the client's financial instrument portfolio, defined as including cash deposits and financial instruments exceeds EUR 500 000;
- (iii) the Customer works or has worked in the financial sector for at least one (1) year in a professional position, which requires knowledge of the transactions or services envisaged.

The appropriateness test applied to managers and/or directors of entities licensed under Directives of the European Union in the financial field, may be regarded as an example of the assessment of expertise and knowledge. In the case of small entities, the person subject to that assessment will be the person authorised to carry out transactions on behalf of the entity.

Further the Customer shall:

- (i) state in writing to the Bank that they wish to be treated as a Professional Client,
- (ii) that he is aware of the consequences of losing any protections afforded as Retail Client.

Professional Client obligation to request for Reclassification: It is noted that is the responsibility of the Customer, considered to be a Professional Client, to ask for a higher level of protection when he deems he is unable to properly assess or manage the risks he is involved or undertaken.

### 3.4 Customer Investor Profile

In addition to the categorisation referred above, it is essential for the Bank to be provided with such information to enable to assess the Customer's Investor Profile. The applicable law requires that the Bank when is providing Investment Services to customers to request certain information from their customers. In this context, the Bank requests that prior to entering into an Investment Services Agreement a questionnaire be filled in to assess the knowledge and experience of a Customer in Financial Instruments, his investment objectives, financial constraints and financial situation to determine his ability to bear losses.

If the Customer's Investor Profile has already been established with the Bank, the same will be required and will be requested by the Bank from time to time to be updated or confirmed as to enable the Bank to continue providing the Services as per applicable law.

Further, for the execution and processing payment settlements for Orders executed under the scope of Services offered pursuant to an Investment Services Agreement, **a separate bank account (PB Investment Bank Account (PB Account))** will be required to be opened for payment services (please also refer to **Part D:Section 7: Payment Services**).

### 3.5 Assessment of Suitability and Appropriateness

Within the context of providing Investment Services, the Bank performs tests to assess whether the offered Investment Services or Financial Instruments are suitable and appropriate (if applicable) for the Customer and correspond or are aligned with his Investor Profile. Subject also to a Customer's Categorisation (Retail Client or Professional Client), and the respective investment service requested to be provided, the tests applied focus on examining the Customer's knowledge and experience to comprehend the risks potentially associated with the Service or the Financial Instruments, his investment objectives and financial status.

If a Customer is categorised as an Eligible Counterparty the Bank does not have to undertake a Suitability Test or Appropriateness Test (as described herein below).

### 3.5.1 Assessment of Suitability

The suitability assessment covers a Customer's knowledge and experience, financial situation and investment objectives, when the Bank is requested to provide Services in Financial Instruments which include Investment Advice\* and/ or Portfolio Management. If the Customer is categorised as Retail Client or Professional Client, and services requested to be offered are Investment Advice and/or Portfolio Management, the Bank will request the Customer to provide such information to enable the Bank to assess the Customer's ability to understand and financially undertake the relevant risks or loss associated with the Services or Financial Instruments requested (**Suitability Test**). Nevertheless, the depth and detail of the required information are subject to the proportionality principle. For example the information requested can vary depending on the complexity, risks and structure of the financial instrument and/or on the nature and extent of the Service provided.

**The Bank notes that, when providing the Services of Execution Only or Reception and Transmission of Orders in relation to one or more non-complex Financial Instruments, the Bank is not required to assess the suitability of the Financial Instrument or Service offered, as to the Customer's respective knowledge and experience in each of those Financial Instruments.**

**Therefore Customers do not benefit from the corresponding protection of the relevant conduct of business rules set out in the Law. The above Services are offered to customers on their own initiative. Customers should make their own assessment in respect of an investment in these financial instruments and the risks associated with such an investment.**

**Table 1** shows an overview of minimum information that has to be obtained according to MiFID when suitability assessment applies.

TABLE 1 :REQUIREMENTS FOR ASSESSING SUITABILITY	
Minimum Customer's Information	Requirements
<b>Customer's knowledge and Experience</b>  <i>(Note: Assumed this requirement is satisfied when dealing with Professional Client)</i>	<ul style="list-style-type: none"> <li>• Types of Service, transactions in Financial Instruments with which the Customer is familiar;</li> <li>• Customer's transactions in Financial Instruments (nature, volume, frequency);</li> <li>• Customer's Level of education, profession or (if relevant) former profession.</li> </ul>
<b>Customer's financial situation</b>  <i>(Note: Assumed this requirement is satisfied when dealing with Professional Client)</i>	<ul style="list-style-type: none"> <li>• Customer's source of funds and regular income;</li> <li>• The customer's assets, including liquid assets, investments and real property;</li> <li>• The customer's regular financial commitments;</li> <li>• Customer's ability to bear losses.</li> </ul>
<b>Customer's investment objectives</b>	<ul style="list-style-type: none"> <li>• Customer's investment horizon;</li> <li>• Customer's risk preferences, risk profile and risk tolerance;</li> <li>• Purposes of the investment.</li> </ul>
<i>*If Investment Advice is provided as part of a package of Services or Financial Instruments bundled as part of a package or as a condition for the same agreement or package, the Suitability Test is performed for the overall bundled package.</i>	

However, the Bank is allowed to make certain assumptions in the case of Professional Clients (either as a Per Se Professional Client or as an Elective Professional Client). Provided that this assessment has been done as part of the Customer's categorisation process, it does not need to be repeated for suitability assessment purposes.

**It is therefore important that the Customer provides the Bank with all requested information and keep the Bank updated of any changes.**

### Who provides the information to the Bank

The information is required both in relation to the Customer and other related parties who may be responsible for instructing or authorising Orders on behalf of the Customer or for any underlying principals that the Customer may be acting for.

In the situation in which a natural person is represented by another physical person, the financial position and investment objectives of the Customer, not of the representative, are important. However, the knowledge and experience of the representative are also important.

Joint Account Holders: The Bank takes the following factors into account when providing natural joint account holders with Investment Advice or Portfolio Management service:

- (i) the investment knowledge and experience of the person taking the investment decision (it may be one of the joint account holders or, where applicable, the authorised representative);
- (ii) the Investor Profile categorisation that offers the highest level of protection to all joint account holders.

If the Customer (or his representative or the management body (in case of a legal entity)), as the case may be, does not provide the Bank with the relevant information, the Bank may not be in a position to, and therefore cannot be obliged, to provide the Service requested.

As already noted if the Customer is a Professional Client (either as a Per Se Professional Client or as an Elective Professional Client), the Bank is entitled to make certain assumptions about the Customer, and obtain less information that would have if the Customer is a **Retail Client**:

- (i) the Bank is allowed to assume in relation to any Services or Financial Instruments, for which a Customer has been classified as Professional Client, that the Customer has the necessary level of experience and knowledge to understand the associated risks;
- (ii) the Bank is not required to provide Professional Clients with Suitability Reports (Section 3.6.1 (iv) below) in relation to any Investment Advice provided. Though, when providing Investment Advice to a Professional Client (not an Elective Professional Client), the Bank is entitled to assume that the Customer understands any investment risks and can undertake any financial loss as per his Investor Profile.

### 3.5.2 Assessment of Appropriateness

The assessment of appropriateness is carried out by the Bank to ensure that the Services or Financial Instruments are appropriate by considering the knowledge and experience of the Customer. Such assessment is carried out, when the Bank is requested to provide the Execution Only Service or Reception and Transmission of Orders Service in **Complex Financial Instruments (Appropriateness Test)**. The Appropriateness Test is to be processed upon the Bank accepting Orders under the above referred Services, in Complex Financial Instruments.

The Customer will be requested, inter alia, to provide details and information of the types of Financial Instruments and other Services he is familiar with; the nature, volume and frequency of his transactions in Financial Instruments; and the level of education and profession and his ability to comprehend the risks associated with carrying out transactions in Complex Financial Instruments. For this purpose, the Customer Questionnaire has to be completed and updated from time to time as may be requested by the Bank.

If the result of the Appropriateness Test is positive, the Customer will be allowed to place the Order. Otherwise, a warning will be given to the customer who may choose to ignore it and proceed with placing the order. A warning will also be given to the customer who does not provide the necessary information for performing the test and still at his own risk wishes such transaction to be processed.

Appropriateness Test requirements **do not apply** when dealing with Eligible Counterparties **nor** do they apply when providing **Execution Only** services for non-complex Financial Instruments (please refer to Appendix III :Financial Instruments), even if a Customer is a Retail Client.

**Table 2** shows an overview of minimum information that has to be obtained according to MiFID for the assessment of appropriateness.

<b>TABLE 2: REQUIREMENTS FOR ASSESSING APPROPRIATENESS</b>	
<b>Minimum Information to be obtained for purposes of assessing Appropriateness*</b>	<b>Requirements</b>
<b>Customer's Knowledge and Experience</b>  <i>*The Bank may assume that the requested service is appropriate if dealing with Professional Clients and Eligible Counterparties*</i>	<ul style="list-style-type: none"> <li>• Types of Service, transactions in Financial Instruments with which the Customer is familiar;</li> <li>• Customer's transactions in Financial Instruments (nature, volume, frequency);</li> <li>• Customer's level of education, profession or (if relevant) former profession.</li> </ul>

**Table 3** summarises the requirements for the assessment of Suitability and Appropriateness subject to Customers' categorisation.

<b>TABLE 3: SUMMARY OF SUITABILITY AND APPROPRIATENESS REQUIREMENTS</b>				
	<b>Reception and Transmission of Orders and/or Execution of Orders</b>		<b>Investment Advice and/or Portfolio Management</b>	
	Retail Client	Professional Client	Retail Client	Professional Client
Knowledge and Experience	✓		✓	
Investment Objectives			✓	✓
Financial Situation			✓	✓*
* only for some Professional Clients (if applicable –for complex products)				

Financial Instruments are listed in **Part A: Section 2.2.1** and their characteristics and associated risks are further described and summarised in **Part C**. Definitions as to Complex and non-Complex Financial Instruments are set out in **Appendix III**.

### 3.6 Target Market Assessment

In case the Bank acts as distributor or manufacturer of a Product, and subject to the Service provided, the Bank is obliged as per product governance obligations (target market assessment) set out by applicable law, to carry out further assessments on the eligibility of a Customer, based on his categorisation, if he is eligible to invest in specific Financial Instruments.

In principle, the target market is an objective description of the targeted customer based on the relevant assessments by either a manufacturer and/or distributor of a Financial Instrument.

Subject to the Service to be provided, and the Customer's request, the Bank will consider whether the information it holds in relation to a customer's investment objectives (as to knowledge and experience or attitude to risk) adequately enables the Bank to assess the target market identification prescribed for a

Product. If the Bank is not in a position to assess the Customer's request (or no relevant information is provided by the Customer and the Bank is not able to assess the Customer's request) then the Bank **will not be able** to process or execute or transmit an Order or request for a Transaction submitted by the Customer.

It is further clarified that where the Bank acts as a distributor on an Execution Only basis, it will not and does not provide any Investment Advice nor conduct an Appropriateness Assessment for customers categorised as Professional Client or Eligible Counterparty.

For products (or categories of products) that the Bank manufactures or distributes under execution-only services the Bank from time to time issues or make available information documents which represent the Bank's reasonable view of the target market for such products and is made available for information purposes only to enable investors and counterparties who act as distributors and customers, to assess for themselves whether a product meets their or their end client's objectives, needs and characteristics.

Such documents are solely for informational purposes and are not an offer to buy or sell or a solicitation of an offer to buy or sell the products listed therein. A document or illustration table providing generic description of target market assessment per financial instruments category does not purport to cover all products manufactured or distributed by the Bank, and some products may have specific disclosures which will prevail over the general disclosures included in any generic documentation.

If a customer upon reviewing the fact sheet or information (Key Information Document (KID)/ Key Investor Information Document (KIID))\* of any product have any questions or concerns about the product category if such product falls into or whether a product meets the customer's own investment objectives, needs and characteristics, he should arrange to receive specific professional advice.

### **Direct Customers**

The Bank for purposes of Product Governance requirements under MIFID legal framework, only recognises its direct customers. If any customer or counterparty is acting as a distributor where it has not been agreed with Bank (i.e. is not the final investor in the chain and is instead offering, recommending or selling the product to another investor), then such entity is responsible for defining its own target market for the instrument given its more detailed knowledge of the onward end client base.

*\*Please also refer to **Part D: Section 5 (PRIIPs)**.*

Further information on the Banks' Product Governance Policy (summary) of its legal obligations as per applicable law are noted in **Part B:Section 3**.

### 3.7.1 Transactions and Portfolio Statements

The Bank provides to the Customer detailed reports as to the Investment Services provided to the Customer by the Bank including reports on the execution of any Order in Financial Instruments processed through the Bank on behalf of the customer, as well as, of related costs and charges (as may be applicable subject to the Services elected to be offered and the Customer's categorisation).

In general, various reports are provided to Customers in a Durable Medium, namely:

- (i) Transaction orders execution confirmation;
- (ii) Statements of Customer's Financial Instruments or Funds;
- (iii) Portfolio Management Reports (where applicable for discretionary portfolio management clients);
- (iv) Suitability Reports.

If the Customer has access to the Bank's e-Banking service the Bank may also provide any periodic statements online. It is emphasised that in cases of customer's unavailability to receive any report or statement resulted from his responsibility, the Bank will make any possible effort to inform the customer the soonest possible.

#### (i) Transaction orders execution confirmation

When the Bank has processed an Order on behalf of a Retail Client or a Professional Client, on Execution-Only Service, the Bank to the extent and depending on the type of the Order, subject to applicable law, shall provide the Customer with a Transaction execution confirmation. Such confirmation will include details of the executed Transaction such as the quantity, the execution venue and actual execution price.

The confirmation is to be provided no later than the first business day following execution or, where the Bank receives confirmation from a third party, no later than the first business day following receipt of the confirmation from the third party. The Bank is not required to provide such Transaction confirmations if the same information is promptly dispatched to the Customer by another person.

#### (ii) Portfolio Statements of Customer's Financial Instruments

The Bank, also, at least on a quarterly basis sends to the Customer a portfolio statement and/or a statement of all financial instruments held. This portfolio statement contains information on the performance of an asset allocation in the Portfolio, including also information as to the value of the financial instruments together with an indication of a market price (which in case of lack of liquidity will be noted). Such a statement as may be agreed can be provided in any other periodic statement more frequently.

Where an estimated value is provided in such statements it is done on a 'best efforts' basis. It is clarified that the Bank, does not provide valuation services in relation to the Financial Instruments held by the Bank. Consequently, the value of the Customer's Financial Instruments shown on the periodic statements will be based on information received from published sources and/or reasonable judgement in relation to which the Bank accepts no responsibility for its accuracy and/or correctness.

Loss barrier reports for leveraged financial instruments: If a Customer has elected to be provided with Execution Only Services, the Bank will send a letter informing where the value of leveraged financial instruments or holdings in contingent liability transactions\* (margin) has depreciated by 10% or multiples thereof as compared to the initially invested value.

*\*Contingent liability transactions can potentially result in financial or other liabilities for the investor that exceed the cost of acquiring the Financial Instrument.*

### **(iii) Portfolio Management Reports**

Where the Bank is providing the service of Portfolio Management, to Retail Client or Professional Clients, quarterly reports are provided to the Customer, in which the movement of the Portfolio is presented for the duration of the respective reporting period, as well as a report containing the portfolio valuation, including the activities undertaken and the performance of the Portfolio also measured against a pre-defined benchmark strategy (where applicable) as described in the Portfolio Management mandate. The Bank may also periodically provide further details to the Customer.

When providing Portfolio Management (discretionary) services, the Bank will also send a notification informing the Customer where the value of the Portfolio has depreciated by 10% or multiples thereof as compared to the last portfolio statement sent to the Customer.

A Retail Client may opt to be informed, immediately and not periodically, for the transactions that are performed as part of the Portfolio Management Service and consequently receive the transaction confirmations for each executed transaction.

### **(iv) Suitability Reports**

Where applicable, i.e. when Suitability assessment is required to be addressed for a Retail Client (i.e. when Investment Advice and Portfolio Management services are offered), the Bank before executing an Order will be providing the Customer in a Durable Medium (e.g. can be via email) a suitability report which will specify how the advice given meets the Customer's preferences, objectives and other characteristics. Such statement, to the effect that may be included in a periodic report, may be in the form of an update to, and refer to, a previous suitability report.

Where the Portfolio Management Service is provided, the periodic report noted under paragraph (iii) above, will contain an updated suitability statement of how the investment meets the preferences, investment objectives and other personal characteristics.

It is noted that in case the Customer agreed to buy or sell a Financial Instrument using means of distance communication (e.g. phone, email), if it is not possible to share the suitability report prior to the transaction, it can be issued after the transaction as well, subject to (i) the Customer has consented to receiving the suitability report without undue delay after the conclusion of the transaction; and (ii) the Bank has given the Customer the option of delaying the transaction in order to receive the report on suitability in advance.

#### *Reporting to Eligible Counterparties:*

The Bank is able to agree with Eligible Counterparties different standards for the content and timing of reports than those applicable for Retail Clients or Professional Clients.

### **3.7.2 Costs and Charges Reporting**

The Bank, where applicable, provides the Customer with reports on the costs and charges relating to the Services received on two (2) types of disclosures:

The costs and charges for the Bank's Services are illustrated in the Banks' Investment Services Costs and Charges List (the **Fee Schedule**). The current policy is set out in **Appendix II**.

The Fee Schedule may be subject to change from time to time, or on a case-by-case basis in accordance with the Bank's internal policies and procedures. Further as may be agreed in writing between a Customer and the Bank as to the terms of specific Financial Instrument or Services specific fees may be applied, which override the indicative fees and charges set out in the Fee Schedule and subject to the

provisions of the Investment Services Agreement entered into and executed between the Customer and the Bank.

The Fee Schedule can be requested at any time from the Customer's nominated Relationship Officer.

**(i) Ex-Ante (Pre-trade disclosure of costs and charges estimate)**

Unless otherwise agreed, the Bank discloses costs and charges prior to an investment decision following investment advice offered by the Bank (if such Service is elected) or prior to concluding an order subject to a Portfolio Management mandate (subject also to any specific instructions provided by the Customer in such mandate), taking into account the Customer's categorisation.

Costs and charges, *for Execution Service only*, such being for example, Transaction commissions, administration fees, stamp duty fees, and other fees in connection with the safekeeping account management, are not disclosed separately, or even partially, and are set out in the Fee Schedule. An itemised breakdown of the actual fees and charges incurred for a transaction is available upon request. Costs and charges for any investment advice or portfolio mandate are provided independently.

It is noted that the costs and charges shown in the Fee Schedule, other than those payable to the Bank are based on reasonable estimates and assumptions but may be more or less than the amounts shown. For the calculation and disclosure of costs and charges, where applicable, the Bank uses data available at the point in time of the execution of the order or earlier. It is stressed that real time data may differ from the valuation that may be contained in any prior report or statement provided to the Customer.

It is possible also that **additional fees** are included in the fee charged due to differentiations in the market, e.g., spread, special settlement rules, closing price differentiation in different capital markets).

It is possible that prior costs and charges information is calculated based on a reference investment amount and does not account for exceptional circumstances (e.g. costs associated with a specific Financial Instrument such as UCITS under the respective KID/KIID (Please also refer to **Part D: Section 5**)). Under such circumstances, the actual amount of capital invested may differ from the valuation, meaning that the actual costs and charges incurred may also differ. For example, for structured products and investment funds the financial costs may vary significantly depending on the underlying/investment fund and the amount invested. A Customer prior to making an investment shall refer to the KID/KIID and the transaction cost sheet of a product for a detailed explanation of costs and charges.

For convenience and to avoid any delays in executing Customers instructions the Bank has prepared and will be providing you with a pack of cost and charges illustrations for those products (such as Equities, Bonds, Mutual Funds, and Exchange Traded Funds (ETF's)) where the costs are fixed. In case where inducements are received and retained are part of the total costs and charges and are disclosed in the relevant cost and charges reports (if such disclosure is applicable).

The costs and charges information also allows the Customer to understand the effect on return of the investment. Costs and charges may reduce the return of the investment.

**Illustrations on Ex-Ante costs and charges information can be found on the Bank's website at <https://www.eurobank.com.cy>.**

All changes or amendments in the Fee Schedule and/or in the Ex-Ante costs illustrations, are posted on the Bank's website as may be amended from time to time and are effective from the date posted on the Bank's website at [www.eurobank.com.cy](http://www.eurobank.com.cy) and are available upon request from the Wealth Management Department.

**(ii) Ex-Post (Post-trade disclosure)**

The Bank on an annual basis will provide the Customer with a report of aggregated costs which have actually been incurred by the Customer for the Services offered (annual costs and charges report). Such information as to the aggregated costs a Customer incurred for the Financial Instruments held in the Portfolio will be included within the regular annual Portfolio statement report.



The calculation of any percentage figures contained in such report will be based on the average invested capital over the reporting period. Other service costs, e.g., administration fees and other fees in connection with safekeeping account management, might be aggregated in the aggregate amount of costs and charges and are not disclosed separately.

### **(iii) Inducements**

The Bank, in the process of providing certain Services, may receive or pay fees, commissions or other minor non-monetary benefits (referred as **Inducements**) from or to other companies of the Eurobank Group or from any third party with which the Bank cooperates as distributors or product manufacturers for the distribution of their products. In this respect, in determining the applicable fees and commissions the Bank has considered that it may receive Inducements in relation to its services. To this effect, the Bank applies an Inducement Policy (please also refer to **Part B: Section 2 (Conflicts of Interest)**).

The Bank may receive from or provide third parties with minor non-monetary benefits to the extent that those benefits enhance the quality of the Service provided, do not impair compliance with Bank's duty to act in the Customers best interests and are disclosed clearly. Accepting such inducements is not immediately connected to the services provided to the Customer; rather, the Bank also may use these inducements to provide the service at the high level of quality requested by the Customer and to continuously improve such service.

The exemption for permissible minor non-monetary benefits are narrowed to include (this a non-exhaustive list):

- information or documentation relating to a Financial Instrument or Service (this could be generic in nature or personalised);
- written material from a third party that is commissioned and paid for by a corporate issuer to promote a new issuance, provided that the relationship is clearly disclosed and it is made available at the same time to any investment firm or to the general public;
- participation in conferences, seminars and other training events on the benefits and features of a specific financial instrument or Service;
- hospitality of a reasonable de minimis value (e.g. food and drink during a business meeting or a conference, seminar or other training events);
- other minor non-monetary benefits as identified by individual Member States.

The specific inducement regime of the Bank though depends on the service type offered:

- (i) For discretionary Portfolio Management Service: the Bank will not retain any monetary or major non-monetary third party benefits and any received benefits will be reimbursed to the Customer.
- (ii) For Investment Advice and Execution Only Services: through classification as non-independent advice, the Bank is allowed to retain third-party monetary and major non-monetary benefits.

In principle, as noted above, Inducements accepted or granted in connection with the performance of the Services are designed to improve the quality of the service provided to the Customer in accordance with the statutory criteria for the nature and determination of quality improvement, and so that they do not conflict with providing the service in the Customer's best-possible interests.

Before providing the relevant requested Service, the Bank will disclose the existence (if applicable and if any), nature and scope of an inducement or, insofar as the scope cannot yet be determined, the way in which it is calculated in a comprehensive, accurate and comprehensible manner. If the Bank is able to determine the scope of the inducement and instead have disclosed to the Customer the way it is calculated, then the Bank will inform the Customer subsequently of the precise amount of the inducement we have received or granted.

To enable its Customers to access diversified investment opportunities, the Bank offers a broad range of products, including Eurobank Group funds as well as third-party funds, which it distributes and which Customers may subscribe to at their own initiative. The Bank may receive a servicing fee from certain fund managers or its representatives. Such fees are accrued by the Bank on a periodic basis and information will be provided to the Customer on periodic basis in relation to a requested Financial Instrument product, once such are ready available to be disclosed. The amount varies depending on the investments made/level of outstanding and holding period, the net asset value (NAV) its frequency, the rates negotiated in the distribution contracts and the number of units in issue, etc.

Inducements are normally measured as a percentage of the total investment volume held by the Bank or by the customer in a product, The amount of fees received in relation to the value of the funds balances is generally at the range of 0%- to 0.5%. This range corresponds to the maximum inducements the Bank may receive. It is clarified that the payment or benefit which enables or is necessary for the provision of the Services, including but not limited to, settlement and exchange fees, regulatory levies or legal fees, and which by its nature cannot give rise to conflicts with the Bank's duties to act honestly, fairly and professionally in accordance with the best interests of its Customers (classified as Proper Fees), is not subject to the requirement set out in this section. Proper fees do not need to be disclosed as an inducement.

#### **(iv) Third Party Research Material Costs (Inducement)**

Research in this context is defined as material, which suggests or recommends an investment strategy, explicitly or implicitly, and provide a substantiated opinion as to the present or future value or price related to:

- one or more financial instruments or other assets; or
- the (potential) issuers of financial instruments; or
- a specific industry or market such that it informs views on financial instruments, assets or issuers within that sector.

Third party research, in the context of Inducements, is seen as a non-monetary inducement and as such providing or receiving research is subject to the rules on Inducements. If such research material is provided for information purposes only, as such its content will be categorised as minor non-monetary benefit.

The Bank does not charge any cost or fee for any Third Party Research Material that may be provided randomly to Customers and if such material is provided, will only be for information purposes, on **non-reliance basis** and as such is not verified or endorsed by the Bank.

#### **(v) Disclosure of Commissions and Benefits**

The Bank retains a record and maintains a list of all fees, commissions or non-monetary benefits, paid or received, and how they enhance the quality of services provided to its Customers. The disclosure, unless otherwise described hereinabove, if applicable, is to be made prior to relevant service being provided.

All fees, commissions or non-monetary benefits received are disclosed on annual basis, including the amount paid or received.

Further detailed information on the application of the Inducements and as applied for specialised products a customer may contact the Wealth Management Department (Head Office, 41 Arch. Makarios III Avenue, 1065 Nicosia Cyprus, telephone number: 0035722208074, fax number: 00357 22 875405 or email: CyprusPrivateBanking@eurobank.com.cy).

### 3.8 REGULATORY TRANSACTION REPORTING OBLIGATIONS

Subject to **MiFID**, Orders handled by the Bank or quotes given by the Bank in connection with a potential order, may result in details of the order, quote or any resulting transaction being provided to a competent Regulator or made public as further described below.

Where the Bank provides a Service which results in a transaction, the Bank may be required by the Regulators to report details of the transaction processed (including but not limited to details about the Customer).

Transaction reporting obligations may arise as a result of various activities, including but not limited, to where an Order is executed (venue/market), whether a transaction for own account, or whether the order was generated for the Customer under the Bank's discretionary decision-making authority.

The Bank may be required, subject to applicable law, to make public details as of the resulting transaction or provide such details to an Execution Venue, to enable such Execution Venue to comply with its reporting requirements under applicable law (e.g. MiFID or MiFIR) or the Bank may be directly required to make such details public. Similarly, the Bank may be required to make public or disclose the details of any quotes provided to the Customer for a potential transaction either to a Regulator or to another other customer if is required by applicable law (known as **Market Transparency Requirement**).

**Important Note:** Additional regulatory reporting requirements, outside MiFID (e.g. tax, KYC/AML) may be applicable or imposed either on the Bank or the Customer. Further information are provided in **Part B: ORDER EXECUTION POLICY** and **Part D : ADDITIONAL COMPLIANCE AND REGULATORY INFORMATION RELATED WITH THE PROVISION OF INVESTMENT SERVICES IN FINANCIAL INSTRUMENTS**.

## **PART B: BANK'S POLICIES IN RELATION TO PROVISION OF INVESTMENT SERVICES IN FINANCIAL INSTRUMENTS**

Part B includes a summary of the Bank's policies which are applicable and effective as of **3 January 2018**, when executing and handling orders on behalf of a Customer or Customers as per applicable law in scope of the conduct rules of the Bank for the provision of the Services.

### **1. ORDER EXECUTION POLICY (SUMMARY)**

#### **1.1 BEST EXECUTION POLICY**

The Bank under its regulatory duty shall take all sufficient steps to obtain the best possible result for its Customers, taking into account the execution factors, on a consistent basis when executing, placing orders with or receiving and transmitting orders of customers to other entities (e.g. brokers or affiliates) for transactions in Financial Instruments and when executing orders on behalf of Customers whether to buy or sell financial instruments in the context of discretionary portfolio management. The Bank, as a matter of principle, executes orders on terms most favourable for its Customers and follows the same execution principles for orders given by Customers and buying or selling decisions taken by the Bank in discretionary Portfolio Management. This **overarching principle** to obtain best possible results for Customers is referred to as the Bank's obligation of **Best Execution**.

A separate but related obligation is to implement procedures and arrangements which provide for the prompt, and expeditious execution of Customer Orders. The Bank has established, in accordance with its existing conduct of business rules, an order execution policy (the **Order Handling Policy**)(summarised **Section 2** of this **Part B**), which sets the basis on which the Bank will provide Best Execution in compliance with applicable laws relating to investor protection and market abuse.

Best Execution Policy and Order Handling Policy (collectively referred as the **Order Execution Policy**).

##### **1.1.1 Application**

In principle, only Customers categorised as **Retail** or **Professional Client** fall within the scope of Best Execution. The Order Execution Policy is not applicable in case of orders in Financial Instruments and Services that do not fall within the scope of the applicable laws such as, loans, real estate or commodities in their physical form.

##### **1.1.2 Best Execution obligation in relation to Customer Categorisation**

###### **(i) Retail Clients**

In relation to **Retail Clients**, the Bank will always apply the principles of Best Execution, where required under applicable law, unless specific instructions received from a Customer restrict the Bank's ability to apply the principles fully (please refer to Section 1.3 Customer Specific Instructions below).

###### **(ii) Professional Clients**

In relation to **Professional Clients** dealing in Financial Instruments, Best Execution is owed:

- (i) Always in circumstances where the Bank is acting in an agency or riskless principal capacity or have a contractual obligation to do so.
- (ii) When Dealing on own account (acting in a principal capacity), when circumstances demonstrate that the Customer is legitimately relying on the Bank in relation to the execution of the transaction.

When the Bank provides quotes or negotiates a price, the Bank determines whether the Professional Client is placing a legitimate reliance on the Bank and therefore a duty of best execution is owed in relation to a specific Transaction, by applying the European Commission's **Four-fold Cumulative Test**.

The four-fold cumulative test encompasses the following criteria:

- (i) which party initiated the transaction; if the Customer initiates the transaction it is less likely that the Customer will be placing legitimate reliance on the Bank;
- (ii) what the market practice is, for example whether there is a market convention to “shop around” for quotes; where market practise is to shop around and there is ready access to various providers it is less likely that the Customer will be placing legitimate reliance on the Bank;
- (iii) the relative levels of transparency within a market e.g. whether the Customer have ready access to prices and it is less likely that the Customer will be placing legitimate reliance on the Bank; and
- (iv) the information provided by the Bank and any agreement (such as the Investment Services Agreement) between the Customer and the Bank which indicate or suggest that the Customer will be placing legitimate reliance on the Bank.

Where there are specific instructions from the Customer the Bank will execute the order following the specific instructions (please refer to Section 1.3 Customer Specific Instructions below).

However, in the normal course of business, the Bank does not act on behalf of Professional Clients when the service is the execution of transactions with the Customer following a request-for-quote (**RFQ**) or in the course of similar quote-driven activity. This is because of the regulatory assumption that, in these circumstances, Professional Clients do not place legitimate reliance on individual quoting firms. In the absence of legitimate reliance, the quoting firm does not act on behalf of Professional Clients in respect of this activity and Best Execution is not applicable.

### **(iii) Eligible Counterparties**

The Best Execution obligation does not apply to Eligible Counterparties as these Customers are considered to be sufficiently sophisticated to protect their own interests. However, the Bank will still provide such Customers with the prompt, fair and expeditious execution of orders together with appropriate information on the execution venues, costs and other relevant information.

## **1.1.3 Transactions where Best Execution has Limited Scope**

### **(i) Customer Specific Instructions**

Any specific instruction of the customer may prevent the Bank from taking the steps that it has designed and implemented in its Order Execution Policy to obtain the best possible result for the execution of those orders. When the Customer’s instructions relate to a part of the order, the Bank applies its Order Execution Policy in respect of the elements that are not covered by such instructions.

If the Customer does not provide any instructions, the Bank will exercise its own discretion regarding the order in accordance with this Policy. The receipt of specific instruction may affect the relative importance assigned to the various execution factors and prevent the Bank from taking the steps it has designed and implemented to obtain best execution in respect of the elements covered by such instructions.

### **(ii) Single venue transactions**

The nature of a transaction may result in there being only one venue of execution and therefore the only pricing consideration is time of execution. It therefore precludes the use of comparable prices and the delivery of Best Execution.

### **(iii) Electronic trading systems**

Where we have provided you with access to prices displayed on third party crossing networks or other third party electronic systems and the Customer decides to deal at the prices displayed, the Customer is responsible for achieving his own Best Execution.

#### **1.1.4 Execution Factors and Criteria**

The Bank takes all sufficient steps to achieve the best possible result for the customer when executing orders, in applying the overarching principle, taking into account the execution factors stated in paragraph (a) below by reference to the execution criteria set out in paragraph (b) below.

##### **(a) Execution Factors**

At least the following factors are considered when executing or transmitting orders:

- (i) Price: of the financial instrument;
- (ii) Costs: the costs related to the execution (i.e. execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order);
- (iii) Speed: the speed of execution
- (iv) Likelihood of execution and its settlement;
- (v) Size of the order;
- (vi) Type of the Financial Instrument including whether it is executed on a Regulated Market, Multilateral Trading Facility (MTF), or over the counter (OTC);
- (vii) Customer's instructions for the execution of the order;
- (viii) Any other consideration relevant to the execution of the order, at the Bank's discretion, e.g. prevailing market conditions, the availability of price improvement (the opportunity of an order to be executed at a better price that way is currently quoted publicly).

The Bank may take into account, at its discretion, additional other factors (such as market conditions etc.) considered relevant for the execution. In addition the Bank also considers any specific instructions of the Customer for the execution of the order.

##### **(b) Execution criteria**

The Bank in order to determine the relative importance of each execution factor referred to in paragraph (a) above, takes into account the following execution criteria:

- (i) Customer's categorisation;
- (ii) Characteristics of the Customer order;
- (iii) the type of the Financial Instrument being the subject of the order;
- (iv) the characteristics of the execution venues to which the order can be directed.

#### **1.1.5 Importance of Execution Factors in relation to Customer Categorisation**

Obtaining the best possible result requires prioritising different execution factors relevant to the specific order of the Customer. Outcomes for Customers may vary depending on the prioritisation of execution factors in applying the overarching principle.

##### **(i) Retail Clients**

When executing or transmitting on behalf of a Retail Client, the best possible result is determined in terms of:

- (i) the Total Consideration which represents the financial instrument price and all other costs related to the execution, including all expenses charged to the customer that are directly related to the execution of the order and Execution Venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order;
- (ii) the speed of the execution;
- (iii) the characteristics of the order and of the underlying Financial Instrument;
- (iv) the correctness of the execution.

## (ii) Professional Clients

When providing Professional Clients with best execution the Bank is not required to prioritise the overall costs of the transaction as being the most important factor in achieving best execution.

However the Bank considers that the most important execution factor for its Professional Clients is also the **Total Consideration** (as described above). However, there may be circumstances where the primary execution factors may vary and price is no longer the dominant execution factor; for example, for transactions in illiquid securities, likelihood of execution and market impact become more important. The importance of these factors and how they are treated may vary depending on the characteristics of the order, the type of the financial instrument which is the subject of the order and the characteristics of the execution venues to which the order can be directed.

The Bank cannot guarantee that it will be always possible to execute an order at the best price available due to market conditions, liquidity of the market, but the Bank will always strive to execute an order in accordance with this Policy.

### 1.1.6 Execution Venues

**Appendix I** shows a list (not exhaustive) of the execution venues on which the Bank considers it enables the Bank to obtain on a consistent basis Best Execution.

In cases where more than one competing venues exist for the execution of an order, the Bank assesses and compares the results in each one of the execution venues in order to achieve the best possible result for the customer. The Bank will select an execution venue based primarily on the availability of best pricing for the specific Financial Instrument and the amount of accessible liquidity offered by the execution venue.

In some circumstances, depending on the nature and features of the Financial instruments, there may be only one and/ or limited execution venues, and in executing a trade the Bank shall be deemed to have provided the best possible result in respect of these types of Financial Instruments. In other instances, the Customer, may instruct the Bank to route his order to a particular venue or to use certain order types or access certain liquidity events (e.g. auction or listed bonds or derivatives). In such case the Bank will consider additional execution venue criteria, considering but not limited the overall technical and operational offering of an execution venue, connectivity, reliability and clearing requirements as well as the costs of accessing such execution venue.

The Bank may, subject to Customer's express consent, execute orders in an execution venue that is not a Regulated Market or an MTF or OTF. There are consequences of executing transaction outside Regulated Market or an MTF or OTF, including counterparty risk. For additional information please contact the Bank (Wealth Management Department).

The Bank may also transmit orders for execution to other broker (for executing transactions Over-the-Counter (OTC)) provided that it is considered to be in the best interests of the Customer (please refer to Section 1.1.8 below). Subject to the proper assessment of the execution criteria and execution factors referred to above, subject to applicable law, if the Bank can act to the Customers' advantage or not to put the Customer at a disadvantage, the Bank may be used as an execution venue or may act merely as an OTC counterparty limited to own account trading. When the Bank may act as an execution venue or as OTC counterparty limited to own account trading, the Bank will consider all the sources of reasonably available information, including the MTFs, OTFs, systematic internalisers - SIs, local exchanges, brokers and data vendors, in order to obtain the best possible result for the Customer.

The Bank regularly assesses the Execution Venues available in respect of any Financial Instruments that it trades to identify those that will enable the Bank, on a consistent basis, to obtain the best possible result when executing Customers' orders taking into account execution factors and criteria. The list of Execution Venues

may be updated, if considered necessary, following such assessment, and any changes or updates are posted either through Durable Medium or on the Bank's website.

### **1.1.7 Reception and Transmission of Orders to third parties**

The Bank will generally place or transmit customers' orders via third-party (Brokers and Counterparties/ Intermediaries) for execution. The Bank may also place or transmit such orders for execution through affiliated entities within the Group.

The choice of Brokers or Counterparties has a direct impact on price and cost of the execution, thus on Total Consideration. For the selection of brokers and counterparties, the Bank applies a due diligence procedure which considers a number of criteria including assessment of:

- (i) financial soundness of the broker and counterparty;
- (ii) access to execution venues or other brokers and counterparties;
- (iii) reliability of execution and settlement process.

The Bank ensures that the best execution policies and practices of its associates Brokers or Counterparties are compliant with the best execution requirements under MiFID. In addition the Bank regularly monitors and evaluates the quality of services provided by third party associates (Brokers and Counterparties) during the term of their cooperation including their best execution practices.

Execution also may be processed through Affiliates, which provides specific benefits to Customer order execution; these factors include but are not limited to governance, oversight and transparency of an order, consistency of order handling and front to back trade processing.

The Bank is considered to have taken all sufficient steps so as to obtain the best possible result for its Customers, to the extent that it follows specific instructions from its customers, when placing an order with, or transmitting an order to a third party for execution; in this case the Bank is not required to take any additional measures.

The list of the Banks' associates may be updated, if considered necessary, following such assessment, and any changes or updates are notified or posted either through Durable Medium or on the Bank's website.

### **1.1.8 Execution of orders in over-the-counter (OTC) financial instruments**

The Bank may execute or accept instructions to execute orders in financial instruments traded in the over-the-counter (OTC). A financial instrument or a transaction is an Over –the- Counter or OTC product or transaction when it is:

- (i) not admitted to trading, or
- (ii) not traded on a trading venue (i.e. a Regulated Market, an MTF or OTF), or
- (iii) trading on a trading venue but transacted on OTC.

When executing orders or taking the decision to deal in OTC products including bespoke products, the Bank checks the fairness of the price proposed to the Customer when executing orders or taking decisions to deal in OTC products, by gathering market data used in the estimation of the price of such products and, where possible, by comparing with similar or comparable products.

While execution of order over-the-counter may provide an improved execution price and faster execution, the Customer shall take into consideration of additional risks may be incurred such as (not limited):

- (i) a settlement risk may be incurred as transactions will be subject to counterparty risk and will not be covered by the relevant clearing and settlement rules of a Regulated Market or MTF or OTF and relevant central counterparty clearing house.
- (ii) transactions are not be subject to the rules of Regulated Market or MTF or OTF, which are designed to provide for a fair and orderly treatment of orders.

Disclaimer: This document provides only general information. It does not constitute financial or legal or investment advice or research material and is not intended as such. It is recommended before engaging in any activity in Financial Instruments to obtain independent legal, tax or such other financial advice based on individual objectives.



## **Consent for OTC transactions**

If the possibility for the execution of an order at over the counter exist the Bank will notify the Customer of such possibility. However, before proceeding to execute any order for transactions outside a Regulated Market or MTF or OTF such as OTC, the **prior express customer consent** should be received. This consent may be in the form of a general agreement or in respect of individual transactions.

### **1.1.9 Exceptions /Limitations**

Under certain circumstances the Bank may be unable to fulfil its Best Execution obligations in full. However, irrespective of these circumstances the Bank will make every effort to continue to act honestly, fairly, professionally and communicate in a way that is fair, clear and not misleading. Such circumstances, not exhaustively, are noted herein below.

#### **(i) Extreme market conditions**

During extremely volatile markets an order may be executed at a price substantially different from the quoted best bid or offer or an order may be executed only partially. In the case of a market disruption event, orders may be treated by the market as though the Bank is acting as an agent with discretion.

In extreme market situations trading system constraints may require automated trading systems to be suspended. Such events may lead to execution delays and increased price volatility. If the Bank is aware of such circumstances, it will notify its Customers prior to executing or transmitting their orders. Once the Customer has agreed to proceed with its order, the most important execution factor becomes executing orders in time.

#### **(ii) Illiquid markets**

In case of less actively traded Financial Instruments, the Bank may not be able to execute orders with the best possible result. Such situations can occur, for example, under the following circumstances:

- (a) supply and/or demand is limited for a given Financial Instrument;
- (b) determination of price is not fully transparent;
- (c) abrupt changes in market prices.

In case of manual execution the Bank should notify the Customer of these special circumstances and has to receive an explicit instruction to proceed with the execution of the order.

#### **(iii) Portfolio compression**

Portfolio compression involves the reduction of risk in a portfolio of derivatives by way of termination and replacement of some or all the derivatives in the portfolio. Best execution does not apply to portfolio compression.

#### **(iv) Trading reporting obligations**

For regulatory reasons, the Bank may be required to ensure that trades it undertakes in Financial Instruments admitted to trading on a regulated market or traded on a trading venue take place only on a regulated market, MTF, SI- systematic internaliser or an equivalent third-country trading venue. Similarly, the Bank may be required to ensure that it concludes certain transaction in derivatives only on a regulated market, MTF, OTF or an equivalent third-country trading venue. These trading obligations would apply, irrespective of whether their application is consistent with the overarching principle.

### 1.1.10 Pricing of quotes provided outside of the scope of best execution

Where a price is quoted by the Bank, it is an “all-in” price, unless otherwise agreed with the Customer, which may take into account a number of factors including, but not limited to:

- (i) the price of the financial instrument;
- (ii) market liquidity and the prevailing market conditions;
- (iii) valuation models;
- (iv) the credit risk associated with entering into a transaction with the Customer;
- (v) the costs resulting from entering into a transaction, including capital costs, hedging costs or fees paid to third parties (e.g. exchanges, clearing houses, settlement agencies);
- (vi) any spread or sales mark-up above the price at which the Bank may be able to transact or has transacted with other counterparties;
- (vii) the time, effort, risk appetite of, and potential risk to the Bank in executing the transaction;
- (viii) the nature of the client relationship with the Bank; and
- (ix) the volume of trading activity the Bank has with the Customer.

Accordingly, the “all-in” price may vary depending on the client and the specific transaction.

## 1.2 ORDER HANDLING POLICY

The Bank, subject to applicable laws, implements procedures and arrangements which provide for the prompt, fair and expeditious handling of execution of Customer orders, relative to other Customer orders or the trading interests of the Bank.

The Bank is committed to execute or transmit the orders sequentially and promptly on a first come first served basis, unless the nature of the order, the market prevailing conditions or the Customer’s interests require to proceed differently. The Bank’s objective is that financial instruments or Customer funds received in settlement of that executed order are promptly and correctly allocated to the Customer. The Bank applies Delivery Versus Payment (DVP) settlements following customers’ orders, provided that such settlement process is applicable in the market. The Bank employs a selective network of custodians including Clearstream Banking Luxembourg (for further information as to Custody/Sub-Custodians please refer to Part A: Section 2.5). DVP settlements are communicated via secure communication methods aiming to ensure good delivery/receipt of securities and cash as the case may be.

Depending on the type of the Financial Instrument, the Bank may either execute Customer orders itself or places or transmits orders to an intermediary for execution. The Bank execute orders at Regulated Markets, or an MTF, or an OTF as well as outside such trading venues, subject to Customer’s consent as noted above. If the Bank executes orders outside a Regulated Market or an MTF or an OTF the Bank may act as principal by dealing on own account.

The Bank when executing a Customer order, chooses the place of execution that, in the Bank’s opinion, will provide the Customer with the best result. The Bank considers that in determining the best result in terms of Total Consideration (referred in Section 1.1 hereinabove), the main criteria when choosing between execution venues are:

- (i) efficient pricing, such as the size of bid-ask spreads,
- (ii) liquidity offered by the venue, and
- (iii) access to price information.

In case a Customer’s limit order of traded shares is not immediately executed under the prevailing market conditions, the Bank should make this order public without undue delay. The Bank can disregard this requirement only if it has an express instruction from the Client to do so.

For **Retail Clients** the Bank is required under applicable law to inform them of any material difficulty preventing the Bank from carrying out any order. Whilst this obligation is required only for Retail Clients the Bank also endeavours to inform Professional Clients accordingly.

### 1.2.1 Aggregation of Orders

The Bank may aggregate customer orders when the following conditions are met:

- (i) the aggregation of orders and transactions is unlikely to work overall to the disadvantage of the customer whose order is to be aggregated;
- (ii) the Bank has disclosed to the customer whose order is to be aggregated that such aggregation may work to the customer's disadvantage in relation to a particular order;
- (iii) the Bank applies effectively its policies regarding the aggregation and allocation of customer orders.

### 1.2.2 Block Trades

Some transactions are large enough, in relation to the typical trading volumes or market capitalisation, to have a significant negative impact on the market price. Such transactions ("block trades") may receive special treatment whereby the likelihood of achieving full execution of the order becomes a crucial factor.

### 1.2.3 Selection of Execution Venue (Order Routing)

Order routing refers to the methodology applied in selecting between competing execution venues when executing orders in securities on behalf of Customers. Where there is more than one competing execution venues to which the Bank may route a Customer's order:

- (i) the Bank assess and compares the results that would be achieved by executing the Customer's order on each of the competing execution venues; and
- (ii) take into account the Bank's fees when doing this.

In general routing of orders is driven by the main execution factors described above, with Price being the most important. In addition, in routing and executing orders on behalf of Customers the Bank may:

- select a trading venue that is not the primary exchange for the securities concerned.
- split orders and route their parts to different execution venues.
- subject to the OTC Consent and the trading obligation (if applicable), execute orders OTC (including by way of internalisation).

However, other issues that may affect the order process such as the type of the Financial Instruments products traded in only specific venues (no availability of selection of execution venues) or no availability market liquidity within a reasonable timeframe.

### 1.2.4 Trading Orders for Listed Financial Instruments

All trading orders of listed financial instruments are entered in special trading systems of Regulated Markets or MTF or OTF. It should be remarked that not all the types of orders are available in all regulated markets. The investor should be informed whether the type of the order that he/she wishes to place, is supported by the system of the Regulated Market, in which he/she wishes his/her transaction to be executed. The buy/sell orders of financial instruments should specify several items of information, such as the financial instrument, the number of units, the price, the customer's trading account etc.

With respect to Price, the order may be:

- **Market Order**: it is the order which specifies the desired quantity of financial instrument units but does not specify the minimum or maximum price limit, at which the transaction will be executed. This order is executed immediately at the current market price.

- **Limit Order:** it is the order which specifies precisely the desirable quantity and price (higher price for buy orders, lower price for sell orders) of the financial instrument and is valid until the end of the trading day.
- **At the Open Order:** it is the order which specifies the desirable quantity of the financial instrument, but sets as desirable price the opening trading price of the instrument.
- **At the Close Order:** it is the order which specifies the desirable quantity of the financial instrument, but sets as desirable price the closing price of the instrument during the trading period.

With respect to the duration of the order, subject to the Bank's discretion to accept, the following order types exist and may be applied:

- **Rest of the Day:** an order that is valid only for the current session.
- **Good till date:** an order that is valid until a particular date.
- **Good till cancelled:** an order that is valid until its cancellation.

### 1.2.5 Additional Assessment Execution Factors for Specific Financial Instruments

Below are provided additional execution factor considerations in relation to specific types of financial instruments and nature of discretion exercise on how the Bank aims to ensure best execution with focus on the most relevant execution factor(s). Whilst they set out the order of relative priority, a variety of other criteria are taken into account in assessing this and appropriate consideration will be made based on a transaction by transaction basis.

This section is in addition to the general description of execution factors affecting best execution referred herein above. Where relevant, all the different factors will be included in our trading scenarios even where they are not explained or mentioned below.

#### (i) Equities and equity-like instruments

Orders relating to Equities include orders: in Shares, Transferable Securities, Depositary receipts (ADRs and GDRs), Exchange Traded Funds (ETF's) and similar instrument.

The most important execution factors in relation to Equities are **Price** and the **Costs** including commissions and fees relating to execution. Other factors that the Bank will also consider are the likelihood of execution, the size of the order, the speed as noted herein above. Orders of Equities are generally passed to executing brokers for execution who are exchange members with access to the relevant exchange, or who have special expertise and country exposure required for best execution.

Regarding Cyprus and Greek listed equities or shares, the Bank transmits the orders to Eurobank Equities Investment Firm S.A. ([www.eurobankequities.gr](http://www.eurobankequities.gr)) (hereinafter the Eurobank Equities) or to such other third party it cooperates, which executes the customer's order in the Cyprus Stock Exchange (CSE) and Athens Stock Exchange (ATHEX) respectively. Regarding listed shares in foreign Stock Exchanges and Exchange Traded Funds (ETFs), the Bank transmits the orders to Eurobank Equities or to such other third party it cooperates with, which in turn executes the customer's order directly if such third party it is a member of the respective trading venue or transmits the order via another party for execution that is a member of the respective trading venue.

Further the Bank in routing such orders may take into account additional factors such as, prevailing market conditions, the strategy being pursued, and the Customer Specific Instructions. In ordinary course of business the Bank selects the execution venue offering the best liquidity, spread and price at the time of execution.

#### (ii) Fixed Income (Bonds)

Fixed Income orders mainly relates in bonds, such as Government Bonds, Supranational, Corporate Bonds, Emerging Market Bonds. For the purpose of executing bonds, the Bank is a member of Bloomberg MTF. The membership on this Execution Venue offers access to a large liquidity pool of bond market makers and liquidity

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providers. In a request for quote process the Bank selects the market maker or liquidity provider offering the best price and costs for the customer directly or indirectly related to the execution.

Quality of execution primarily is evaluated by reference to price. Transactions in Fixed Income tend to be quote-driven rather than execution-driven. Therefore, in these cases, the Bank's best execution obligation, if applicable, is fulfilled if the prices given to the customer are close to market prices.

In addition for orders in Fixed Income products the Bank may also deal on own account which means that the Customer trades directly with the Bank and the Bank trade such products on own account. In such case order routing does not apply as the Bank acts as execution venue.

It should be noted that with less liquid instruments there may be only one liquidity provider and therefore only one available price to deal on. In such cases the Bank will check the fairness of any price proposed by gathering market data relevant to the estimation of such a price (such as yield curves, volatility, yield and price spreads) and, if possible, comparing to similar assets. In the case of structured notes the price of a structured note is based on an underlying reference item.

For the abovementioned product categories, the Bank and the Customer may agree to a specific fixed price which will include costs and charges.

### **(iii) Structured Products**

Structured Products are largely customised in order to meet Customer specific requirements. Pricing for structured products is therefore generally derived as a result of bilateral negotiations between the Bank and the Customer. It is expected that best execution will only apply in limited circumstances to structured products. If subject to the nature of the transaction in such financial instrument, best execution is applicable, the Bank will take into consideration a variety of factors and determine their relative importance depending on prevailing market conditions at the time of execution. These factors may include but are not limited to liquidity in the specific product and the general market, hedging costs, warehousing costs, client execution requirements, internal risk capacity and historical data analysis.

### **(iv) Derivatives**

#### **(a) Exchange Traded Derivatives (ETD)**

The Bank considers the following factors when executing an ETD order: price, speed, likelihood of Execution, size and costs as described hereinabove. If the Bank's accepts a Customer's order in ETD, will consider the different execution factors in the context of the instructions that the Customer has provided. Orders might potentially be subject to all execution factors, or depending on certain factors, to a limited set of execution factors. Consideration will also be given to:

- (i) Type of order.
- (ii) On-screen (exchange) liquidity of the instrument (availability).
- (iii) Customers' Specific Instruction on the order.
- (iv) Size of the order.
- (v) General prevailing conditions in the market at the time of the order.
- (vi) Capacity of execution on various venues.

The execution strategy employed will take into account any information the Customer provide to the Bank with, combined with our knowledge and the market that the order needs to be placed in. The execution strategy also is subject to any Customer's Specific Instructions, and therefore the Bank may process the order immediately or over a period of time to achieve best execution, if applicable. This may be in circumstances where could be a large order in size and/or an illiquid contract, in which case speed would be deprioritised in order to be more passive within the market and to ensure there is not an unacceptable cost or price impact.

When Customers trade an OTC derivatives with the Bank, the Bank always execute as principal. This means that the Bank deals on own account and that the Customer trade directly with the Bank. For transactions in OTC derivatives, the Bank will consider that Total Consideration (price including costs) is the most important factor in most cases. The liquidity of the market for interest rate as FX derivatives can vary. The less liquid the instrument is, the Bank can generally rely on the other factors described above and our internal models for pricing. The Bank will check the fairness of the price proposed to the Client by collecting observable market data (e.g. yield curves, volatility, spot rates etc.) used in the pricing process and, where possible, by comparing with similar or comparable products. Other factors relevant are also the size and the nature of the order.

#### **(v) Investment Funds**

Investment Funds can be only subscribed and redeemed in one place (with the transfer agent or management company of the fund) and at one price (the net asset value (NAV)). As there is no discretion with regards to execution venue and/or price, the Bank executes Customer orders with the respective registrar/transfer agent or management company of the fund to minimize the total consideration.

### **1.2.6 Regulatory Transaction Reporting Obligations (Market Transparency)/ Public Disclosures**

#### **(i) Reporting on information for financial instruments for which the Bank may act as liquidity provider**

The Bank will be an execution venue if it acts as a liquidity provider for certain financial instruments. On a quarterly basis and not later than three months after the end of each quarter of the calendar year, the Bank will, publish information about the quality of execution in financial instruments where it acts as an execution venue on the Bank's website at <https://www.eurobank.com.cy>.

#### **(ii) Reporting on top five execution venues and brokers**

In accordance with applicable law, the Bank is required to publish on an annual basis (not later than four months after the end of the previous calendar year) for each class of financial instruments, the top five Execution Venues/Intermediaries (brokers) in terms of trading volumes for all executed client orders for retail clients and professional clients, respectively as well as information on the quality of execution obtained. Such information will be published on the Bank's website at <https://www.eurobank.com.cy>.

## **1.3 GOVERNANCE AND REVIEW PROCESS OF THE ORDER EXECUTION POLICY**

### **1.3.1 Review / Monitoring**

The Bank monitors on a regular basis the effectiveness of its Order Execution Policy and, where appropriate, corrects any deficiencies. The Bank reviews on an annual basis the Order Execution Policy and the order execution arrangements whenever a material change occurs that affects the Bank's ability to continue obtaining the best possible result for its customers. Any revisions and updates of this Policy will be published and posted on the Bank' website at <https://www.eurobank.com.cy>.

### **1.3.2 Outsourcing of portfolio management**

In case or circumstances where the Bank outsources the Portfolio Management the Bank will perform an assessment to establish whether the principles of execution of the external manager are commensurate with the Bank own execution principles. The Order Execution Policy noted herein will be applicable as from **3<sup>rd</sup> January 2018** for Retail Clients and Professional Clients, replenishing the existing policy set out in the previous edition of this MiFID Information Package.

Further detailed information on the application of the Order Execution Policy as applied for specialised products a Customer may contact the Wealth Management Department (Head Office, 41 Arch.Makarios III Avenue, 1065 Nicosia Cyprus, telephone number: 0035722208074, fax number: 00357 22 875405 or email:[CyprusPrivateBanking@eurobank.com.cy](mailto:CyprusPrivateBanking@eurobank.com.cy)).

## 2. CONFLICTS OF INTEREST POLICY (SUMMARY)

The Bank has obligations to address requirements and best practices as described within applicable law, relating to the identification and management of Conflicts of Interest (**Conflicts**). The Bank faces actual, potential and perceived conflicts of interest on a regular basis during its normal course of business.

Therefore, the Bank has adopted an internal Conflicts of Interest Policy to address actions or transactions within the Bank that may give rise to actual or potential conflicts of interest. This section summarises the key aspects of the Bank's Conflict of Interest Policy (the **Conflicts of Interest Policy (COI)**).

The COI objective is to continuously and proactively identify situations where conflicts of interest may arise during the provision of investment and ancillary services and to outline the measures taken for the prevention and effective management of such cases, in order to avoid impact on customers' interests. The Bank is obliged to deal with conflicts of interest with consistency, responsibility, fair dealing, and effectiveness. Indicatively, specific conflicts of interest cases, such as the following, might appear:

- during the provision of investment advice or portfolio management services to customers, when transactions in specific financial instruments for which the Bank has an interest/participation in the issuing company are recommended/performed.
- from other Bank's business activities such as provision of financial services to other customers.
- in cooperation/relation with issuers of financial instruments.
- during the production of financial analysis in respect to financial instruments offered to the customers.

Under the COI, employees are required to consider any situations where their activities and/or interactions with customers, distributors or manufacturers of financial products or instruments could present an actual, potential or perceived Conflict.

### Identification

The Bank is committed to uphold high standards and principles of professional ethics when providing services to its Customers, to take all appropriate steps to identify and manage Conflicts within the Bank, among employees and/or other associated companies with Bank's customers or among two or more customers that may arise in the course of the Bank providing the Services.

Bank's staff follow established policies and processes to address Conflicts that may arise in the normal course of business, including, amongst others, anti-bribery or anti-corruption, gift inducements, personal investment banking transaction as described and provided in the Bank's Code of Professional Conduct. Employees are also obliged to attend special training courses in which they learn what they must do to prevent conflicts of interest. The Bank provides ongoing training on an annual basis to all relevant employees in order to raise awareness on conflicts.

### Prevention and Management

When potential Conflicts are identified the primary purpose of the Bank is to prevent them from occurring whenever possible. If this is not possible, a Conflict must be properly managed to mitigate adverse effects to customers. Therefore, the Bank adopted a series of measures for the prevention and management of conflict of interest situations, identified during the provision of investment and ancillary services to Customers, some of which are listed below:

- (i) Segregation of duties  
The principle of segregation of duties is reflected to the existing organizational structures, procedures and internal controls, in order to ensure confidentiality of important information among the units of the Bank.

- (ii) **Chinese Walls**  
Chinese wall arrangements are implemented to manage the information flow within the Bank, especially where sensitive customer information is handled. They are implemented both in the information systems and also extend to the physical separation of the units and the persons employed in the Bank, to avoid information leakage and unsecure physical access to records.
- (iii) **Inducement Policy (summary)**  
The Bank or its employees are prohibited from paying or receiving inducements in relation to the provision of investment and ancillary services unless specific conditions are met subject to the Bank's Inducement Policy and as summarised in Part A:Section 3.7.1 (iii). In general though, the Bank applies the Code of Professional Conduct and relevant controls, and all employees of the Bank are required to follow and comply with them.

The Bank has in place an Inducement Policy the objective of which is to outline clearly when benefits may be given or received in relation to the provision of investment services to customers and key considerations to be taken into account by staff of the Bank prior to giving or receiving such benefits. Where relevant, Bank's staff is also obliged to take into account the Conflicts of Interest considerations outlined in the Conflicts of Interest Policy. The Inducements policy is in addition to the policy on Conflicts of Interest. The Conflicts of Interest Policy and the Inducements Policy are complementary and are not substitutes or alternatives.

An inducement, is a payment in the form of fees, commissions or any monetary or non-monetary benefits that is given or received by/to the Bank from/to a third party in connection with the provision of services. For example, a commission paid by the Bank to a third party that brings a transaction or an investor to it.

In summary, in accordance with the applicable law, the Bank can only pay or be paid any fee or commission, or provide or be provided with any non-monetary benefit in connection with the provision of an investment service or an ancillary service, to or by any party except the client or a person on behalf of the client, where the payment or benefit: (i)is designed to enhance the quality of the relevant service to the client; and (ii)does not impair compliance with the Bank's duty to act honestly, fairly and professionally in accordance with the best interest of its clients.

Payments or benefits which enable or are necessary to facilitate the provision of investment services such as custody costs, settlement and exchange fees or legal fees, and which by their nature do not impact the Bank's duties to act honestly, fairly and professionally in accordance with the best interests of the clients, are not subject to the requirements set out in the Inducement Policy. For the service of portfolio management the Bank is only permitted to receive minor non-monetary benefits (MNMBs) that fulfil certain requirements. Further, the Bank prohibits accepting and retaining inducements from third parties in relation the provision of portfolio management services, except where those relate to (i) certain minor non-monetary benefits; and (ii)research fulfilling specific conditions, in line with the provisions of applicable law.

- (iv) **Gifts, Discounts, Benefits and Rewards**  
The Bank's employees involved, directly or indirectly, in the provision of investment and ancillary services and activities, are prohibited from receiving any additional rewards apart from the documented in the Bank's policies and procedures which are linked to their duties (e.g. the acceptance of customary/ceremonial gifts from customers).
- (v) **Information on Financial Instruments and Services**  
The Bank, as provided in Part B of this document, applies an Order Execution Policy when providing Investment Services, seeking to achieve the optimum result for the customer, considering the total price for the financial instrument, the speed and the propriety of executing the customer's order. The ultimate goal is the avoidance of a conflict of interest between the Group and its customers or between the customers.



(vi) Remuneration policy

The Bank has procedures in place ensuring remuneration of both staff and executives does not result directly or indirectly in conflict of interest situations. The remuneration of executives, in particular, those that provide products and services or manage the available funds of the institution, aims at the avoidance to give incentives of excessive risk taking or short term gain.

### Monitoring

The Bank's Compliance Department is monitoring compliance with these measures and therefore with the management of Conflicts. The Bank's Compliance Department keeps and regularly updates a record of conflicts of interest and senior management receives a written report, at least annually, where conflicts of interest have arisen.

### Disclosure to customers

Although the Bank implements the measures and mitigation techniques summarised above, Conflicts may still arise. In exceptional cases the existing procedures and policies of the Bank may not be deemed sufficient to ensure with reasonable confidence that risks of damage to the interests of the customer will be prevented. In such exceptional cases the Bank will take the following steps to mitigate them:

- notify by way of disclosure to the the customer, in a Durable Medium, for the relevant Conflict.
- refrain from acting for the Customer concerned.

It is noted under applicable law, disclosure is a measure of last resort that is used only when other arrangements made by the Bank to manage conflicts are not deemed sufficient to ensure with reasonable confidence that the risk of damage to the interests of a customer will be prevented.

The disclosure will include a specific description, explaining the nature and source of the potential Conflict, risk/s associated or that may arise as a result of the Conflict, and the steps taken to mitigate such conflict as to enable the Customer to make an informed decision with respect to the Service provided or demanded by the Customer.

For the avoidance of doubt, disclosures herein are made by the Bank in order to provide the Customer with general information as to the Bank's approach to managing conflicts generally and not due to the Bank having concluded that its arrangements for managing Conflicts are insufficient. It is noted that if a Conflict arises which cannot be sufficiently mitigated through disclosures or other controls the Bank will not process any such transaction or business relationship.

The Board of Directors is responsible for approving the Conflict of Interest Policy. Additional information on the Conflict of Interest Policy or the Inducement Policy is available upon request from the Bank (Compliance Department).

### 3. PRODUCT GOVERNANCE POLICY (Summary)

MiFID II introduces new product governance requirements applicable to product manufacturers and distributors.

The Bank complying with its regulatory obligations has set a Product Governance policy for approval and review of existing products. A Product Governance committee on an ongoing basis, as may be required under applicable law or the market circumstances reviews and has set in place effective arrangements aiming to ensure that sufficient and adequate information are made available from a manufacturer or distributor, in relation to the Financial Instruments distributed or sold by the Bank, in accordance with the characteristics, objective and need of the target market of the product.

The Banks' product approval process is based and reviewed subject to applicable Guidelines set out from time to time by the competent regulator. As part of the process the Bank regularly reviews the Financial Instruments it offers or markets, taking into account any event that could materially affect the potential risk to the identified target market, to assess at least whether the financial instrument remains consistent with the needs of the identified target market and whether the intended distribution strategy remains appropriate.

The Bank from time to time makes available on its website information documentation or illustrations table providing generic description of target market assessment per financial instruments category, which represent the Bank's reasonable view of the target market for such products and is made available for information purposes only to enable investors, and counterparties who act as distributors, and customers to assess for themselves whether a product meets their or their end client's objectives, needs and characteristics (Please also refer to **Part A: Section 3.6**).

#### **4. COMPLAINTS HANDLING**

The aim of the Bank is to provide an accountable and efficient service to all its Customers. Therefore, the Bank has set up a procedure for its Customers who feel dissatisfied about the service or treatment they receive. The Customer has a right to complain and to have his/her query investigated.

The first step for the Customer is to raise the complaint by telephone with his/her Relationship Officer or with the department of the Bank in charge of the service to which the complaint refers. If the matter cannot be addressed by the Relationship Officer directly, the relevant Head of Department will become involved.

If the Customer is not satisfied with how the complaint has been handled, he/she may, as a second step, write directly to the management of the Bank who in turn will investigate the matter and will further process the Customer's complaint.

Complaints may be made by phone or submitted by completing the Complaints for which may be sent by email (info@eurbank.com.cy) or via the e-Banking service or by fax or by person (Address: 41, Makarios Avenue, Nicosia 1065, Fax: (+357) 22 875405).

Customer's complaints will be addressed in accordance with the Bank's applicable procedure and in any case with due care and diligence. Further information on Complaints Procedure are available on the Bank's website at <https://www.eurobank.com.cy/en/articles/complaints-procedure>.

#### **5. INVESTOR COMPENSATION SCHEME / DEPOSIT GUARANTEE SCHEME**

Subject to the services offered to Customer by the Bank, as per applicable laws, the Client's investments may be protected to some extent under the Investor Compensation Fund (ICF) or the Deposit Guarantee and Resolution of Credit and Other Institutions Scheme (DPS).

##### **5.1 Investor Compensation Fund for Banks (ICF)**

The Investment Firms (IF) Law 2002 as amended Investment Firms Law 2002 was amended in February, 2004 (as further amended and substituted by the new Law), in order to be harmonized with Directive 97/9/EC of the European Parliament and the Council of 3<sup>rd</sup> March 1997, on investor compensation schemes. In view of the above amendment and further replaced with the current Law, two separate compensation funds were established, one for clients of credit institutions and banks which offer investment services as licensed by the Central Bank of Cyprus (**CBC**) which offer investment services and one for clients of investment firms as licensed by the Cyprus Securities and Exchange Commission (**CySEC**).

The above legislative amendments enabled the two competent supervisory authorities, the CBC and the CySEC to proceed with the issue of relevant Regulations for the operation of the two Funds.

According to the Regulations which were issued by the CBC and approved by the House of Representatives in April, 2004, the object of the ICF is to secure the claims of the covered clients against banks, members of the ICF, through the payment of compensation in cases where the Bank concerned is unable, due to its financial circumstances and when no realistic prospect of improvement in the above circumstances in the near future seems possible:

- (a) to return to its covered clients funds owed to them or funds which belong to them but are, directly or indirectly, held by the bank in the context of providing investment services to the said clients; or
- (b) to hand over to covered clients financial instruments which belong to them and which the bank concerned holds, manages or keeps on their account.

The ICF does not cover Professional Clients or Eligible Counterparties. The total payable compensation to each covered client of an ICF's member may not exceed €20.000, irrespective of the number of accounts held, currency and place of offering the investment service.

Banks established and operating in the Republic of Cyprus offering investment services (hence forth "participating banks"), are members of the ICF. The ICF constitutes a legal entity under private law, the administration of which is exercised by a five-member Management Committee. The Management Committee's President and Vice-President are the incumbent Governor of the Central Bank of Cyprus and the Head of Banking Supervision and Regulation Division of the Central Bank of Cyprus, respectively. The Fund commenced operations on 1st May 2004.

#### **(i) Covered services for compensation under ICF**

Covered services constitute the following investment services:

- (a) reception and transmission, on behalf of customers, of orders relating to the execution of transactions in one or more financial instruments, (b) execution on customers' account of orders, referred to in paragraph (a),
- dealing in financial instruments for own account,
- managing of investment portfolios in accordance with mandates given by customers on a discretionary basis where such portfolios include one or more financial instruments,
- underwriting the issuance of one or more financial instruments and/or placement of such issues, as well as the non-core related service of holding in custody or administration of one or more financial instruments.

The term Financial Instruments in the preceding paragraph refers to:

- Transferable securities and units in collective investment undertakings,
- Money Market securities,
- Futures contracts, including other equivalent securities which allow settlement in cash,
- Forward Rate Agreements (FRAs),
- Interest rate swaps, foreign exchange swaps and equity swaps,
- All forms of Options and all equivalent instruments which allow settlement in cash, and in particular interest rate options and foreign exchange options.

#### **(ii) Covered Customers**

Covered customers are participating banks' customers, except those included in the following investor categories (as classified by Law):

1. Institutional and Professional Clients / Eligible Counterparties such as:
  - Investment Firms (IFs),
  - legal entities associated with a participating bank and, in general, belonging to the same group of companies as the participating bank,
  - other banks,
  - co-operative credit institutions,

- insurance companies,
  - collective investment undertakings in transferable securities and their management companies,
  - social insurance institutions and funds,
  - Investors classified by a participating bank as professionals, upon investors' own request, in accordance with articles 14 and 15 of the Code of Professional Conduct of Investment Firms (as posted on Central (CBC) website at <https://www.centralbank.cy>).
2. States and supranational organizations.
  3. Central, federal, confederate, regional and local administrative authorities.
  4. Enterprises associated with a participating bank.
  5. Executive and managerial officers of a participating bank.
  6. Shareholders of a participating bank whose direct or indirect shareholding in the participating bank's capital amounts to at least 5% of its share capital, or the participating bank's associates who are personally liable for the participating bank's obligations, as well as persons responsible for carrying out the financial audit of a participating bank as provided by the Law, such as its qualified auditors.
  7. Investors holding positions or duties corresponding to the ones listed in 5 and 6 note, in enterprises which are either associated or in general belong to the same group of companies as the participating bank.
  8. Up to and including second degree relatives and spouses of persons listed in 5, 6 and 7 notes as well as third parties acting on behalf of these persons.
  9. Investors-customers of a participating bank responsible for events which have caused financial difficulties to the participating bank or which have contributed to the aggravation of its financial situation, or investors-customers of a participating bank who have benefited from such events.
  10. Corporate Investors, which due to their size, are not allowed to draw a summary balance-sheet in accordance with the Companies Law of the Republic of Cyprus or a corresponding law of a member state of the European Union.

It is noted that ICF is prohibited from paying compensation against claims arising from transactions of persons convicted of a criminal offence, for the aforementioned transactions, under the provisions of the Cyprus legislation on Prevention and Suppression of Money Laundering Activities (as the same is applied and/or replaced from time to time).

### **(iii) Prerequisites for initiating the procedure for compensation**

The ICF initiates compensation payment procedures when at least one of the following prerequisites is met:

- (a) the Central Bank of Cyprus deemed through a relevant decision that a participating bank does not appear for the time being able to meet its obligations arising from its investors-customers' claims, in connection with covered services provided, as long as such inability is directly related to the participating bank's financial position which is not expected to improve in the near future, or
- (b) a Court issues a ruling suspending a participating bank's investors-customers' capacity to lodge claims against the participating bank based on grounds directly related to the participating bank's financial position.

Upon issuance of a decision by the Central Bank of Cyprus or a Court ruling in accordance with paragraphs (a) and (b) above, for the commencement of compensation payment procedures, the ICF publishes in at least three (3) newspapers of broad national circulation, an invitation to covered customers to make their claims, arising from covered services, against the affected participating bank. The invitation should designate the procedure, content and deadline for submission of pertinent applications.

### **(iv) Calculating the amount payable for compensation**

The amount of compensation payable to each covered customer, is calculated in accordance with the legal and contractual terms governing the covered customer's relation with the participating bank, subject to the set-off rules that apply for the calculation of claims between the covered customer and the participating bank.

The amount of payable compensation is derived by summing up all of the covered customer's documented claims against the participating bank. Such claims arise from all accounts to which a customer is a beneficiary to, regardless of currency as well as from all covered services provided by the participating bank regardless of where such services were provided. Upon completing the valuation, the ICF:

- (a) issues and communicates within five working days to both the Central Bank of Cyprus and the participating bank, minutes listing the customers of the participating bank who are entitled to compensation, along with the amount of money each one of them is entitled to receive, and
- (b) communicates its findings to each affected customer within fifteen days of issuing its minutes, determining the total amount of compensation the customer is entitled to receive. In case of disagreement with the ICF's decision, the claimant, has the right to appeal the decision to the Central Bank of Cyprus, justifying sufficiently his alleged claim within ten days from receiving the relevant communication.

The ICF is obliged to compensate each covered customer - claimant within three months of dispatching to the Central Bank of Cyprus, the minutes listing the compensation beneficiaries. For any further information please contact the ICF's Management Committee offices at:

Management Committee of the Investor Compensation ICF for Customers of Banks  
c/o Central Bank of Cyprus, P.O. Box 25529, 1395 Nicosia and for further information regarding the Regulations, please refer to the Central Bank of Cyprus' website at <https://www.centralbank.cy/en/deposit-guarantee-investors-compensation-schemes/investor-compensation-fund-for-clients-of-banks>.

## **5.2 Deposit Guarantee and Resolution of Credit and Other Institutions Scheme (DPS)**

The Deposit Guarantee and Resolution of Credit and Other Institutions Scheme (DGS) was established and has been operating since 2000. The relevant legal framework is the Business of Credit Institutions Law, the Deposit Guarantee and Resolution of Credit and Other Institutions Scheme Law of 2016 and the Regulations therein and the Resolution of Credit and Investment Firms Law of 2016 (as may be amended from time to time).

The Scheme constitutes a separate legal entity. For the purposes of the Scheme, a Committee was established, consisting of staff from the Ministry of Finance and the Central Bank of Cyprus.

The purpose of the DGS is twofold: on the one hand it is to compensate the depositors of covered institutions which pay contributions, in the event that a credit institution is unable to repay its deposits; on the other hand, it is the funding of the implementation of resolution measures. The DGS covers deposits denominated in all currencies.

The compensation process is activated when a decision is reached that a member of the DGS is unable to repay its depositors. In this case, the relevant decision is adopted either by the Central Bank of Cyprus or through an order for special liquidation of the credit institution in question issued by a Court of the Republic or by the judicial authority of the country where the member is established.

The maximum amount of compensation, per depositor, per credit institution is €100.000, including accrued interest. This limit applies to the aggregate deposits held with a particular credit institution. When calculating the amount of compensation payable to a depositor, any loans or other credit facilities granted by the credit institution to a specific depositor are set-off against his/her deposits. Any counterclaims that the particular credit institution may have against the depositor in respect of which a right of set-off exists, may also be set-off.

Excluded from coverage are certain categories of deposits such as deposits by credit institutions (interbank), own funds, deposits by financial institutions, deposits by investment firms, deposits by insurance and reinsurance companies, deposits by collective investment schemes, deposits by public authorities as well as debt securities issued by a credit institution and liabilities arising out of own acceptances and promissory notes.

Furthermore, among the categories excluded from coverage are deposits arising from transactions for which criminal conviction for money laundering has been instigated and deposits the holder of which has never been identified.

In case of payout activation of the DGS, an announcement is made by the Management Committee on the website of the Central Bank of Cyprus and in the local press. Further information on the application of DPS can be found on the Bank's website at <https://www.eurobank.com.cy/en/articles/deposit-protection-scheme>.

## PART C: FINANCIAL INSTRUMENTS AND RELATED INVESTMENT RISKS

Part C contains information about some Financial Instruments, including guidance on and warnings of the risks associated with those Financial Instruments. It is provided herein so that the Customer is able to understand the nature and risks of the service and of the specific type of Financial Instrument being offered and, consequently, take investment decisions on an informed basis. This Part C cannot and does not disclose all the risks and other significant aspects of Financial Instruments.

A Customer shall not deal in Financial Instruments unless he understands their nature and the extent of his exposure to risk and potential loss. A Customer should also be satisfied that the product and/or service is suitable for him in light of his circumstances and financial position and, where necessary, he should seek appropriate independent advice in advance of any investment decisions.

Risk factors may occur simultaneously and/or may compound each other resulting in an unpredictable effect on the value of any investment. In any of the situations described below, the use of leverage (which has the effect of magnifying potential positive or negative outcomes) may significantly increase the impact on any of the risks described.

All Financial Instruments carry a certain degree of risk and even low risk investment strategies contain an element of uncertainty. The types of risk that might be of concern will depend on various matters, including how the instrument is created, structured or drafted. The specific risks of a particular Financial Instrument or transaction will depend upon the terms of the product or transaction and the particular circumstances of, and relationships between, the relevant parties involved in such product or transaction. Different Financial Instruments involve different levels of exposure to risk.

Set out below in this **Part C: Section 1** is an outline of the major generic categories of Financial Instruments and risks that may be associated with certain generic types of Financial Instruments, which should be read in conjunction with **Part C:Section 2**.

### 1. GENERIC DESCRIPTION OF FINANCIAL INSTRUMENTS

The Bank trades on behalf of its customers, on transferable securities and derivatives in regulated markets, such as the Cyprus Stock Exchange (CSE) and the Athens Stock Exchange (ATHEX) as well as in other regulated markets in foreign countries. In addition, the Bank offers other financial instruments that are not traded in regulated markets. Overall, the vast variety of financial instruments provided by the Bank may cover every investor's diversified needs, indicatively capital preservation and income growth, hedging and speculation.

#### 1.1 Money Market Instruments

Money market instruments are short term instruments with maturity that is typically one year or less. These instruments offer a high degree of liquidity to investors and pay interest on the invested principal. Indicatively, money market instruments include the following:

- (i) Certificates of Deposit: Certificates of Deposit are instruments that are typically issued by commercial banks and have maturity that ranges from one month to five years. These instruments have a specific, predetermined maturity and typically a fixed interest rate. Certificates of Deposit are intended to be held by the investors until maturity, upon which the invested principal is returned to the investor along with the accrued interest.
- (ii) Treasury Bills: Short term government debt instruments issued by central banks, usually on discount basis, guaranteed by the country's government and mature at par in one year or less (e.g. Greek Government Notes or U.S. T-Bills). Their interest rate usually depends on their maturity as well as the credit rating of the issuing state.

- (iii) **Commercial Papers:** Issued by states and private corporations at a discount or at par in order to finance their working capital needs, with maturity of typically up to 365 days. They have a specific principal and maturity; they are transferable and traded in secondary markets. These instruments are usually issued by large corporations which maintain a high enough credit rating by Credit Rating Agencies.
- (iv) **Bankers' Acceptance Notes:** Short term money market instruments issued by corporations whose principal and interest payments are guaranteed by a banking institution.
- (v) **Repos:** Repurchase Agreements equivalent to time deposits with bonds as collateral.
- (vi) **Promissory Notes:** A promissory note is a financial instrument that contains a written promise by one party (the note's issuer or maker) to pay another party (the note's payee) a definite sum of money, either on demand or at a specified future date. A promissory note typically contains all the terms pertaining to the indebtedness, such as the principal amount, interest rate, maturity date, date and place of issuance, and issuer's signature.

In case these instruments are not held until maturity the investor may lose part of the invested principal.

**Investment Risks:** Like other debt instruments, money market instruments may be exposed to the major risk types in Section 2 of this Part C below, in particular credit and interest rate risk.

## 1.2 Shares and Other Types of Equity Instruments

- (i) **Shares:** A share is an instrument representing a shareholder's rights in a company. Shares may be issued in bearer or registered form and may be certificated or non-certificated. One share represents a fraction of a corporation's share capital. Dividend payments and an increase in the value of the security are both possible, although not guaranteed. The shareholder has financial and ownership rights which are determined by law and the issuing company's articles of association. However, transfers of shares are often subject to limitations.
- (ii) **Preference shares:** Unlike ordinary shares, preference shares give shareholders the right to a fixed dividend the calculation of which is not based on the success of the issuer company. They therefore tend to be a less risky form of investment than ordinary shares. Preference shares do not usually give shareholders the right to vote at general meetings of the issuer, but shareholders will have a greater preference to any surplus funds of the issuer than ordinary shareholders, should the issuer go into liquidation. There is still a risk that you may lose all or part of your capital.
- (iii) **Depository Receipts Depository Receipts (ADRs, GDRs, etc.):** Are negotiable certificates, typically issued by a bank, which represent a specific number of shares in a company, traded on a stock exchange which is local or overseas to the issuer of the receipt. They may facilitate investment in the companies due to the widespread availability of price information, lower transaction costs and timely dividend distributions. The risks involved relate both to the underlying share and to the bank issuing the receipt. In addition, there are important differences between the rights of holders of ADRs and GDRs, (together, **Depository Receipts**) and the rights of holders of the shares of the underlying share issuer represented by such Depository Receipts. The relevant deposit agreement for the Depository Receipt sets out the rights and responsibilities of the depository (being the issuer of the Depository Receipt), the underlying share issuer and holders of the Depository Receipt which may be different from the rights of holders of the underlying shares. For example, the underlying share issuer may make distributions in respect of its underlying shares that are not passed on to the holders of its Depository Receipts. Any such differences between the rights of holders of the Depository Receipts and holders of the underlying shares of the underlying share issuer may be significant and may materially and adversely affect the value of the relevant instruments. Depository Receipts representing underlying shares in a foreign jurisdiction (in particular an emerging market jurisdiction) also involve additional risks associated with the securities markets in such jurisdictions.

**Investment Risks:** Shares and Equity investments may be subject to some of the following risks: market risk, liquidity risk, issuer risk, and exchange rate risk, systemic and non-systemic risk. Therefore shares and equity investments may be regarded as not having guaranteed performance, since the investor's invested principal may suffer losses.



An equity investment risk is that the company must both grow in value and, if it elects to pay dividends to its shareholders, make adequate dividend payments, or the share price may fall. If the share or equity instrument price falls, the company, if listed or traded on-exchange, may then find it difficult to raise further capital to finance the business, and the company's performance may deteriorate vis à vis its competitors, leading to further reductions in the share price. Ultimately the company may become vulnerable to a takeover or may fail. In addition, there is a risk that there could be volatility or problems in the sector that the company is in. If the company is private, i.e. not listed or traded on an exchange, or is listed but only traded infrequently, there may also be liquidity risk, whereby shares could become very difficult to dispose of.

### 1.3 Warrants

A warrant is a time-limited right to subscribe for shares, debentures, loan stock or government securities, and is exercisable against the original issuer of the underlying securities. Warrants often involve a high degree of gearing, so that a relatively small movement in the price of the underlying security results in a disproportionately large movement, favourable or unfavourable, in the price of the warrant. The prices of warrants can therefore be volatile.

It is essential for anyone who is considering purchasing warrants to understand that the right to subscribe which a warrant confers is invariably limited in time with the consequence that if the investor fails to exercise this right within the predetermined timescale then the investment becomes worthless. Some other instruments are also called warrants but are actually options (for example, a right to acquire securities which is exercisable against someone other than the original issuer of the securities, often called a covered warrant).

**Investment Risks:** A warrant is potentially subject to all of the major risk types referred to in Section 2 of this Part C below. A Customer should not buy a warrant unless you are prepared to sustain a total loss of the money you have invested plus any commission or other transaction charges.

### 1.4 Bonds

Bonds are negotiable debt instruments issued in bearer or registered form by a company or a government body to creditors and whose par value at issuance represents a fraction of the total amount of the debt. The duration of the debt as well as the terms and conditions of repayment are determined in advance. Unless stipulated otherwise, the bond is repaid either at the maturity date, or by means of annual payments, or at different rates determined by drawing lots.

The interest payments on bonds may be either (i) fixed for the entire duration or (ii) variable or often linked to reference rates (e.g. Euribor or LIBOR). The purchaser of a bond (the creditor) has a claim against the issuer (the debtor). With respect to the issuing entity, bonds may be classified in the following categories:

- **Government Bonds:** bonds which are issued by governments or their respective debt management organizations (e.g. Cyprus Government, U.S. Government). In this way, governments cover part of their borrowing needs.
- **Supranational Bonds:** Bonds issued by supranational organizations (e.g. the European Investment Bank (EIB)).
- **Corporate Bonds:** Bonds issued mainly by banks, utility companies and other corporations.
- **Municipal Bonds:** Bonds issued by local government bodies (e.g. municipalities).

Besides the issuer, the main characteristics of bonds are:

- **Face Value / Nominal Value:** the initial amount of the security that the issuer promises to pay back to the investor at maturity. The interest payments are based on the face value of the bond.
- **Price:** The price of a bond is quoted based on 100, which corresponds to its face value. When the price of a bond is higher than its nominal value, i.e. above par (or above 100), the bond is traded at a premium. When the price of a bond is less than its nominal value, i.e. below par (or below 100), the bond is traded at discount. Based on the above, the following prices can be identified:
  - (i) **Issue Price:** The price at which investors buy the bond from the bond's issuer at its issue date.

- (ii) **Buying Price:** The price at which the investor buys the bond.
- (iii) **Selling Price:** The price at which the bond holder sells the bond.
- (iv) **Redemption Price:** The amount which the investor receives by the issuer at maturity.
- **Issue Date:** The date the bond is issued.
- **Maturity Date:** The date at which the bond matures.
- **Interest Rate/ Coupon:** It is the interest rate based on which the bond's interest payment is calculated for a specific period of time (usually a month, quarter, semester, or year). It is expressed as a percentage over the bond's nominal value. The coupon, which is specified when the bond is issued, may be fixed or floating.
- **Accrued Interest:** This is the interest that has been accumulated since the previous coupon payment, which is owed by the issuer but not yet payable to the bond holder.
- **Fair Value:** This is the total sum of the present values of all future cash flows of the bond (coupons plus face value at maturity).
- **Yield to Maturity:** The return the investor will enjoy if he/she holds the bond until maturity. It is expressed as a percentage.
- **Quoted Margin** (this is a feature of floating rate bonds): The Quoted Margin is the fixed percentage by which the bond's coupon exceeds the reference rate. For instance, if a floating rate bond has a coupon rate of LIBOR + 2%, the 2% is the bond's quoted margin, specified when the bond is issued and is usually fixed to maturity. The Quoted Margin may also be expressed in basis points and not as a percentage rate, where 100 basis points correspond to 1%.
- **Discount Margin:** In floating rate bonds, the discount margin expresses the margin of the bond with respect to the reference interest rate, based on the bond's current price, the quoted margin and the bond's remaining time to maturity. The discount margin varies throughout the bond's lifetime based on the aforementioned factors.
- **Status of the bonds:** The priority by which the claims of the bond holders are satisfied in case the issuing company is liquidated.
  - (i) Senior Debt Instruments
  - (ii) Subordinated Debt Instruments, which are distinguished in the following categories:
    - Tier 2 Capital comprising of: (i) Lower Tier 2 Capital; and (ii) Upper Tier 2 Capital.
    - Tier 1 Capital comprising of: (i) Lower Tier 1 Capital; and (ii) Upper Tier 1 Capital.
- **Credit Rating:** It refers to the rating of the bonds according to the credit risk that they represent, which is basically associated with their issuer. Credit Rating Agencies estimate the credit risk of bond issuers such as governments, financial institutions, corporations. In particular, Credit Rating Agencies collect and analyse information from various sources which relate to the issuer of the securities, the market segment in which the issuer operates, the issuer's overall financial situation, the nature of the bond and in general the ability of the issuer to meet the undertaken obligations towards the bond holder. The ratings have to be assessed by the investors, who have to weigh the potential risks of default or a decline in the bond's market price.

Due to the large variety of bond types, for instance short-term or long-term bonds representing senior or subordinated debt, different bond issues by the same issuer may have a different rating.

The two best known Credit Rating Agencies that are active at an international level use the following ratings:

- (i) **Standards & Poor's and Fitch:**  
 Long term credit ratings: AAA, AA+, AA, AA-, A+, A, A-, BBB+, BBB, BBB-, BB+, BB, BB-, B+, B, B-, CCC+, CCC, CCC-, CC, C, RD, D.  
 Short term credit ratings: F1+, F1, F1-, F2, F3, B, C, D.
- (ii) **Moody's Investors Service:**  
 Long term credit ratings: Aaa, Aa1, Aa2, Aa3, A1, A2, A3, Baa1, Baa2, Baa3, Ba1, Ba2, Ba3, B1, B2, B3, Caa1, Caa2, Caa3, Ca, C.  
 Short term credit ratings: P-1, P-2, P-3, NP.

*It should be noted that the price of a bond is affected to a large extent by its credit rating and by any changes in its credit rating which occurs before maturity of the bond.*

Indicatively, bonds include the following types:

- (i) Zero-Coupon Bonds: These bonds are issued at a discount and do not provide interim interest payments, but only the payment of their face value at maturity.
- (ii) Fixed Coupon Bonds: In this case, the interest rate is specified at a fixed rate when the bond is issued and remains fixed until maturity.
- (iii) Floating Rate Bonds / Notes - FRN: FRNs have a coupon that is reset periodically with respect to the reference interest rate (e.g. Euribor, Libor). The reference rate as well as any possible spread, which is added to or subtracted from the reference rate, is specified when the bond is issued. The interest that the investor receives in each interest period depends on the fluctuation of the reference rate. If at the coupon reset date the index has decreased, then the coupon will decrease accordingly.
- (iv) Callable Bonds: When a callable bond is issued, it is specified in its issue terms that the issuer has the right to “call” it at specific future dates, i.e. repay it prior to its maturity. For instance, if interest rates are significantly decreased with respect to the bond’s coupon, then the issuer can exercise the call right at the price and the date specified when the bond was issued.
- (v) Puttable Bonds: When a puttable bond is issued, it is specified in its issue terms that the bond holder has the right to demand that the issuer repays it at a predetermined price and at dates prior to its maturity date. For example, if the interest rate is significantly increased with respect to the bond’s coupon, then the bond holder can exercise the put right at the price and the date specified when the bond was issued.
- (vi) Convertible Bonds: Convertible bonds offer the investor the right to convert them to other securities of the same issuer, usually equities. The conversion right may be exercisable at specified future dates and conversion ratio between the bond and the other underlying security and according to predefined procedures.
- (vii) Contingent Convertible Securities/ Bonds (CoCos): are similar to Convertible Bonds, though are to be distinguished from convertible bonds as are hybrid debt-equity instruments which expose investors to the risks associated with both equity investments and fixed income investments. However, the likelihood of the bonds converting into equity is ‘contingent’ on a specified or pre-determined trigger event, such as the price of the embedded equity exceeding a particular level. One key risk is the occurrence of a trigger event described in the terms and conditions of the issue. This can result in a partial – or even total – loss of the capital invested since the bond would have to be converted into shares or be written down, either permanently or temporarily. CoCos will, in the majority of circumstances be issued in the form of subordinated debt instruments in order to provide the appropriate regulatory capital treatment prior to a conversion. Accordingly, in the event of liquidation, dissolution or winding –up of an issuer prior to a conversion having occurred, the rights and claims of the holders of the CoCos against the issuer in respect of or arising under the terms of the CoCos shall generally rank junior to the claims of all holders of unsubordinated obligations of the issuer.
- (viii) Structured/ Complex Bonds: Bonds, whose return and/or the capital payment at maturity are not predefined but depend on certain underlying securities, indices or other factors. Structured/ complex bonds can be classified according to the following characteristics:
  - Capital Guarantee at Maturity: (a) 100% capital guarantee at maturity, (b) Partial capital guarantee at maturity and, (c) Non capital guarantee at maturity.
  - Type of underlying financial instrument: (a) Equities or indices, (b) Interest rates, (c) Exchange Rates, (d) Commodities, (e) Mutual funds or hedge funds, (f) Other instruments (freight rates, indices relating to climate changes, emission allowances, inflation rates or other official economic statistics etc.) and (g) Combination of two or more underlying financial instruments.
  - Maturity: (a) Up to 1 year, (b) 1 – 2 years, (c) 3 – 5 years and (d) Over 5 years.

**Investment Risks:** Other than the risks described in Section 2 of this Part C herein below, some particular risks are associated with Bonds issues such as:

- (a) The possibility that an issuer will not be able to pay the investor the initial principal and/ or the coupons (credit risk), which is the case when the issuer goes insolvent, cannot be eliminated.

- (b) Usually when interest rates increase, the price of the fixed bonds decreases. Additionally, usually fixed coupon bonds, with long maturities and low coupons are more sensitive to interest rate variations than those with shorter maturities and higher coupons.
- (c) Bond investments may lead to the loss of a portion of the invested capital amount, when the investor sells them prior to their maturity date.
- (d) The prices of structured bonds in the secondary market are affected also by the underlying securities, which may lead to the loss of up to 100% of the invested principal (in case of structures bonds with no capital guarantee) as well as of the return.

## 1.5 Hybrid Notes

Securities that combine the characteristics of other financial instruments. The investor may receive dividend, like owning a share, but the note may behave in the secondary market like a fixed income security. These notes are subordinated debt securities and belong to the category of Basic Own Funds (Tier 1 Capital).

Hybrid Notes may, for instance, pay a specific amount of dividend at regular intervals, like a fixed income security, but may simultaneously include terms that give the issuer the right to omit some payment (like in preferred shares) in case of objectively specified economic difficulties. It is rather often that hybrid notes do not mature (perpetual notes), like equities, or have really distant maturities dates (e.g. 100 years), but the issuer has the right to buy them back at predetermined dates (call right of the issuer).

**Investments risks** in hybrid notes entail capital loss and/ or yield loss risk.

## 1.6 Collective Investments (Mutual Funds)

A Mutual Fund is a pool of assets that includes transferable securities, money market instruments and cash whose individual assets belong indivisibly to more than one unit holders, according to the number of units each one holds. Mutual Funds are not legal entities, have no maturity and the unit holders are represented in and out of court in relation to their legal dealings arising from management and their rights in the fund assets by the manager (the Mutual Fund's Management Company).

The Management Company is responsible for managing the fund according to the fund's investment objectives and policy. The mutual fund's future performance cannot be determined in advance. The value of the fund's portfolio may increase or decrease as it depends on the market characteristics and volatility as well as emerging current conditions. The mutual fund's net assets, the number of units, the net value of each unit, and its sale and redemption price are calculated every business day and are published in the daily press two business days later by the Management Company.

There are various categories of mutual funds. The most common are:

- (i) **Money Market Funds:** Money Market Funds primarily invest in money market instruments and secondarily in debt instruments.
- (ii) **Bond Funds:** Bond Funds invest mainly in government and corporate bonds and secondarily in money market instruments.
- (iii) **Equity Funds:** Equity Funds invest mainly in shares listed in domestic or foreign regulated markets.
- (iv) **Balanced Funds:** Balanced Funds combine investments in debt instruments and stocks.
- (v) **Funds of Funds:** Funds of Funds invest in units of other funds. Funds of Funds are "baskets" of funds whose main objective is high diversification in terms of investment instruments (e.g. bonds, stocks) as well as geographical dispersion.
- (vi) **Special Type Funds:** Special Type Funds are long-term funds which are characterized by the use of derivatives. Through this strategy, they offer capital and yield guarantee at maturity through a mechanism of assessing the course of an underlying instrument (e.g. basket of stocks/bonds, index or basket of indices). Due to their exposure to derivatives they are considered to entail high risk.
- (vii) **Absolute Return Funds:** This type of Fund follows the interbank market interest rates aiming at achieving a return higher than the money market instruments' return while having certain objectives regarding its

variance. Usually, investment vehicles in these Funds are debt instruments, money market instruments and derivatives.

- (viii) **Exchange Traded Funds (ETF's):** The units of this type of Funds are listed and traded in Regulated Markets or MTF or OTF. Typically, their portfolio structure tracks an index or a market sector or industry such as energy, technology, commodities (gold, oil etc.).
- (ix) **Commodity Funds:** Commodity Funds are Funds of alternative types of investments. This type of Fund is active in the commodities market by using derivatives which have commodities or commodities indices as their underlying assets. Their performance depends on the course of the underlying financial instruments.
- (x) **UCITS Funds:** UCITS stands for Undertakings for Collective Investments in Transferable Securities. UCITS provides a single European regulatory framework for an investment vehicle which means it is possible to market the vehicle across the EU without worrying which country it is domiciled in. UCITS funds are governed by the EU UCITS Directive. A UCITS Fund may take the form of any of the funds described hereinabove and subject to compliance with the UCITS Directive. An issuer of a UCITS Fund issues a prospectus and the disclosures made therein for a particular UCITS funds should be considered prior to making an investment.

**Investment Risks:** According to their Investor Profile, **investors should carefully select the funds** they decide to invest in. It is the Fund's Management Company responsibility to decide and choose the financial instruments in which a Fund invests. The mutual fund's objective, category, investments restrictions, degree of portfolio risk exposure as well as charges are described in the fund's investment policy and regulations. These investments are generally intended for experienced and financially sophisticated investors who are willing to bear the risks associated with such investments, which can include: loss of all or a substantial portion of the investment; increased risk of loss due to leveraging, short-selling or other speculative investment practices; delays in tax reporting; prohibitions and/or material restrictions on transferring interests in the fund; and higher fees than mutual funds. There is no assurance that the liquidity of the investment funds will always be sufficient to meet redemption requests as and when made.

Diversification does not assure profit nor protect against loss in a declining market. The risk of any particular fund will vary according to its strategy. In case of Fund of Funds there can be no assurance that the selection of the managers of the underlying investment funds will result in an effective diversification of investment styles and that positions taken by the underlying investment funds will always be consistent.

### 1.7 Hedge Funds or other alternative investment funds(AIFs)

- (i) **Hedge funds:** are alternative investments using pooled funds that employ numerous different strategies to earn active return, or alpha, for their investors. Hedge funds may be aggressively managed or make use of derivatives and leverage in both domestic and international markets with the goal of generating high returns (either in an absolute sense or over a specified market benchmark).

**Investment risks:** These products can be highly speculative and may not be suitable for all clients. Investors should ensure that they understand the features of the products and fund strategies and the risks involved, before deciding whether or not to invest in such products. Hedge funds operate in a less regulated environment. Hedge funds are less liquid, and have imperfect transparency and less frequent pricing and reporting and this makes investor due diligence, monitoring, performance tracking and reporting more complicated; some hedge funds may take leveraged positions or large positions in risky or less liquid investments which may be subject to significant market volatility.

- (ii) **Private Equity Funds:** A private equity fund is a collective investment scheme used for making investments in various equity (and to a lesser extent debt) securities according to one of the investment strategies associated with private equity.

**Investment risks:** The value of investments can fall. It is important to note that the capital value of, and income from, any investment may go down as well as up and you may not get back the full amount invested. There is Limited marketability and transferability and illiquidity (lockups of 12 or more years). In such market there is lack

of regulatory oversight and protection and can be delayed or limited valuation information. Past performance is not a reliable indicator of future performance.

- (iii) Property/Real Estate Funds: A real estate fund is a type of mutual fund that primarily focuses on investing in securities or in asset class consisting of equity and debt investments in where the underlying investment is in property.

**Investment risks:** There are, other than the general risks, special risks associated with investing in the securities of companies principally engaged in the real estate industry. These risks include the cyclical nature of real estate values, risks related to general and local economic conditions, changes in regulation and tax systems, and other real estate capital market influences.

## 1.8 Structured Products

A Structured Product consists of two or more of financial instruments that have different payment terms and risk characteristic and comprise a single structure. It is a single and indivisible package consisting in the combination of an interest rate-linked product plus one or more financial derivatives. Structured products can be indicatively classified according to the following characteristics:

- (i) Capital guarantee at maturity: (a) 100% capital guarantee at maturity, (b) Partial capital guarantee at maturity and (c) No capital guarantee at maturity.
- (ii) Type of underlying financial instrument: (a) Equities or indices, (b) Interest rates, (c) Exchange Rates, (d) Commodities, (e) Mutual funds or hedge funds, (f) Other financial instruments (freight rates, indices relating to climate changes, emission allowances, inflation rates or other official economic statistics etc.) and (g) Combination of two or more underlying instruments.
- (iii) Maturity: (a) Up to 1 year, (b) 1 – 2 years, (c) 3 – 5 years and (d) Over 5 years.
- (iv) Structured/ complex products may take the form of a bond or a deposit.

**Investment risks:** The prices of the structured products are affected by the underlying instruments, which may lead to the loss of up to 100% of the invested principal (in case of structured products with no capital guarantee or embedded leveraged derivative instrument).

An investor should refer to the term sheets for official details on all offerings, including risks involved, before investing in structured products. Investing structured products which may include derivatives and a higher degree of risk factors that may not be suitable for all investors. Such risks include risk of adverse or unanticipated market developments, issuer credit quality risk, risk of counterparty or issuer default, risk of lack of uniform standard pricing, risk of adverse events involving any underlying reference obligations, entity or other measure, risk of high volatility, and risk of illiquidity/ little to no secondary market. In certain transactions, investors may lose their entire investment, i.e., incur an unlimited loss.

## 1.9 Derivatives including Futures, Forwards, Options, Swaps, Contracts in Differences (CFDs)

### 1.9.1 General Information

Derivatives are financial instruments whose value is based on, derived from or follows the value of other underlying assets, the so-called “underlying instrument”. Indicative underlying instruments may be exchange rates, interest rates, equities, bonds, stock exchange indices, commodities, other instruments (e.g. freight rates, climate variables, emission allowances, inflation rates or other official economic statistics etc.), assets or credits.

The derivative contract specifies the rights and obligations of the parties with respect to their mutual debts, which are calculated on the basis of the value of the underlying instrument at a predetermined future date or at regular intervals. The main types of derivatives are futures, forwards, options and swaps. The main uses of derivatives are:

- **Hedging:** Those who invest in derivatives may aim at hedging existing or future risks, which may arise from other investments or other undertaken obligations.
- **Speculation:** Derivatives investors may aim at generating profit (speculation). In this context, they use financial instruments according to their expectations about market performance to generate profit while also undertaking the relevant risk. A significant characteristic of derivative instruments is that they allow investors to hold positions whose value is a multiple of the amount invested (leverage) accompanied by the corresponding increase in the undertaken risks.
- **Arbitrage:** Derivatives investors may aim at generating profit without taking any risk, by taking advantage of short-term discrepancies in market prices, i.e. possible differences in prices of the same financial instrument in two or more different markets (arbitrage). Arbitrage requires the execution of several transactions within a limited timeframe, and therefore only investors who have a deep knowledge of the markets and have direct access to trading systems and extremely low or zero transaction costs can engage in efficient Portfolio Management.

Further below in this Section 1.9 are set descriptions to different types of derivatives which are not only applicable specifically to these derivatives but are also applicable more widely to derivatives generally. All derivatives are potentially subject to the major risk types in this **Part C:Section 2**, especially market risk, credit risk and any specific sector risks connected with the underlying asset.

### 1.9.2 Futures

Futures are bilateral contracts whereby the purchase or sale of a security at a specific quantity at a specific future date for a specific price is agreed. Futures are exchange traded derivatives instruments, i.e. products with standard terms that are listed in regulated markets. They are used for hedging, speculation and arbitrage.

Every regulated derivatives market has a clearing house, whose mission is the clearing of derivative transactions and the assurance that both counterparties will fulfil the obligations that derive from those transactions. The risk associated with these instruments is considerably high. Some fundamental terms relating to futures are:

- **Contract Size:** The quantity of the underlying instrument covered by a futures contract.
- **Expiration Date:** The date on which the contract expires.
- **Price of the contract:** The trading price of the contract, i.e. the price at which the future is bought / sold.
- **Settlement price:** The price published by the clearing house at the close of each trading session.

With respect to the underlying instrument, futures can be classified into the following types:

- Index futures: futures whose underlying instrument is a stock exchange or financial index.
- Equity futures: futures whose underlying instrument is a listed stock.
- Currency futures: futures whose underlying instrument is a currency exchange rate (currency pair).
- Bond futures: futures whose underlying instrument is a bond.
- Commodity Futures: futures whose underlying instrument is a commodity.

A future contract involves the following margins:

- **Margin:** The Margin constitutes the amount the clearing house demands as collateral in case the investor cannot meet his/ her obligations derived from the daily settlement.
- **Initial margin:** The amount demanded by the clearing house when a transaction takes place.
- **Variation Margin:** In case the value of the assets used as initial margin is under a predetermined limit, the derivative contract holder is obliged to deposit the amount of the difference (margin call); otherwise the clearing house will proceed to the liquidation of the contract.
- **Mark-to-Market and Daily Settlement Process:** to minimize losses due to breaches of obligations by the investors, futures are marked-to-market daily. The daily profits or losses are credited or debited to the investor's account.

As far as futures traded on the Derivatives Market are concerned, the corresponding Clearing House calculates the investors' initial margins and the additional margins that arise from daily settlement which may include using a RIVA (Risk Valuation) calculation algorithm. Clearing Houses may define a minimum (independent from the valuation of the outstanding positions) account balance per final customer (transaction/settlement code).

### 1.9.3 Forwards

Forwards are bilateral contracts which relate to the purchase / sale of a specified quantity of a security at a specified time in the future and at a specified price. Forwards are similar to futures, their main difference being that forwards are not traded on regulated markets but are over-the-counter instruments.

As a result, forwards, unlike futures, do not have standardised features, but are flexible instruments that can be customized to meet the investors' needs. Forwards do not have a standard contract size, maturity, margin account or daily mark-to-market. The price at which the underlying instrument is bought/sold is the forward rate of the instrument at the time the contract is drawn. When the forward is created it has a zero value and therefore there is no monetary exchange between the seller and the buyer.

Forwards are used for hedging, speculation or arbitrage purposes and have the same risks as futures with the addition of counterparty risk due to the fact that they are traded outside a regulated market and there is no clearing house. With respect to the underlying Financial Instrument, forwards are classified to the following types:

- **Index forwards:** forwards whose underlying instrument is a stock exchange or financial index.
- **Equity forwards:** forwards whose underlying instrument is a listed stock.
- **Currency forwards:** forwards whose underlying instrument is a currency exchange rate (pair of currencies).
- **Bond forwards:** forwards whose underlying instrument is a Bond.
- **Forward Rate Agreements (FRAs):** forwards whose underlying instrument is a reference rate, such as EURIBOR, LIBOR.
- **Commodity forwards:** forwards whose underlying instrument is a commodity.

Currency forwards are typically used by investors that need to manage exchange rate risk, such as corporations that borrow in foreign currency, import-export companies, companies that have capital inflows from abroad in foreign currency and shipping companies with expenses in Euros and revenues in US Dollars.

The most widely used currency forwards are:

- **Forward:** An agreement that secures a fixed exchange rate on a predetermined future date.
- **Flexible Forward:** A forward whose execution date is open.

### 1.9.4 Options

Options are bilateral contracts that convey to one of the contracting parties the right (but not the obligation) to purchase or sell the agreed underlying security at a specified price (strike price) at a future point in time within a specific hour or deadline at a premium simply by making a unilateral declaration to the other party, on condition that such unilateral declaration is actually made. Indicatively, the underlying instruments may be commodities,



currencies, interest rates, stock exchange indices etc. Options are used for hedging, speculation and arbitrage purposes.

The risk that is undertaken by the buyer is limited to the loss of the premium. The seller of the option on the other hand, undertakes significantly high risk.

Options are derivatives that may be exchange traded (listed), i.e. financial instruments that have standardised terms (standardised contracts) and are traded in a Trading Venue; or, over-the-counter (OTC), i.e. instruments that are traded outside regulated markets and they are designed by a financial institution to match the particular needs of every customer. Some of the fundamental terms relating to options are the following:

- Strike Price: The price at which the buyer of a call or put option may choose to exercise his/her right to buy or sell the underlying financial instrument, respectively.
- Expiration Date: The date when the option expires (i.e. the last date on which the option can be exercised).
- Settlement Date: The date on which the contract is settled, either via physical delivery (i.e. by exchange of the underlying instrument for cash) or via cash settlement (i.e. a cash transfer to the options buyer), and is usually two business days after the option expiration date.
- Contract Size: The quantity of the underlying instrument which the contract relates to.
- Premium: The cost of acquiring the call or put option.

Depending on the type of the underlying financial instrument, options may be classified into the following categories:

- Index option: An option whose underlying instrument is a stock exchange index.
- Equity option: An option whose underlying instrument is a listed stock. In the Athens Derivative Exchange only American style equity options are available.
- Currency option: An option whose underlying instrument is an exchange rate (pair of currencies).
- Interest rate option: An option whose underlying instrument is a reference rate, such as EURIBOR, LIBOR, etc.
- Commodity option: An option whose underlying instrument is a commodity, such as gas, oil etc.

The Bank also offers financial instruments that are composed of positions in Options. These instruments address companies' needs for managing foreign exchange risk. Companies that may have such needs are companies with loan obligations in foreign currency, import-export companies, companies with capital inflows in foreign currency and shipping companies that have expenses in Euro and revenues in Dollars. The most widely used are the following:

- Forward Plus
- Knock-out Forward
- Knock-out Forward Plus
- Zero Cost Collar
- Target Profit Forward
- Accumulator Forward
- Cancellable Forward

Additionally, the Bank offers financial instruments that are composed of several positions in options that cover companies' needs for managing interest rate risk. Companies with loan obligations may have those needs. Some of the most widely used are the following:

- Interest Rate Cap
- Interest Rate Collar
- Interest Rate Knock-out Collar
- Swaption
- Interest Reduction

**1.9.5 Swaps**

Swap is a bilateral contract by which the parties agree to exchange one stream of cash flows against another stream based, calculated by reference to an “underlying” (such as securities’ indices, bonds currencies, interest rates or commodities, or more intangible items). Swaps are OTC instruments and are usually used for hedging, speculation or arbitrage. The risk associated with these instruments is significantly high. Swaps are distinguished in the following main categories:

- Interest Rate Swaps: Swaps involving the exchange of interest rates used for interest rate risk hedging.
- Currency Swaps: Swaps involving two different currencies that are offered for hedging foreign exchange and interest rate risk.
- Commodity Swaps: Swaps whose payments are based on the return of indices on commodities and are offered for hedging from commodities’ price volatility.
- Freight Rate Swap: Swaps whose payments are based on freight rate indices for transporting goods by sea.

**1.9.6 CFDs (Contracts for Difference)**

Certain derivatives are referred to as contracts for differences (CFDs). These can be options and futures on the FTSE 100 index or any other index of an exchange, as well as equity, currency and interest rate swaps, amongst others. However, unlike other futures and options (which may, depending on their terms, be settled in cash or by delivery of the underlying asset), these contracts can only be settled in cash. Investing in a contract for differences carries the same risks as investing in a future or an option. Transactions in contracts for differences may also have a contingent liability which means that an investor may be liable to place additional assets with the Bank to maintain your position and a loss may be sustained well in excess of any premium received by the investor.

Though, Contracts for Difference (CFDs) differ from traditional cash-traded instruments (such as stocks, bonds, commodities and currencies) in that they do not confer ownership of the underlying asset. With CFDs an investor buying the price movement in the stock (or bond, currency, commodity, etc.). The customer never takes ownership of the underlying asset and thus does not expect to receive the dividend payment from the company that issued the shares. Nevertheless corporate actions can have an impact on the share price and hence the price of an equity based CFD. In this case the CFD provider would pay the equivalent of the dividend to anyone holding a long CFD position and deduct the equivalent from anyone holding a short position. Certain strategies, such as a ‘spread’ position or a ‘straddle’, may be as risky as a simple ‘long’ or ‘short’ position.

The general rule is that any economic effect of a corporate action on the underlying must be reflected in the CFD. This includes dividends, stock splits, rights issues etc. However, a CFD holder will never have access to non-economic corporate actions such as voting rights. CFDs usually are utilised for hedging or gearing up a portfolio where ownership of the underlying asset is neither desirable nor relevant. CFDs are margin-traded instruments, so customers can buy exposure to market movements using only a fraction of the capital required in the cash market. It is noted that CFDs are leveraged products and carry a high level of risk to an investor’s capital as prices may move rapidly against him. It is possible that an investor to lose more than his initial investment and he may be required to make further payments. These products are not be suitable for all customers therefore a Customer shall ensure that he understands the risks and shall seek independent advice.

**Investment Risks:** The “gearing” or “leverage” often obtainable in trading in Derivative financial instruments, particularly futures, options and contracts for differences (CFDs), means that a small deposit or down payment can lead to large losses as well as gains. It also means that a relatively small movement in prices can lead to a proportionally much larger movement in the value of your Investment, and this can work against you as well as for you. These types of transactions have a contingent liability

This document cannot and does not disclose or explain all of the risks and other significant aspects involved in trading in financial derivative products. Engaging in derivative transactions can carry a high risk to your capital. This is a feature of ‘leveraged’ or ‘margin’ trading embedded in derivative transactions and an investor can lose

more than his initial investment. An investor should not engage or trading in financial derivative products unless he understands, comprehends and has the risk appetite to undertake the nature of the transactions he is entering into and the true extent of his exposure to the risk of loss (including total loss).

Trading in Derivatives, carries significant risks, and the Bank can't offer advice or guarantee results. In case of trading in Derivatives you are an unsecured creditor in respect of moneys owed, and you should be aware of this in the unlikely event that the Bank becomes insolvent.

As described in this **Part C: Section 1.9** different derivative products involve different levels of exposure to risk. It is recommended that you carefully consider each characteristics and KID of any such product and if not content with any information provided to obtain independent financial, taxation and other professional advice before you enter into a derivative transaction or trading.

**PLEASE ALSO REFER TO THIS PART C: SECTION 2 FOR FURTHER GENERAL RELATED INVESTMENT RISKS TO BE CONSIDERED WHEN INVESTING IN FINANCIAL INSTRUMENTS.**

**Any information provided in this document is only for general information and it has been provided to enable a Customer to understand the nature and risks of the Services and of the specific types of some Financial Instruments. It does not constitute and is not classified as financial or legal or investment advice or research material and is not intended as such. A Customer prior to making a decision to invest or trade in any Financial Instrument it is recommended to obtain independent legal, tax or such other financial advice based on his/her individual objectives, his/her financial situation and in consideration of the significant risks of possible loss inherent in any investment product.**

## 2. INVESTMENT RISKS NOTICE DISCLOSURES

### 2.1 General Information on Investment Risks and Warnings

The price or value of an investment will depend on fluctuations in the financial markets outside of anyone's control. Past performance is no indicator and does not ensure future performance. The nature and extent of investment risks varies between countries and from investment to investment.

These investment risks will vary with, amongst other things, the type of investment being made, including how the financial products have been created or their terms drafted, the needs and objectives of particular investors, the manner in which a particular investment is made or offered, sold or traded, the location or domicile of the issuer, the diversification or concentration in a portfolio (e.g. the amount invested in any one currency, security, country or issuer), the complexity of the transaction and the use of leverage. Further the markets in which the various Financial Instruments are traded are subject to considerable fluctuations and the Bank cannot guarantee specific returns.

Every investment on any Financial Instrument is exposed to one degree or another, to all or some of the following risks:

- **Basis Risk:** The risk of deviation between the prices of derivatives and the prices of their underlying financial instruments due to the exchange market conditions or rules imposed by the derivatives or underlying instruments market regulators.
- **Credit Risk:** It is the risk of loss due to the possibility that the counterparty will not meet his/her contractual obligations.
- **Commodities Risk:** The prices of commodities may be volatile, and, for example, may fluctuate substantially if natural disasters or catastrophes, such as hurricanes, fires or earthquakes, affect the supply or production of such commodities. The prices of commodities may also fluctuate substantially if conflict or war affects the supply or production of such commodities. If any interest and/or the redemption amount payable in respect of any product is linked to the price of a commodity, any change in the price of such commodity may result in the reduction of the amount of interest and/or the redemption amount payable. The reduction in the amount payable on the redemption of an investment may result, in some cases, in the investor receiving a smaller sum on redemption of a product than the amount originally invested in such Product.
- **Counterparty Risk:** the risk that the person or institution with whom you have entered a financial contract, who is a counterparty to the contract, will default on the obligation and fail to fulfil that side of the contractual agreement, i.e. is a type of credit risk.
- **Currency Risk:** Financial Instruments, Funds or assets denominated in a foreign currency are subject to adverse movements if the relative value of that currency falls. Currency movements may also impact the value of underlying investments of a Portfolio as they strongly influence the markets economy and the competitiveness of domestic and international issuers.
- **Default Risk:** The risk that an issuer of a bond may be unable to make timely principal and interest payments.
- **Dividend Risk:** It refers to the risk that has to do with the incorrect valuation of a security due to the fact that there is a change in the original assumptions made relating to the dividend (or other payments) the security pays (makes). Other than the possibility of ceasing the dividend payment (either temporarily or permanently), changes may also occur in the time the dividend is paid and the payment frequency etc., that affect the valuation of the security and thus the value of the position of the investor.
- **Early Redemption Risk:** Some types of bonds give the issuer the right to recall and redeem them before their maturity date. The risk originates from the possibility that the bonds will be recalled at an unfavourable price for the investor.
- **Emerging Markets Risk:** Such market lack the level of transparency, liquidity, efficiency and regulation found in more developed markets. Price volatility in emerging markets can be extreme and price discrepancies and market dislocation can be common.

- **Foreign Exchange Risk:** The risk originating from unfavourable changes in the exchange rate of the currency at which the financial instrument is valued.
- **Foreign Market Risk:** Foreign markets involve different risks each subject to their regulatory operational system. Foreign markets will involve different risks from Cyprus markets. The potential for profit or loss from transactions on foreign markets or in foreign currency denominated markets will be affected by fluctuations in foreign exchange rates.
- **Inflation Risk:** The loss of the real value (buying power) of capital due to a larger than expected increase in the level of inflation.
- **Insolvency Risk:** The issuer of an instrument may become temporarily or permanently insolvent, resulting in its incapacity to repay the interest or redeem the bond. The solvency of an issuer may change due to one or more of a range of factors including the issuing company, the issuer's economic sector and/or the political and economic status of the countries concerned. The deterioration of the issuer's solvency will influence the price of the securities that it issues.
- **Interest Rate Risk:** The risk derived from unfavourable changes in interest rates and their consequent effect on the present value of an investment's future cash flows. Uncertainty concerning interest rate movements means that purchasers of fixed-rate securities carry the risk of a fall in the prices of the securities if interest rates rise. Interest rates can rise as well as fall. A risk with interest rates is that the relative value of a security, especially a bond, will worsen due to an interest rate increase. This could impact negatively on other products. There are additional interest rate related risks in relation to floating rate instruments and fixed rate instruments; interest income on floating rate instruments cannot be anticipated. If the terms and conditions of the relevant instruments provide for frequent interest payment dates, investors are exposed to the reinvestment risk if market interest rates decline. That is, investors may reinvest the interest income paid to them only at the relevant lower interest rates then prevailing.
- **Legal Risk:** The risk that financial instruments contracts do not include detailed and clear information on the financial instruments' characteristics and value at maturity. This may happen in over-the-counter transactions whereas in regulated markets transactions the legal risk is almost eliminated.
- **Liquidity Risk:** The risk of not being able to liquidate a financial instrument within a reasonable time at a price close to its current market price. The liquidity of an instrument is directly affected by the supply and demand for that instrument and also indirectly by other factors, including market disruptions (for example a disruption on the relevant exchange) or infrastructure issues, such as a lack of sophistication or disruption in the securities settlement process. Under certain trading conditions it may be difficult or impossible to liquidate or acquire a position.
- **Margin Risk:** Financial Instruments that include financial derivative products are margined, where open positions are retained, and require an investor to make a series of payments against the contract value, instead of paying the whole contract value immediately. When entering into financial derivative transactions an investor must maintain sufficient margin on his account at all times and if sufficient margin is not maintained in an account at all times and/or provide such additional funds within the time required, open positions may be closed at a loss and an investor will be liable for any resulting deficit.
- **Market Risk:** It is the risk of unfavourable changes in general market factors such as interest rates, stock and index prices, exchange rates, commodity prices, changes in volatility. The price of investments goes up and down depending on market supply and demand, investor perception and the prices of any underlying or allied investments or, indeed, sector, political and economic factors. These can be totally unpredictable.
- **Nationalisation Risk:** It is the risk associated with the probability that the government of a country will nationalize the company. In most cases the investors will not be fully or partially compensated.
- **Non-Systemic Risk:** Non-systemic or specific risk is the risk of a change in the value of a financial instrument due to specific factors that influence the issuer of the instrument (issuer's financial results, market sector).
- **Operational Risk:** The risk originating from factors such as people, systems and processes. For example, the risks of a customer's order being executed incorrectly or not in timely manner by the broker, or the risk of having the trade – matching system or derivatives settlement system broken down.

- **Political Risk:** The risk an investment's returns could suffer as a result of political changes or instability in a country. Instability affecting investment returns could stem from a change in government, legislative bodies, other foreign policy makers or military control.
- **Portfolio Management Risk:** It is the risk that depends on the investment strategy that is being followed or on the ability of the portfolio manager to act according to the best portfolio management practices.
- **Resolution (Bail-In) Risk:** In the event that the issuer of the debt securities or financial instrument enters into insolvency or other similar proceedings, there is a risk that the holders of the debt securities will receive less than their original investment or will receive nothing. Where the issuer of debt securities is a financial institution within the scope of the European Bank Recovery and Resolution Directive resolution regime, there is a risk that debt securities will be subject to bail-in by resolution authorities. If the collapse of the issuing financial institution poses a threat to financial stability, authorities may (i) cancel or amend the obligations of the issuing financial institution to holders of debt securities (either in whole or in part), or (ii) convert such debt securities into another type of security, including an equity security.
- **Settlement Risk:** The risk that a counterparty (or intermediary agent) fails to deliver a security or its value in cash as per agreement when the security was traded after the other counterparty or counterparties have already delivered security or cash value as per the trade agreement.
- **Venue Risk:** This risk is related to the specific characteristics of the market (regulated or not) where the financial instrument is traded or referred.

### Additional specialised general risks for certain types of Financial Instruments

- **Risks specific to certain types of bond:** Additional risks may be associated with certain types of bond, for example floating rate notes, reverse floating rate notes, zero coupon bonds, foreign currency bonds, convertible bonds, reverse convertible notes, indexed bonds, and subordinated bonds. For such bonds, you are advised to make inquiries about the risks referred to in the issuance prospectus and not to purchase such securities before being certain that all risks are fully understood. In the case of subordinated bonds, you are advised to enquire about the ranking of the debenture compared to the issuer's other debentures. Indeed, if the issuer becomes bankrupt, those bonds will only be redeemed after repayment of all higher ranked creditors and as such there is a risk that you will not be reimbursed. In the case of reverse convertible notes, there is a risk that you will not be entirely reimbursed, but will receive only an amount equivalent to the underlying securities at maturity.
- **Hedge Funds general risks:** These products can be highly speculative and may not be suitable for all customers. Investors should ensure that they understand the features of the products and fund strategies and the risks involved, before deciding whether or not to invest in such products. These investments are generally intended for experienced and financially sophisticated investors who are willing to bear the risks associated with such investments, which can include: loss of all or a substantial portion of the investment; increased risk of loss due to leveraging, short-selling or other speculative investment practices; delays in tax reporting; prohibitions and/or material restrictions on transferring interests in the fund; and higher fees than mutual funds. Diversification does not assure profit nor protect against loss in a declining market.

## 2.2 Transaction and Services Risks

In addition some general technical and operational services risks should always be considered when engaging in transactions in Financial Instruments.

- **Benchmark Risk:** A benchmark is a reference value against which the performance of financial instruments may be measured. Benchmarks may be based on an index covering financial instruments of the same class, e.g. stocks or bonds or can also be calculated for a specific industry, a type of company or as a reference value for the broader economy. Products have different benchmarks or interest rate benchmarks. Funds that have a benchmark - such benchmark for example may be based on 'interest rates', that is, indexed benchmarks linked to Interest rates (e.g. could be linked to LIBOR, EURIBOR or other interest rates benchmarks) - must disclose this in their key investor information documents (e.g. KID/KIID) and display the performance of that benchmark.

Customers need to be conscious of the characteristics of good indices and benchmarks. Investors should evaluate their return goals and risk tolerance before selecting an index.

- **Cash and Property:** The Customer should familiarise himself with the protections accorded to a customer in respect of money or other property you deposit for domestic and foreign transactions, particularly in the event of an issuer or third party involved in financial instruments insolvency or bankruptcy. Where the Bank provides safe custody services for a Customer or where hold money as client money, customer's financial instrument or client money may be held by a third party on our behalf, including banks, OTC counterparties, settlement agents, intermediate brokers, exchanges, Clearing Houses, sub-custodians, depositories, agents and nominees. Except as specifically provided in the Investment Services Agreement the Bank not be liable for any acts or omissions of any such third party. Where Customer's property or client money is held overseas, there may be different legal and regulatory requirements from those applying in Cyprus and customer rights may be affected by the regulations and applicable laws of other jurisdictions.
- **Charges and commissions:** Before you begin to trade, you should obtain details of all commissions and other charges for which you must be liable. When products are purchased or sold, several types of incidental costs (including transaction fees and commissions) are incurred in addition to the current price of the security. These incidental costs may significantly reduce or even exclude the profit potential of the products. Where additional domestic or foreign parties are involved in the execution of an order, including but not limited to domestic dealers or brokers in foreign markets, it must be taken into account that brokerage fees, commissions and other fees and expenses of such parties (third party costs) may be charged including any follow-up costs (such as custody fees).
- **Clearing House protections:** On many exchanges, the performance of a transaction by the Bank (or third party with whom it is dealing on your behalf) is 'guaranteed' by the exchange or clearing house. However, this guarantee is unlikely in most circumstances to cover the Customer and may not protect the Customer if the Bank or another party defaults on its obligations to the customer. On request, the Bank will explain any protection provided to you under the clearing guarantee applicable to any on-exchange derivatives in which a customer is dealing.
- **Collateral:** If collateral is deposited as security with the Bank, the way in which it will be treated will vary according to the type of transaction and where it is traded. Deposited collateral may lose its identity as your property once transactions on behalf of the Customer are undertaken. Even if such dealings should ultimately prove profitable, the Customer may not get back the same assets which you deposited, and may have to accept payment in cash. If collateral is deposited as security with the Bank, additional terms and conditions may apply. It is the Customers responsibility to ascertain how such collateral will be dealt with by the Bank.
- **Contingent liability transactions (Margin):** A contingent liability transaction is a transaction under the terms of which an investor will or may be liable to make further payments (other than charges) when the transaction falls to be completed or upon the earlier closing out of his position. These payments may or may not be secured by an amount in money (or represented by securities) deposited with a counterparty or a broker as a provision against loss on transactions made on account (a Margin). Contingent liability investment transactions for which a Margin is deposited (in other words, which are margined) require a Customer to make a series of payments against the purchase price, instead of paying the whole purchase price immediately. If the market moves against the investor's position, he may be called upon to pay substantial additional Margin at short notice to maintain the position. If his fail to do so within the time required, his position may be liquidated at a loss and you will be responsible for the resulting deficit.
- **Insolvency:** In the event of the Bank's insolvency or default, or that of any other brokers involved with your transaction, positions may be liquidated or closed out without your consent. In certain circumstances, you may not get back the actual assets which you lodged as collateral and you may have to accept any available payments in cash.
- **Off-Exchange Derivative Transactions:** It may not always be apparent whether or not a particular derivative is effected on exchange or in an off-exchange (over-the-counter (OTC)) derivative transaction. While some off-exchange markets are highly liquid, transactions in off-exchange or 'non-transferable' derivatives may involve greater risk than investing in on-exchange derivatives because there is no exchange market on which to close out an open position.

It may be impossible to liquidate an existing position, to assess the value of the position arising from an off-exchange transaction or to assess the exposure to risk. Bid and offer prices need not be quoted, and, even where they are, they will be established by dealers in these instruments and consequently it may be difficult to establish what a fair price is.

- **Suspensions of trading (Settlement Risk):** Under certain trading conditions it may be difficult or impossible to liquidate a position. This may occur, for example at times of rapid price movement if the price for the underlying rises or falls in one trading session to such an extent that trading in the underlying is restricted or suspended. Placing a stop-loss order will not necessarily limit your losses to the intended amounts, because market conditions may make it impossible to execute such an order at the stipulated price.
- **Technical Risks:** Such as breakdowns or malfunctioning of essential systems and controls, including IT systems, can impact on all financial products. There is a risk that other circumstances may prevent the Bank from executing orders, or prevent any participant in the relevant markets from accessing any electronic trading platform. These include, for example, system errors and outages, maintenance periods, internet connectivity issues and failures of third parties on whom you or the Bank is dependent (for example, internet service providers or electricity companies). There may be circumstances beyond the Bank's control that can affect its ability to support your trading.



**PART D: ADDITIONAL COMPLIANCE AND REGULATORY INFORMATION RELATED WITH THE PROVISION OF INVESTMENT SERVICES**

The Bank applies appropriate procedures to comply with the requirements of Cyprus, European Union (EU) and other relevant legislation, as implemented and transposed into local legislation and regulations, and to be in line with applicable guidelines and best practices in relation to the provision of Investment Services in Financial Instruments as well as the trading of Financial Instruments.

However, without limiting the foregoing, the Customer shall understand and acknowledge that laws regarding provision of Investment Services relating to Financial Instruments vary throughout the European Union and the world. It is the Customer's obligation to ensure that he fully complies with any law, regulation or directive, relevant to his or her country of residency with regards to the use of the Services and/ or products or transactions carried out through the Bank.

**The Bank is under no obligation to provide any advice on continuous obligations of a Customer entering into transactions and/or for carrying on transactions in Financial Instruments. A Customer should consult his own legal, financial or tax advisor for legal, financial or tax advice including specialised advice on any reporting requirement, without limitation, in accordance with his or her country of residence laws.**

**1. Processing of Personal Data Policy for Investment Services (Summary)**

The Bank in order to comply with its regulatory obligations as it is required to do so by applicable law may have to process personal data (including sensitive personal data) of the Customer (as natural person or of the representatives or management of a legal entity giving instructions on behalf of the Customer) in relation to the provision of the Investment Services elected by the Customer to be offered by the Bank as set out in any contractual agreement for the provision of the Investment Services.

The Bank has a legitimate interest in collecting and processing Personal Data for the purposes as described in this section in order to administer, improve and generally conduct business, to prevent fraud and financial crime and to avoid non-compliance with the Bank's legal and regulatory obligations. In summary are noted herein below the main aspects of the Processing of Personal Data specifically in respect to the provision of Investment Services in Financial Instruments obligatory applicable in addition to the Banks' Privacy Policy.

The Banks' **Privacy Policy**, effective as from 25 May 2018, is available to be reviewed and be downloaded from the Banks' website [www.eurobank.com.cy](http://www.eurobank.com.cy).

**1.1 Specific purposes for which Personal Data is collected for the provision of Investment Services**

The personal data which is collected from the Customer directly or from the Customer's authorised representative acting on his behalf or from anywhere else (such as credit reference agencies, governmental authorities, publicly available sources), will be used:

- (i) to comply with the Bank's obligations arising from entering into the Investment Services Agreement and to provide the Customer with the Services requested;
- (ii) to carry out the Bank's obligations arising from the Law, including the obligation of transaction reporting to CBC and/or CySEC;
- (iii) to communicate with the Customer as provided for in the Investment Services Agreement in respect to the execution of the Services requested;
- (iv) to notify the Customer about changes to the Services or to third parties to enable the Bank to provide the Services requested under the Investment Services Agreement,
- (v) to perform credit and anti-money laundering assessments as per applicable law and obligations imposed on the Bank;
- (vi) to exercise and defend the Bank's legal rights;
- (vii) for fraud and financial crime prevention purposes;

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- (viii) for administration purposes and internal operational requirements, including the evaluation of customer service, efficiency and cost, as well as risk management purposes; and
- (ix) to provide the Customer with information about other goods and services we feel may interest the Customer, provided the Bank has consented to this explicitly.

## 1.2 Disclosures of Personal Data

Except as set out in this document and also as set out in the Privacy Notice, the Bank does not disclose to any third party personal information that the customer provides to the Bank unless the Bank has the customer's permission or when the law permits or requires it. The Bank may be obliged or have to disclose and use the Customer's Personal Data to:

- (i) any regulatory and/or supervisory and/or other competent authority and/or other third party when obliged to do so under law or court order;
- (ii) third party service providers the Bank is engaged for to provide Services requested by the Customer and to comply with our obligations under the Law. The names of such organisations are stated in the Order Handling Policy (as amended from time to time and posted on the Bank's website);
- (iii) other third party service providers the Bank may use for information security purposes as well as communication, administration and operational purposes;
- (iv) any other third party where the Customer has consented to such disclosure or where it is in the Bank's or the third party's legitimate interests to do so;
- (v) credit reference agencies, such as Artemis System;
- (vi) marketing purposes, provided the Customer have explicitly consented to this.

In case the Customer's Personal Data is transferred to countries or territories outside of the European Economic Area (EEA) that are not recognised by the European Union competent authorities as offering an adequate level of data protection, the Bank, if such instances arise, aim is to put in place appropriate data transfer mechanisms (as required), such as the EU Standard Contractual Clauses.

In certain jurisdictions, the legal provisions applicable to transactions involving Financial Instruments and similar entitlements demand that the identity be revealed of the (in) direct holders or the beneficial owners of those instruments, as well as their positions in said instruments. Failure to comply with these obligations may result in the freezing of the Financial Instruments (i.e., voting rights may be suspended, dividends or other entitlements withheld, the Financial Instruments being barred from sale or being disposed of in some other way) or may result in some other penalty or restrictive measure imposed by applicable law.

**Important Note:** A Customer or his authorised representative who provides the Bank with personal information for a third party must obtain permission from such third party, and inform it that the Bank uses personal data for the same purposes and in the same ways as described in this Section, and that his/her information may have to be disclosed in accordance with applicable laws and regulations.

## 1.3 Data Security, Retention and Telephone Recording

The Bank is committed in safeguarding the privacy of the personal data and/or information the Customer shares with the Bank and/or with its employees and/or agents and/or associates. The Bank applies procedures as for the personal data provided to the extent possible being processed confidentially and securely and will be used only for the purposes described in this document.

The Bank under MiFID has specific obligations to monitor and record all telephone communications between the Customer and any other person acting for his account and the Bank or its officers, employees or associates or agents, and it may use any mechanical or other means or equipment for such purpose when providing the Investment Services.

Personal Data is held in both electronic and non-electronic form, mainly in technical systems, physical locations and archives as well as in software.

As part of the MiFID obligations the Bank is obliged to record the Customer's telephone recordings with the Bank for a minimum of five (5) years or for as long as is necessary for the Bank to comply with any legal and contractual obligations the Bank may have. It is also further noted and the Customer attention is drawn to the following:

- In the event that the Customer is (a) a resident of a member state of the European Union, or (b) a person residing outside the Republic of Cyprus, the Customer shall authorise the Bank to complete and submit a statistical declaration for his direct foreign investments in Cyprus in accordance with the regulations of CBC. The Bank has the right to provide information to competent authorities or other third persons relating to the Customer and his relationship with the Bank to the extent that this is dictated or permitted by any applicable law relating to the operation of banks and the exchange of information in the Republic of Cyprus, in the European Union or other contracting parties with the Republic of Cyprus.
- In accordance with legal and regulatory obligations concerning the automatic exchange of information with EU member state, the Bank may have to disclose some personal details regarding the Customer's tax residence status to the Cyprus tax authorities. The Cyprus tax authorities will disclose data sent by the Bank to each competent foreign tax authority to receive such data based on the aforementioned legal and regulatory obligations.

#### 1.4 Customers Rights

The Customer has the right at all times to access and correct his personal data and to be informed about and/or refuse any further processing or deletion of his/her personal data, in accordance with the provisions of the Law. The Customer acknowledges and accepts that any such amendment or deletion of his personal data during the provision of the Investment Services may affect or even lead the Bank to the termination of the provision of the Services to the Customer.

Any consent given for marketing purposes can be withdrawn at any time by giving written notice to the Bank. For the purposes of this **Part D: Section 1**:

**Personal Data** means any particular information relating to the Customer, as a living individual, required to be collected and processed for the purpose of the provision of the Services; consolidated data of a statistical nature, from which the Customer cannot be identified or distinguished from others, are not deemed to be Personal Data.

**EU Standard Contractual Clauses** are the standard contractual clauses issued from time to time by the European Commission which provide adequate safeguards with respect to the protection of the privacy and fundamental rights and freedoms of individuals and as regards the exercise of the corresponding rights.

If you have any questions regarding the processing of personal data for the provision of Investment Services or as to the Privacy Notice you may email contact your Wealth Management Relationship Officer either by phone 357 22 208000 (working hours) or through the Bank's website at <https://www.eurobank.com.cy/en/contact/contactUs>.

## 2. Anti Money Laundering and Criminal Terrorism Financing (AML/CTF)

Cyprus as member state of European Union, is subject to EU Regulation concerning anti money laundering and the prevention of criminal terrorism financing (**AML/CTF**). Cyprus has established laws and regulations designed to combat Money Laundering and Financing of Terrorism in line with in line with the recommendations of the Financial Action Task Force (**FATF**).

On 3rd April 2018, the provisions of the EU Directive 2015/849 of the European Parliament and of the Council of 20 May 2015 in relation to the prevention of the use of the financial system for the purposes of money laundering and the financing of terrorism (known as '4th EU AML Directive') have been transposed in Cyprus by amendment of the Prevention and Suppression of Money Laundering Activities Law, 2007-2018 (**AML Law**) and each competent authority for a regulated participant in the financial sector further issues local Directives and Guideline Circulars for the implementation of the AML Law.

The Bank as an authorised credit institution is under the supervision of Central Bank of Cyprus (**CBC**). CBC is the competent authority for the enforcement of the provisions of the AML Law regarding financial business on credit, payment and electronic money institutions (<https://www.centralbank.cy/en/licensing-supervision/prevention-and-suppression-of-money-laundering-activities-and-financing-of-terrorism>).

The Bank in compliance with AML Law for the prevention of AML and CTF has established procedures, systems, policies and procedures on a risk based approach for collection and assessing information and data collected by the Bank on setting the business relationship with a Customer and on ongoing monitoring (Know-Your-Customer Procedures) in relation to the following, including, inter alia:

- (i) Customer identification and due diligence procedures and enhanced due diligence procedures for high risk customers;
- (ii) Customer acceptance policies;
- (iii) Record keeping;
- (iv) Recognition of suspicious transactions/activities, internal reporting and reporting to the local Financial Intelligence Unit (**MOKAS**);
- (v) In depth examination of any transaction which by its nature may be considered as particularly vulnerable to be associated with AML or CTF offences, and particularly of the complex and unusually large transactions and all unusual types of transactions that are realized without obvious economic or explicit legal reason;
- (vi) Identification and risk assessment of money laundering risks associated with new payment methods;
- (vii) Internal control, assessment and management of risk with the purpose of preventing AML and CTF;
- (viii) Development of a risk based model to improve the existing framework to manage, control and address risks; and
- (ix) Identification procedure and monitoring of politically exposed persons (PEPs) (enhanced customer due diligence is conducted on these customers).

The Bank pays special attention to:

- Understand the ownership and control structure of its Customers;
- Obtain information on the purpose and intended nature of business relations; and
- Monitor the business relations, including scrutiny of transaction to ensure consistency of transactions with information provided by the Customer in relation to the nature of the business relationship.

All legal and regulatory mandatory procedures and policies are regularly reviewed and updated and the respect of these procedures is checked by the Bank's Compliance Department and Internal Audit as well as by the Bank's external auditors.

The Compliance Department and Internal Audit are permanent functions, independent from the Bank's business activities. In order to safeguard its independence, the Head of Compliance Department and Head of

Internal Audit Department report directly to the Bank's Board of Directors or through the Audit Committee which has been delegated the responsibility for monitoring the activity of the Compliance Department.

### **Employee AML/CTF training**

The Bank as part of its internal policies requires all staff, management and employees, at all times to adhere to these standards in order to prevent the misuse of the Bank's products and services for AML and CTF.

An Employee awareness training program is applied by the Bank with regard to the:

- Systems and procedures for the prevention of money laundering and terrorist financing;
- The AML Law;
- The Directives and Guideline Circulars issued by CBC and the European Union legislation and guidelines as applicable from time to time on AML/ CTF.

The Bank carries out on going training to employees to enable employees and staff to recognize and handle suspicious transactions and activities which may be related to AML or CTF offences.

### **Monitoring of Transactions**

The Bank in order to effectively monitor the customers' transactional behaviour, has introduced an automated system tool for:

- (a) the screening of all transactions and persons against lists of financial sanctions issued by European Union, United Nations, the Office of Foreign Assets Control (OFAC) and Her Majesty Treasury (United Kingdom); and
- (b) the review of the transactions executed by the customers on the basis of specific scenarios which cover applicable international AML typologies ensuring in this way the ongoing monitoring of accounts and transactions.

The AML/CTF prevention and monitoring strategies are assessed on a continuous basis to ensure risks are identified and addressed. The monitoring and risk management process ultimate goal to maintain an updated, comprehensive and effective AML/CTF program for the Bank's business. The Bank in accordance with applicable laws and regulations, including privacy and data protection laws, is committed to fully co-operate with competent authorities. To the extent permitted by applicable law the Bank is strictly complying with any information request from the competent authorities to which customer information may have to be disclosed in adherence with regulatory obligations.

For further information in relation to the Bank's AML/CTF policies a customer may contact the Bank's AML/Head of Compliance Department.

## **3. The Foreign Account Tax Compliance Act (FATCA)**

The Foreign Account Tax Compliance Act (FATCA) is a United States (US) federal law that requires US persons (legal persons and individuals) who live outside the US, to report their financial accounts held outside of the US, and requires foreign financial institutions to report to the US Internal Revenue Service (IRS) certain information regarding their US clients.

Cyprus has signed a reciprocal FATCA Model 1 Intergovernmental Agreement (IGA) with the US Treasury (FATCA) on the 2nd of December 2014. Under Model 1 IGA, Financial Institutions in the partner country should report all FATCA-related information for tax reporting purposes to the Cyprus Inland Revenue Authority (IRA), which will then provide the information to the IRS.

The Bank has registered with the IRS on 26 March 2014 as a Registered Deemed Compliant Financial Institution (Reporting Financial Institution) under a Model 1 IGA and has obtained the Global Intermediary Identification Number (GIIN) 0T0F5N.00006.ME.196.

In order to comply with FATCA, subject to the Services offered, if required, Customers might be contacted from time to time by the Bank for additional information or clarifications.

Further information on FATCA is readily available on the IRS website at <https://www.irs.gov> and also on the Bank's website at <https://www.eurobank.com.cy/en/articles/fatca>.

#### **4. Common Reporting Standard (CRS)**

The Common Reporting Standard (CRS), developed by the Organisation for Economic Co-operation and Development (OECD), requires the automatic exchange of information on financial accounts that are held, directly or indirectly, by account holders who are tax residents of countries which implement CRS. CRS effectively imposes obligations on financial institutions to collect information relating to each account holder's tax residency (ies) and CRS status and submit specified account information to relevant tax authorities.

Cyprus signed the Multilateral Competent Authority Agreement for CRS implementation on 29<sup>th</sup> October 2014 and has taken additional steps for CRS implementation, which require financial institutions in Cyprus to comply with various CRS requirements as of 1<sup>st</sup> January 2016.

As a result the Bank is required to collect and review certain information in order to identify the tax residency or multiple tax residencies of each account holder, including the tax residency (ies) of an entity's controlling persons in certain cases. The Bank may also be required to report certain information relating to the account holder and its account(s) (including an entity's controlling persons in certain cases) to the Cyprus Tax Department that in turn may pass this information to other relevant tax authorities. If necessary, additional information may be requested for CRS purposes at any time during the Customer's business relationship with the Bank. The Customer's response to the Bank's requests for information in respect of the Customer's CRS status (if and when requested) is mandatory and failure to respond within the prescribed timeframe may result in incorrect reporting the Customer's account to the Cyprus Tax Department.

It is noted, that the Bank cannot offer advice relating to CRS or act as a tax advisor. In case you have any questions, please consult your tax or legal advisors. More information about the OECD Common Reporting Standard can be found on OECD website at <https://www.oecd.org/tax/automatic-exchange>.

Further information as to the application of CRS regulations by the Bank (as required by applicable law) are available on the Bank's website at <https://www.eurobank.com.cy/en/articles/CRS> or may contact a Bank's Relationship Officer.

#### **5. Packaged Retail and Insurance-based Investment Products Regulation EU (PRIIPs)**

##### **Product documents (Key Information Document (KID)/ Key Investor Information Document (KIID))**

Effective as from 1<sup>st</sup> January 2018 the Packaged Retail and Insurance-based Investment Products Regulation EU Regulation No. 1286/2014 (the **PRIIPs Regulation**) came into force which requires the Bank (if it acts as a distributor or manufacturer) to provide a potential investor with a pre-contractual Key Information Document (the **KID**). The Regulation, is applicable as of 1st January 2018 (except for UCITS where a transitional period has been given up to 31<sup>st</sup> December 2019).

The main goal of the PRIIPs Regulation is to enhance investor protection standards for Retail Clients. The PRIIPs Regulation defines a PRIIP as:

- (i) an investment where, regardless of its legal form, the amount repayable to the retail investor is subject to fluctuations because of exposure to reference values or to the performance of one or more assets which are not directly purchased by the retail investor (a "packaged retail investment product"); or
- (ii) an insurance-based investment product, which is an insurance product which offers a maturity or surrender value and where that maturity or surrender value is wholly or partially exposed, directly or indirectly, to market fluctuations (an "insurance based investment product").

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A **KID** will be provided **pre-trade** to **Retail Clients** who have subscribed to the Investment Advice and Execution -Only services in accordance with the PRIIPs Regulation if such product is covered by the regulation.

The KID provides Customers with a comprehensive overview of the key facts of the product including the **Product costs**. If a Customer has subscribed to Portfolio Management Service he has the right to request the KID for all instruments included in the portfolio for which a KID has to be provided. For funds falling under Directive 2009/65/EC (Undertakings for Collective Investment in Transferable Securities Directive, UCITS Directive) the Key Investor Information Document (the **KIID**) will be provided instead.

Products covered by the PRIIPs Regulation include:

- Non-UCITs\* Retail Schemes
- Foreign Exchange (FX) Transactions (Forwards, Futures, Options)
- Over The Counter (OTC) Derivatives (Caps, Collars and Swaps)
- Exchange Traded Derivatives
- Structured Products and Deposits

*\*Undertakings for Collective Investment in Transferable Securities (UCITS)*

Products which do not fall within the PRIIP's definition are:

- Bonds
- Shares
- Non-structured deposits
- Non-life insurance contracts
- Pension funds
- Life insurance contracts and indemnity insurance contracts

KID and KIID is a standardised pre-contractual informative document issued by the manufacturer of a product which will be provided prior to the conclusion of any such transaction. A KID provides the Customer with essential information about costs, potential risks and performance to enable you to better understand the product and make an informed investment.

If PRIIPs Regulation apply all product manufacturers are required to include the same information and explanations.

The Bank will make available the KID or KIID to the Customer either in paper base or by email or by reference to a website where the Customer has the possibility to retrieve the KID pre-trade himself. If the Customer selects the option for such information to be communicated electronically by email or to retrieve the information himself, the Bank does not have the obligation to provide such information in paper form.

In exceptional circumstances, predominantly when trading a custom-tailored OTC Derivative or Securitised Structured Product, a specific KID will need to be created. If the Customer does not wish to delay the transaction and request that the Bank should proceed, the Bank can provide the Customer a KID post-trade after the conclusion of the transaction, with the Customer' explicit consent. In line with the PRIIPs Regulation this is only allowed if the trade has been specifically requested by the Customer and the instruction is given in writing by email or fax or through recorded phone.

It is important to read the KID or KIID carefully before you trade so that you fully understand the nature, risks, costs, potential gains and losses of such product. Further information can be requested from a Bank's Relationship Officer at Wealth Management Department.

**General Note on Currency Exchange Rate:** Any conversion effected from one currency to another for the execution of any Order or for providing any Service requested to be offered by the Bank, or for the purposes of debiting fees to a Customer's bank account in cases in which such fees are denominated in a currency which is different from that of the Customer's relevant account, may be done by the Bank at the Bank's prevailing rate at the time of the transaction in such a manner and at such time as the Bank may deem appropriate and at such rate as the Bank may reasonably determine subject to the Banks General Terms and Conditions.

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## 6. The European Market Infrastructure Regulation (EMIR)

The European Market Infrastructure Regulation EU No. 648/2012 of the European Parliament and of the Council (**EMIR**) is the new European regulation on over-the-counter (**OTC**) derivatives, central counterparties and trade repositories setting out amongst other obligations, a reporting obligation of all trades in derivative contracts to a trade repository, effective already as of 12<sup>th</sup> February 2014. It requires entities that enter into any form of derivative contract, including interest rate, foreign exchange, equity and commodity derivatives adhere to a number of obligations.

EMIR introduced three basic obligations for undertaking derivative transactions:

- (a) **Clearing:** standardised derivative contracts should be cleared through central counterparties (CCP) in order to reduce the risk in the financial system.
- (b) **Margin and capital:** clearing counterparty shall have permanent, available and separate initial and variation margins in the form of highly liquid collateral.
- (c) **Reporting:** all OTC derivative contracts should be reported to trade repositories.

All above obligations apply to Financial Counterparties if such parties fall under EMIR Classification (AS described herein below **EMIR Classification**). The clearing and margin and capital obligations apply to certain non-financial counterparties but the reporting obligation applies to ALL derivatives market participants.

### Who does EMIR apply to

EMIR applies to any entity established in the EU that has entered into an OTC derivative contract and applies indirectly to non-EU counterparties trading with EU parties. It also applies to Central Counterparties (CCPs) and Trade Repositories (TRs).

Therefore, if a Customer (i) falls under the **EMIR Classification** AND (ii) enters or wishes to execute OTC derivative contracts, (including FX Forwards and Contracts for Difference (CFDs)), other than any transaction reporting obligations referred in this document may have to comply with additional specialized reporting requirements which if required will be advised by the Bank. For further information on EMIR application by the Bank, please contact the Bank's Treasury Department.

### EMIR Classification

EMIR distinguishes between Financial Counterparties and Non- Financial Counterparties and these terms are important to understanding your obligations under EMIR.

- Financial Counterparties (FCs): investment firms, credit institutions, insurance undertakings, assurance undertakings, reinsurance undertakings, institutions for occupational retirement provision, undertakings for collective investments in transferable securities (UCITS) and alternative investment funds; and
- Non-Financial Counterparties (NFCs): an undertaking which is established in the European Union, other than a central clearing party (CCP) or a financial counterparty (FC). NFCs, under EMIR, will be classified as either: (i) **NFC+**: an NFC which **exceeds** the clearing thresholds (set out in EMIR), (ii) **NFC-** : an NFC which **does not** exceed the clearing thresholds (set out in EMIR).

In Cyprus, Cyprus Securities and Exchange Commission (CySEC) is designated as the authority responsible for ensuring that NFCs established in Cyprus comply with the obligations under EMIR.

Further information may be found on the European Securities and Markets Authority (ESMA) website at <https://www.esma.europa.eu/page/European-Market-Infrastructure-Regulation-EMIR>.



## 7. Payment Services / Bank General Terms and Conditions

For the provision of Investment Services and for the processing of Orders and Transactions in Financial Instruments through the Bank, it is a condition that an **PB Investment Bank Account (PB Account)** is opened.

A PB Account is a separate current account that has to be opened specifically for carrying out banking transactions in relation to services offered by the Wealth Management Department and/or for the provision of Services for Investments in Financial Instruments. It allows banking transactions in relation to investments in Financial Instrument to be kept strictly separate from Customers' other daily banking transactions.

This type of bank account, PB Account, is to be used solely by the Bank, for the financial settlements in connection with transactions carried out through or made via the Bank for Services in Financial Instruments subject to an Agreement for Investment Services and/or for transactions in Financial Instruments. Specific terms are applied for a PB Account in addition to the Bank General Terms and Conditions and are available upon request from the Wealth Management Department.

The Bank General Terms and Conditions are available on the Bank's website ([https://www.eurobank.com.cy /Customer Information](https://www.eurobank.com.cy/Customer%20Information)) or can be requested at any Eurobank Cyprus Banking Centre.

Payment services offered by the Bank are subject to the Bank General Terms and Conditions and subject to, the extent applicable based on Customers categorisation, the EU Payment Services Directive (PSD2, Directive 2015/2366/EU) which provides the legal basis for the creation of an EU-wide single market for payment services. In Cyprus the provision of payment services is regulated by the Provision and Use of Payment Services and Access to Payment Systems Law of 2018 (**PSD Law**), which transposed into national law the provisions of PSD2.

Further information may be found on Bank's website at [www.eurobank.com.cy/en/articles/bank-terms](http://www.eurobank.com.cy/en/articles/bank-terms).

## 8. Related Party Transactions (Transparency/ Customer Obligations)

Pursuant to obligations set by the Transparency Directive (EU Directive 2004/109/EC) EU as amended by the Transparency Directive Amending Directive (Directive 2013/50/EU) (which has been transposed into Cyprus legislation by L.190(i)/2007, as amended) (**TD Directive**).

Briefly, the scope of TD Directive is to improve the harmonisation of information duties of issuers, whose securities are listed at a Regulated Market within the European Union, and further market participants (including major shareholders/members of the management). Pursuant to TD Directive, holders (investors/shareholders), issuers of listed securities and certain other persons (e.g. management position holders) are required to make certain notifications of the proportion of voting rights of the Holder in the Issuer resulting from the acquisition or disposal of 'major holdings' by a holder.

In Cyprus, 'major holdings' are met where a holder (investor) acquires or disposes of a proportion of shares (securities) to which voting rights are attached in an issuer, where that proportion reaches, exceeds, or falls below the thresholds of 5 %, 10 %, 15 %, 20 %, 25%, 30 %, 50 % and 75 %. A holder (investor) who newly acquires shares in an issuer and meets these thresholds is also required to make the relevant notifications. A notification by the customer (investor) must be submitted to the competent authorities on a prescribed form. It is the Customer's obligation not of the Bank.

In this respect, a customer (investor) upon considering making an investment if he falls in any of the above categories should consider with his professional advisor and to take legal advice on how he will comply with any reporting obligations of such acquisitions (if required).

**APPENDIX I: EXECUTION VENUES / BROKERS**

The list of execution venues and/or brokers (counterparties) set herein below is non-exhaustive but comprises only the venues on which Eurobank Cyprus Ltd places significant reliance. The list is also available on the Bank's website [www.eurobank.com.cy](http://www.eurobank.com.cy). The Bank reserves the right at any time to remove from the list any entity which it considers to no longer be appropriate, or to add to this list any entity the addition of which it considers would be in the best interest of its customers. A Customer may review the current list of the Execution Venues/ Brokers on the Bank's website and also may at any time request an updated version of this list from his Wealth Management Relationship Officer.

<b>Financial Instrument Type</b>	<b>Execution Venue / Broker</b>
Fixed Income Products	MTF: Bloomberg MTF
Equities and Exchange Traded Funds	Goldman Sachs International Sanford C. Bernstein Eurobank Equities S.A. Tradition Securities
Derivatives	Eurobank Ergasias S.A. Tradition Securities

<b>Counterparties for OTC trades</b>	
<b>Financial Instrument Type</b>	<b>Counterparties</b>
<i>Fixed Income Products and Structured Products</i>	Eurobank Ergasias S.A. Eurobank Private Bank Luxembourg S.A. JP Morgan Chase Goldman Sachs Nomura International PLC HSBC Credit Suisse Bank of America Toronto Dominion Bank Barclays Bank PLC Banca Zarattini KBC Bank N.V. Gazprombank OJSC Sberbank of Russia PJSC Unicredit SPA Raiffeisen Bank International AG Barclays Citibank Bank of Cyprus Public Company Limited Hellenic Bank Public Company Ltd Astrobank Limited Vantage Capital Markets LLP Exotix Partners LLP Stifel financial Corp Castle Harbor Securities Leonteq securities Dealing on own account
<i>Note: The Bank on a consistent basis reviews the venues it uses and as provided in the Execution Order Policy. The Bank, if a material change has occurred, will consider making changes to the relative importance of the best execution factors, and to the Execution Venues or execution entities (e.g. brokers) on which the Bank places significant reliance, in meeting the overarching best execution requirement.</i>	

## APPENDIX II: FEE SCHEDULE

### PART A: FEES AND CHARGES FOR INVESTMENT SERVICES

The Bank's fees and charges applicable for the provision of Investment Services in Financial Instruments are set out in this Schedule, which will form an integral part of the Investment Services Agreement (as may be effective and/or amended and/or replaced and/or reinstated from time to time), unless otherwise agreed between the Customer and the Bank. For Services in Financial Instruments (not provided herein) special fee arrangements are applicable and are available upon request.

The fees and charges provided in this Schedule apply only to the Services provided by the **Wealth Management Department** and are independent and separate from any other charges or fees payable or applied for any other transactions and/or banking activities a Customer may be carrying out with the Bank, which are subject to such other agreements and/or arrangements for any other services offered by the Bank as may have been entered into or will be entered into between the Bank and a Customer.

#### 1. BROKERAGE SERVICES & TRANSACTION/PRODUCT CHARGES

Security Type	Brokerage Transaction Charge	Minimum Charge			
<b>EQUITIES (including ETFs)</b>					
Local Equities (CSE & ASE)	0,75%	€50			
Global Equities	0,75%	€100			
<b>BONDS</b>					
Short Term (time to maturity up to 3 years)	0,50%	€100			
Long Term (time to maturity over 3 years)	0,75%	€100			
<b>STRUCTURED NOTES/PRODUCTS</b>					
The actual charge, which may include Product Costs, depends on the particular circumstances of each Transaction processed, which depend on the size, credit quality, unit price, liquidity and the market conditions, etc.	up to 5,00%	n/a			
<b>PRECIOUS METALS INVESTMENTS*</b>					
<b>Brokerage charge for Transactions in precious metals (Physical Form/Metal Investment account)</b>					
<i>* this service is offered only for a minimum investment of €50.000 per Transaction (or equivalent)</i>					
	<b>Physical form</b>		<b>Metal Investment account</b>		
	Gold, Silver	Platinum	Palladium	Silver	Gold, Platinum, Palladium
Transaction Charge	0,75%	1,25%	Charge is available upon request	1,20%	1,00%

**BROKERAGE SERVICES & TRANSACTION/PRODUCT CHARGES (continued)**
**NOTES:**

- A minimum charge applies as noted above.
- Third party/Foreign Stock Exchanges fees and taxes are NOT included in above charges.
- Additional charges (e.g.markup/markdowns) may apply on certain Investment Services and/or for customised structured investments to be carried out in Financial Instruments, requested by the Customer, based upon the particular circumstances of each Transaction, which could include for e.g. size, credit quality, unit price, maturity, liquidity and market conditions or as may be provided in any applicable KID/KIID or other applicable investor informative document for such Product. Such charges and fees are agreed individually between the Bank and the Customer.
- **Product Costs:** These are ongoing costs or embedded fees which may be charged by the product manufacturer and/or the distributor, being the Bank or a third party, of the investment product. Such fees are detailed in the offering document (e.g. KID/KIID) and may include local market levies and taxes payable, as well as the underlying third party management fees and administration expenses, where these apply, are additional costs. If the Bank receives any commissions or distribution payments from a third party in respect to a product, this will be disclosed, as referred into the MiFID Information Package.

**2. INTERNATIONAL MUTUAL FUNDS**

Description	Entry (Subscription)/ Exit (Redemption) Charge (per Fund category)			
	Money Market	Bond	Equities Asset Allocation Funds	Other (e.g. Alternative)
Entry/Exit Charge	0,15%	0,40%	0,60%	0,75%
Minimum Charge	€100	€100	€100	€100

**NOTES:**

- A minimum entry/exit charge per transaction applies as noted above. Above charges apply for the funds of the asset managers with whom the Bank has a contractual cooperation.
- Transactions in mutual funds of asset managers other than those with whom the Bank maintains a strategic alliance may be executed at the discretion of the Bank. Charges for such transactions as well as safekeeping charges for such funds will be agreed on an individual basis.

**3. GLOBAL CUSTODY SERVICES**
**3.1. Global Custody Services - Settlement and safekeeping charges**

Security Type	Safekeeping Charge	Minimum Charge
<b>Financial Instruments in dematerialised form:</b> Local securities (CSE & ASE) All other Financial Instruments	0,05% p.a. 0,25% p.a.	€75 per quarter per client portfolio
<b>Precious metals:</b> (i) Physical Form: - Gold, Platinum & Palladium - Silver (ii) Metal Investment accounts: - Gold, Platinum & Palladium - Silver	0,30% p.a. 0,60% p.a. 0,75% p.a. 1,00% p.a.	

**NOTES:**

- Safekeeping charges for funds, of asset managers with whom the Bank does not have a cooperation will be agreed on an individual basis.

**Global Custody Services - Settlement and safekeeping charges (continued)**

- A minimum safekeeping charge of €300 is applied per Portfolio per annum.
- Safekeeping charges include holding and administration of securities, precious metals in Physical Form & Metal Investment accounts.
- Safekeeping charges are calculated daily, and charged on a quarterly basis.

### 3.2. Corporate action charges and fees

Corporate Action	Charge
Corporate Action – Collection of coupons and dividends (e.g., Cash Dividends, Stock Dividends, Dividend Reinvestment Plan, Exchange Offers)	€15** per event <i>** If income is less than €15, then the amount to be charged will be equal to the amount received</i>
Dematerialisation of Securities	up to 0,25% per event
Tax reclaim - Processing tax related refund applications	€100 per application
Proxy voting	€100 per event
Titles transfers from/to other custodians and between customer portfolios	0,20% (there is a minimum of €100 per security)

### 3.3. Other services fees

Other Services	Fee
Processing Audit Requests / Questionnaire	€50 per response
Other special reports (e.g. accounting reports)	To be agreed upon request

## 4. DISCRETIONARY PORTFOLIO MANAGEMENT SERVICES FEES

Fees for Discretionary Portfolio Management Services (management fee and performance fee) are available upon request and are agreed separately on an individual basis. Fees for such Discretionary Portfolio Management Services are structured and calculated as a percentage of your Portfolio(s) values. Further information is available upon request from the Wealth Management Department.

## 5. INVESTMENT ADVICE (NON INDEPENDENT) SERVICES FEES

Fees for Investment Advice (Non Independent) Services are available upon request and are agreed separately on an individual basis. Further information is available upon request from the Wealth Management Department.

### General applicable fees and charges

1. For transactions in currencies other than EUR, the equivalent amounts will be charged subject to the Currency Exchange Rate at such time as applied by the Bank pursuant to its Bank Terms and Conditions.
2. When no current market price is available or when the market price is below the minimum price as set by the Custodian, the Bank may apply a Default Price for calculating safekeeping charges. Further details can be provided upon request.
3. The fees and charges do not include any taxes or duties. Such taxes or duties that are or might be imposed on, as per applicable legislation, are added on the contract note/ invoice and are payable by the Customer.
4. Terms of specific products and services may include specific fees that override the fees and charges provided in this Schedule, will be notified to the Customer or might be provided in the Ex-Ante Illustrations, which are made available by the Bank from time to time and posted in the Bank's website [www.eurobank.com.cy](http://www.eurobank.com.cy).

## **PART B: OTHER EXPENSES and COSTS**

- 1. Administrative Costs and Expenses:** The Customer shall pay any other costs and all out of pocket expenses, including all transfer costs for the transfer and/or settlement of securities, levies, taxes, judicial expenses, interest on overdue payments, insurance premiums, telegraphy or postal charges and any other expenses imposed or incurred by the Bank on providing the Services to the Customer.
- 2. Regulatory Execution Venue Costs:** Depending on which Market and/or non-regulated Market a Transaction is processed, subject to applicable law and regulations, additional charges and/or fees may be applied to including without limitation expenses for orders that are submitted via any electronic system for the processing and/or execution of the Customer's transaction which unless otherwise agreed shall be incurred by the Customer.  
  
The Customer acknowledges and accepts that the Bank may have to pay fees to third parties in case of acting as intermediary for the purchase/sale of any Financial Instruments or for carrying out any Service.
- 3. Bank Account Charges:** Notwithstanding any other provisions in the Investment Services Agreement, any costs and/or charges related to the Services shall be incurred by the Customer and charged to the Investment Bank Account (PB Account) or other Customer account. The Customer agrees that any changes to interest rates or exchange rates may be applied immediately without notice subject to the Bank Terms and Conditions. Such information on exchange rate conversion is made available on the Bank's website ([www.eurobank.com.cy](http://www.eurobank.com.cy)) or via press announcement or by email or other written way that may be considered appropriate under the circumstances to inform the Customer.
- 4. Stamp Duty Fees:** The Customer will be charged the expenses of stamp duty in relation to the Investment Services Agreement and the power of attorney and/or of any other documents executed in relation to the Agreement or any transaction contemplated pursuant to the Agreement.

## **PART C: STATEMENTS and REPORTS**

- 1. Cost Reports/Statements:** It is noted that a cost report/statement is based on data as of the cut-off date/time for such report as determined by the Bank. If there are changes in the reference currency during the reporting period, the subsequent costs and charges information will be calculated and disclosed based on the latest available reference currency of the reporting period.
- 2. Amendments/Revisions:** The Fee Schedule may be amended from time to time by the Bank and shall be notified to the Customer in writing in Durable Medium. The amendments shall enter into force, unless otherwise stated, within fifteen (15) days from the date of the notice, although amendments made to reflect any change due to any applicable law may take effect immediately as to be notified as per market prevailing conditions. The Customer shall be deemed to have accepted such amendments, variations or changes if he does not notify the Bank of his objection prior to the proposed date of their entry into force or if he continues to make use of the Services following the implementation date of such changes. If the Customer does not accept the proposed changes he has the right to terminate the Investment Services Agreement by notice pursuant to the terms of the Investment Services Agreement.

## **PART D: ILLUSTRATIONS OF EX-ANTE / EX-POST COSTS**

An illustration showing the cumulative impact of costs and charges on the investment potential return, including costs and additional charges for Investments Services, are available and provided to the Customer on an ex-ante basis. Ex-Ante Illustrations (as can be amended or revised from time to time) are available from the Bank's Offices and posted on the Bank's website at [www.eurobank.com.cy](http://www.eurobank.com.cy); can be requested at any time from time by the Customer.

By entering into an Investment Services Agreement with the Bank, or continuing to execute Transactions through the Bank (at any time after 3<sup>rd</sup> January 2018), the Bank assumes that you have reviewed and considered the Ex-Ante Illustrations as are available by the Bank posted on its website.

Further information and such tables/illustrations can be requested from a Relationship Officer of Wealth Management Department or found on the Bank's website at <https://www.eurobank.com.cy>.

### APPENDIX III: DEFINITIONS

In this document only unless otherwise described already in the document, capitalised words shall have the following meaning.

**Affiliate** means, in relation to a legal person, any company or person who directly or indirectly controls or is controlled by the Bank or is under the common control with any other company or is a member of the same group of companies and for the purposes of this sub paragraph “control” (including the words “control”, “controlled” and “under the common control”) means the directed and or indirect holding of such position to direct or cause the direction of management or strategy of such company or person in any way.

**Applicable laws** means all laws, rules and regulations howsoever applying to the Bank in relation to the provision of Services to the Customer and, where relevant, the market practice of any exchange, market, trading venue or any clearing house and including the regulations of a competent authority.

**Artemis System** means the system set out by Artemis Bank Information Systems Ltd (Artemis) is a credit bureau set up and is a subsidiary company of the Association of Cyprus Banks. Its mission is to collect, maintain and make available information on a database concerning the economic behaviour of businesses and individuals. Information on Artemis System are available on the Bank’s website at <https://www.eurobank.com.cy/en/articles/artemis>.

**Bank General Terms and Conditions** means the General Terms governing the relationship between the Customer and the Bank for banking transactions and payment services as applicable from time to time which are available on the Bank’s website at <https://www.eurobank.com.cy/en/articles/bank-terms>.

**Broker** means a member of an Exchange and/or Clearing House as is instructed by the Bank (or by the Customer in relation to a settlement only service(if such service is elected)) to enter into any Transaction on an Exchange and/or clear and/or settle the same; a Broker can also be an Intermediary.

**Clearing House** means any entity providing settlement, clearing or similar services for, or as part of, an Exchange.

**Customer Questionnaire** means the questionnaire to be filled in by the Customer for the set up and/or establishment of a Customer’s Investor Profile and/or as may provided in the Investment Services Agreement; as such questionnaire may be requested by the Bank or subject to Applicable law may be required to be updated or revised from time to time.

*Note: It is the Customer’s obligation of the Customer to notify the Bank of any changes of his Investor Profile.*

**Dealing on Own Account** means trading against proprietary capital resulting in the conclusion of transactions in one or more financial instruments.

**Durable Medium** means any instrument which enables the Customer to store information addressed personally to him/her in a way that makes it accessible for future reference for a period of time adequate for the purposes of the information and which allows the unchanged reproduction of the information stored.

## **Elective Professional**

### **Client**

means a Customer who: (a) is capable of making his/her own investment decisions and understanding the risks involved; (b) satisfies at least two (2) of the following criteria:

- (i) has carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous four quarters;
- (ii) has a financial instrument portfolio, defined as including cash deposits and financial instruments, exceeding EUR 500,000;
- (iii) works or has worked in the financial sector for at least one (1) year in a professional position, which requires knowledge of the transactions or services envisaged.

### **EURIBOR**

Euro Interbank Offered Rate means is the rate of interest in force from time to time at which term deposits in Euro for periods equal to the relevant interest period of the credit facility are offered in the Eurozone Interbank Market by one prime bank to another prime bank, and published by Thomson Reuters on data page "EURIBOR 01" (or any other successor page) shortly after 11 a.m. Central European time two business days prior to the date of the commencement of the relevant interest period.

### **Eurobank Group**

means Eurobank Greece S.A. ([www.eurobank.gr](http://www.eurobank.gr)) and its Affiliates or subsidiaries companies (from time to time) including the Bank.

### **Exchange**

means any exchange, market or association of dealers in any part of the world on or through which Investments, currencies or assets underlying, derived from or otherwise related directly or indirectly to Financial Instruments or currencies are bought and sold and includes any automated trading system administered by any such exchange, market or association.

### **Execution Only Service**

means the execution on behalf of client of orders being the processing of a Transaction or Order being executed by the Bank on behalf of a client to sell or buy financial instruments, upon the specific instructions of the Customer where the Bank does not give advice on investments or relating to the merits of the transaction or of the Order.

### **Execution Venue**

includes a Regulated Market (RM), a Multilateral Trading Facility (MTF), an Organised Trading Facility (OTF), a Systematic Internaliser (SI), or a market maker or other liquidity provider or an entity that performs a similar function in a third country to the functions performed by any of the foregoing.

**Financial Instruments** means all instruments listed in Part A: Section 2.2.1 (as provided and listed in the Law). Subject to the Law, financial Instruments are divided into two categories: "**non-complex**" and "**complex**" products.

The following products are considered to be **non-complex products** for the purposes of the Law, which in summary include:

- (a) Shares admitted to trading on a Regulated Market or on an equivalent third- county market or on a MTF, where those shares in companies, and excluding shares in non-UCITS collective investment undertakings and shares that embedded a derivative;
- (b) Bonds or other forms of securitised debt admitted to trading on a Regulated Market or on on an equivalent third- county market or on a MTF, excluding those that embed a derivative or incorporate a structure which makes it difficult for a customer to understand the risk involved;



- (c) Money- market instructions, excluding those that embed a derivative or incorporate a structure which make it difficult for a customer to understand the risk involved;
- (d) Shares or units in UCITS, excluding structured UCITS (UCITS which provide investors, at certain predetermined dates, with algorithm-based payoffs that are linked to the performance, or to the realisation of price changes or other conditions, of financial assets indices or reference portfolios of UCITS with similar features);
- (e) Structured deposits, excluding those that incorporate a structure which makes it difficult for a customer to understand the risk of return or the cost of exiting the product.
- (f) other non-complex financial instruments, which:
  - (i) do not incorporate a clause, condition or trigger that could fundamentally alter the nature or risk of the Financial Instrument or pay-out profile. This would include for example Investments that incorporate a right to convert the instrument into a different Financial Instrument; or
  - (ii) do not include any explicit or implicit exit charges that have the effect of making the Investment illiquid even though technically frequent opportunities to dispose or redeem it would be possible; or
  - (iii) otherwise satisfy the criteria under article 57 of MiFID II Delegated Regulation.

All other products not included in the above-mentioned categories are considered as **complex products**.

**Investment Advice** means the provision of personal recommendations to a Customer, either upon Customer's request or at the Bank's initiative in respect of one or more Transactions relating to Financial Instruments.

**Investment Services or Services** means any of the core services or ancillary services described in Part A: Section 2.2.2, provided by the Bank in relation to Financial Instruments as may be requested by the Customer or as agreed and set out in the Investments Services Agreement.

**Investment Services Agreement** the written agreement or contract entered into between the Bank and a Customer in relation to providing some or all the Services in respect of Financial Instruments, as elected by the Customer.

**Investor Profile** investor profile defines an individual's objective and/or investment preferences or understanding of Investment Services or Financial Instruments.

**Instruction** means any notice, demand, information, request or instruction (or any cancellation of any request or instruction) issued by the Customer to the Bank or by a Customer's attorney or authorised signatory or authorised representative.

**Intermediary** means a company to which the Bank transmits Orders for execution and which either executes the Order received from the Bank on an Execution Venue or transmits the Order received from the Bank to another Intermediary for execution.

**KID** means Key Information Document issued pursuant to EU Packaged retail investment and insurance products Regulation (PRIIPs).

**KIID** means Key Investor Information Document a document that provides key information about investment funds obliged to be issued by a fund funds authorised under Undertakings for Collective Investment in Transferable Securities Directive (UCITS).

means the Investment Services and Activities and Regulated Markets Law (L.87 (i)/2017) which transposes into Cyprus legislation MiFID II (as may be amended or replaced from time to time).

**LIBOR**

London Interbank Offered Rate is the rate of interest in force from time to time at which term deposits in the currency of the credit facility (other than Euro) for periods equal to the relevant interest period of the credit facility are offered in the London Interbank Market by one major bank to another major bank, and published by ICE Benchmark Administration Limited (or any successor body) at approximately 11.45 a.m. London time, either (depending on the terms of the relevant credit facility):

- (i) two business days prior to the date of the commencement of the relevant interest period (for credit facilities in US Dollar, Swiss Franc and Japanese Yen and certain credit facilities in Pound Sterling); or
- (ii) on the first day of commencement of the relevant interest period (for certain credit facilities in Pound Sterling).

**Metals**

means all precious metals (e.g. gold, silver )or other metals and all commodities (and all benefits, rights, proceeds or other assets arising from any Options, Futures or Contracts for Differences (CFDs) relating to the same and all rights and entitlements arising from or attaching to them).

**MiFID II**

means the Directive 2014/65/EU on markets in financial instruments.

**MiFID II**

**Delegated Regulation** means the Commission Delegated Regulation (EU) supplementing MiFID II as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive.

**Multilateral Trading Facility (MTF)**

means a multilateral system, operated by an investment firm or a market operator, which brings together multiple third party buying and selling interests in Financial Instruments – in the system and in accordance with non-discretionary rules – in a way that results in a contract in accordance with MiFID II.

**Order**

means any instruction received by the Bank from the Customer or on behalf of a Customer, or generated by the Bank on behalf of the Customer, in relation to a Transaction.

**Organised Trading Facility (OTF)**

means a multilateral system which is not a regulated market or an MTF and in which multiple third-party buying and selling interests in bonds, structured finance products, emission allowances or derivatives are able to interact in the system in a way that results in a contract in accordance with EU Directive 2014/65/EC (MiFID II).

**Over-the-counter (OTC)**

or off-exchange means the trading which is done directly between two parties, without the supervision of an Exchange. It is contrasted with exchange trading, which occurs via Exchanges.

**Per Se Professional Client**

means a Customer considered by the Bank to possess the experience and knowledge to make his own investment decisions and properly assess the risks that he incurs arising, based upon the Customer falling into one of the categories set out by Law which in summary includes:

- (a) an entity required to be authorised or regulated to operate in the financial markets;

- (b) a large undertaking meeting two (2) of the following size requirements on a company basis:
  - (i) balance sheet total of EUR 20,000,000;
  - (ii) (net turnover of EUR 40,000,000;
  - (iii) own funds of EUR 2,000,000; or
- (c) a national or regional government, including a public body that manages public debt at national or regional level, a central bank, an international or supranational institution (such as the World Bank, the International Monetary Fund (IMF), the European Investment Bank (EIB)) or another similar international organisation; or another institutional investor whose main activity is to invest in Financial Instruments; and hence is not entitled to certain regulatory protections available to a Retail Client.

**Portfolio** means the portfolio of Financial Instruments maintained by the Customer with the Bank pursuant to the terms of an Investment Services Agreement.

**Portfolio Management** means the management of a portfolio of one or more Financial Instruments with mandate given by a Customer on a discretionary (customer – by –customer) basis.

**Portfolio Valuation** means the performance of the portfolio compared to the benchmark (if a benchmark has been specified) for the period the particular report refers to, as well as the confirmations of the transactions performed in the context of portfolio management for the specific time interval.

**Professional Client** means a Customer who has been categorised by the Bank as Professional Client for the purposes of the Law, either on the basis of such customer being a Per Se Professional Client or an Elective Professional Client.

**Product** means a financial instrument or such investment product as may be qualified as such pursuant to PRIIPs Regulation.

#### **Reception and Transmission of Orders**

**Service** refers to the reception of a purchase or sale Order from the Customer and the immediate transmission of such Instructions or Order to the counterparty for execution.

**Regulated Market(RM)** means a multilateral system operated and/or managed by a market operator, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in Financial Instruments – in the system and in accordance with its non-discretionary rules – in a way that results in a contract, in respect of the Financial Instruments admitted to trading under its rules and/or systems, and which is authorised and functions regularly and in accordance with EU Directive 2014/65/EC (MiFID II).

#### **Regulator or**

**Competent Authority** means each of any competent regulatory authority to which the Bank or Eurobank Group is subject to its supervision in any jurisdiction.

**Retail Client** means a client who is not a Professional Client (Per Se Professional Client or Elective Professional Client).

#### **Systemic Internaliser (SI)**

means an investment firm which, on an organised, frequent systematic and substantial basis, deals on own account when executing client orders outside an RM, an MTF or an OTF without operating a multilateral system.

**Tax or Taxes**

means any tax, levy, duty or other charge or withholding of a similar nature in any jurisdiction (including any penalty or interest payable in connection with failure to pay or any delay in paying of the same).

**Transaction**

means an Order which a Customer gives to the Bank for the purchase or sale of a Financial Instrument, or any other transaction entered into between the Bank and the Customer which is either executed or received and transmitted by the Bank under the terms of the Investment Services Agreement, including when an Order, request for quote or other communications or actions in connection with a potential Transaction or Service in relation to Financial Instruments, has not yet resulted or did not result in the full or partial execution or transmission of the order or request for quote, for any reason, including Customer's withdrawal or cancellation of his request or Order.