



**IFCM CYPRUS LIMITED**  
**Product Governance Policy**  
**January 2022**

## 1. Policy Overview

Following the implementation of the Markets in Financial Instruments Directive 2014/65/EU ("MiFID II") and in accordance with the provisions of the Financial Services and Activities and Regulated Markets Law of 2017 (the "Law") and based on Directive DI87-01 (the 'Directive'), NBI Investments Ltd (the 'Company') will have in place adequate product governance arrangements, to ensure that it acts in the client's best interests during all stages of the lifecycle of products or services.

The Company will comply with its product governance requirements in a way that is appropriate and proportionate, taking into account the nature of the investment product, the investment service and the product's target market. According to the ESMA Guidelines on MiFID II Product Governance Requirements (ESMA35-43-620):

- i. the term "manufacturer" refers to a firm that manufactures an investment product, where manufacturing includes the creation, development, issuance or design of that product, including when advising corporate issuers on the launch of a new product; and
- ii. the term "distributor" refers to a firm that offers, recommends or sells an investment product and service to a client.

Given the above definition and the Company's current business model, the policy will entail the requirements of a product "distributor" and "manufacturer".

In cases where the investment product is a collaborative process with either an entity that is not within the scope of MiFID II or with a third-country entity the Company will outline the mutual responsibilities with its collaborator(s) in a written agreement.

### 1.1. Investment Services

The Company under its capacity of distributor, will distribute its products through the below investment services:

#### Provision of investment advice.

1.2. Financial instruments distributed by the Company as product distributor, the Company will distribute the following instruments for Non-EU & Professional Investors:

\*Click on the Symbol of each instrument and follow the link for Fact Sheets.

Non-EU & Professional Investors					
Symbol	Exchange	Name	ISIN	Type	Currency
<a href="#">UPRO</a>	NYSE	ProShares UltraPro S&P500	US74347X8645	ETF	USD
<a href="#">VYM</a>	NYSE	Vanguard High Dividend Yield	US9219464065	ETF	USD
<a href="#">VNO</a>	NYSE	Vanguard Real Estate ETF	US9229085538	ETF	USD
<a href="#">IEF</a>	NASDAQ	iShares 7-10 Year Treasury Bond ETF	US4642874402	ETF	USD
<a href="#">TQQQ</a>	NASDAQ	ProShares UltraPro QQQ	US74347X8314	ETF	USD
<a href="#">SPY</a>	NYSE	SPDR S&P 500 ETF Trust	US78462F1030	ETF	USD
<a href="#">QQQ</a>	NASDAQ	Invesco QQQ Trust, Series 1 ETF	US46090E1038	ETF	USD
<a href="#">VWO</a>	NYSE	Vanguard FTSE Emerging Markets ETF	US9220428588	ETF	USD
<a href="#">VTV</a>	NYSE	Vanguard Value ETF	US9229087443	ETF	USD
<a href="#">TMF</a>	NYSE	Direxion Daily 20+ Year Treasury Bull 3X Shares	US25459W5408	ETF	USD
<a href="#">SHY</a>	NASDAQ	iShares 1-3 Year Treasury Bond ETF	US4642874576	ETF	USD
<a href="#">TLT</a>	NASDAQ	iShares 20+ Year Treasury Bond ETF	US4642874329	ETF	USD
<a href="#">VBR</a>	NYSE	Vanguard Small Cap Value ETF	US9229086114	ETF	USD
<a href="#">CSNDX</a>	EBS	iShares Nasdaq 100 UCITS ETF (Acc)	IE00B53SZB19	ETF	USD
<a href="#">QDVI</a>	FWB	iShares Edge MSCI USA Value Factor UCITS ETF	IE00BD1F4M44	ETF	EUR
<a href="#">IBTS</a>	AEX	iShares USD Treasury Bond 1-3yr UCITS ETF (Dist)	IE00B14X4S71	ETF	EUR

<a href="#">IS04</a>	FWB	iShares USD Treasury Bond 20+yr UCITS ETF (Dist)	IE00BSKRJZ44	ETF	EUR
<a href="#">DTLA</a>	LSE	iShares USD Treasury Bond 20+yr UCITS ETF USD (Acc)	IE00BFM6TC58	ETF	USD
<a href="#">IUVL</a>	LSE	iShares Edge MSCI USA Value Factor UCITS ETF	IE00BD1F4M44	ETF	USD
<a href="#">SXRV</a>	XETRA	iShares Nasdaq 100 USD ACC	IE00B53SZB19	ETF	EUR
<a href="#">BTMA</a>	AEX	iShares USD Treasury Bond 7-10yr UCITS ETF (Dist)	IE00B1FZS798	ETF	EUR
<a href="#">IDTM</a>	LSE	ISHARES \$ TREASURY BOND 7-10YR UCITS ETF USD (DIST)	IE00B1FZS798	ETF	USD
<a href="#">IBTA</a>	LSE	ISHARES \$ TREASURY BOND 1-3YR UCITS ETF USD (ACC)	IE00BYXPSP02	ETF	USD
<a href="#">IBKR</a>	NASDAQ	INTERACTIVE BROKERS GRO-CL A	US45841N1072	SHARE	USD

1.3. Will distribute the following instruments for EU / Retail Investors:

\*Click on the Symbol of each instrument and follow the link for Key Information Documents (KIDs)

EU / Retail Investors					
Symbol	Exchange	Name	ISIN	Type	Currency
<a href="#">CSNDX</a>	EBS	iShares Nasdaq 100 UCITS ETF (Acc)	IE00B53SZB19	ETF	USD
<a href="#">QDVI</a>	FWB	iShares Edge MSCI USA Value Factor UCITS ETF	IE00BD1F4M44	ETF	EUR
<a href="#">IBTS</a>	AEX	iShares USD Treasury Bond 1-3yr UCITS ETF (Dist)	IE00B14X4S71	ETF	EUR
<a href="#">IS04</a>	FWB	iShares USD Treasury Bond 20+yr UCITS ETF (Dist)	IE00BSKRJZ44	ETF	EUR
<a href="#">DTLA</a>	LSE	iShares USD Treasury Bond 20+yr UCITS ETF USD (Acc)	IE00BFM6TC58	ETF	USD
<a href="#">IUVL</a>	LSE	iShares Edge MSCI USA Value Factor UCITS ETF	IE00BD1F4M44	ETF	USD
<a href="#">SXRV</a>	XETRA	iShares Nasdaq 100 USD ACC	IE00B53SZB19	ETF	EUR
<a href="#">BTMA</a>	AEX	iShares USD Treasury Bond 7-10yr UCITS ETF (Dist)	IE00B1FZS798	ETF	EUR
<a href="#">IDTM</a>	LSE	ISHARES \$ TREASURY BOND 7-10YR UCITS ETF USD (DIST)	IE00B1FZS798	ETF	USD
<a href="#">IBTA</a>	LSE	ISHARES \$ TREASURY BOND 1-3YR UCITS ETF USD (ACC)	IE00BYXPSP02	ETF	USD
<a href="#">IBKR</a>	NASDAQ	INTERACTIVE BROKERS GRO-CL A	US45841N1072	SHARE	USD

## 2. General principles

As a product distributor the Company will:

1. Determine the actual target market for the product;
2. Perform product testing to assess the behavior of the product;
3. Have product governance controls in place to ensure the products and services it offers or recommends are compatible with the needs, characteristics and objectives of an identified target market and that its distribution strategy is consistent with the identified target market;
4. Comply with all applicable requirements of the Law and relevant Directives and Regulations, including those relating to disclosure, assessment of appropriateness, inducements and proper management of conflicts of interest;

5. Periodically review and update its product governance arrangements to ensure they remain robust and fit for their purpose, and take appropriate actions where necessary; and

6. Ensure it can obtain (provide) all required information from (to) the product manufacturers.

## 2.1. Product governance arrangements

### 2.1.2. Approval process and oversight

The Board of Directors (the "BoD") will approve new products and services (as well as changes in existing products and services), in accordance with the needs and characteristics of the clients to whom they will be offered.

Additionally, the BoD will monitor and, annually, or at any other time deemed necessary, assess the adequacy of the Company's product governance arrangements and take appropriate steps to address any deficiencies. The decisions taken by the BoD in this respect will be fully documented through BoD minutes.

Prior to being submitted to the BoD for approval, new products and services (as well as changes to existing ones) will be reviewed by staff members from a broad range of the Company's functional areas, including the General

Manager, the Compliance Officer and the Risk Manager. The Company will ensure that the said staff members possess the necessary expertise to understand the characteristics and risks of the products and services it intends to offer through regular appraisals, which will be formally documented. In the event training and developments needs are identified, they will be timely and appropriately dealt with. The Company's compliance officer will be responsible for the monitoring and the periodic review of the Company's product governance arrangements, to detect any risk of failure by the Company to comply with its relevant obligations. In this respect, the compliance reports submitted to the Company's BoD on an annual or an ad-hoc basis will include information about the products and services offered.

### 2.1.3. Selection of product manufacturer

The Company will exercise due skill, care and due diligence when selecting a product manufacturer. The Company will consider what impact the selection of a given product manufacturer will have on its clients, against certain criteria including:

- a) The impact of charges;
- b) The financial strength of the manufacturer. Emphasis will be placed on the manufacturer's capital ratio, which must not be less than 10%. To safeguard this provision, the Company will make such contractual arrangements that will impose an obligation to the manufacturer to disclose this ratio and maintain it up to standards;
- c) To the extent that information is available, how efficiently and reliably the manufacturer will handle complaints and claims (if they arise). The Company's

expectation is that should complaints and/or claims arise, they will be resolved within ten (10) working days; and

d) The regulatory status of the manufacturer. The Company will only be co-operating with EU or third country manufacturers that are licensed and regulated by their relevant competent authorities. The Company will place emphasis on the distribution of products that have been manufactured by entities which are subject to the MiFID II product governance requirements.

#### 2.1.4. Timing of target market assessment

The identification of the target market will be conducted as part of the general review and approval process. Hence, the identification of the target market will occur at an early stage, when the Company's business policies and distribution strategies are defined by the management body and, on an ex-ante basis. The Company will ensure from the very beginning, the general consistency of the products that are going to be offered and the related services that will be provided with the needs, characteristics and objectives of target clients.

The Company will focus on the investment services through which the products will be offered to their respective target markets. In this respect, the nature of the products will be duly considered.

Where, on the basis of all information and data that may be at the Company's disposal and gathered through investment or ancillary services or through other sources, including the information obtained from product manufacturers, the Company assesses that a certain product will never be compatible with the needs and characteristics of its existing or prospective clients.

The Company's obligation to identify the target market and to ensure that a product is distributed in accordance with the actual target market is not substituted by an assessment of appropriateness, and has to be conducted in addition to, and before such an assessment.

In particular, the identification, for a given product, of its target market and related distribution strategy shall ensure that the product ends up with the type of clients for whose needs, characteristics and objectives it had been designed, instead of another group of clients with whom the product may not be compatible.

#### 2.1.5. Identification of the actual target market

The Company will put in place adequate product governance arrangements to ensure that products and services are compatible with the needs, characteristics, and objectives of an identified target market and that the intended distribution strategy is consistent with the identified target market.

The Company under its capacity of both product manufacturer and distributor, it will use the product manufacturer's more general target market assessment (if any), as well as actual information and knowledge of its client base, to identify the target market and the distribution strategy of its products. The criteria that will be considered include:

- a) the type of client to whom the product is targeted, i.e. the Company will specify whether the product is targeted to a retail client, professional or eligible counterparty;
- b) clients' knowledge and experience, i.e. the Company will specify the knowledge that the target clients must have about elements such as the relevant product type, product features and/or knowledge in thematically related areas that help to understand the product;
- c) clients' financial situation with a focus on the ability to bear losses, i.e. the Company will specify the % of losses target clients are able and willing to afford (for example from minor losses to total loss) and if there are additional payment obligations that might exceed the amount invested (for example margin calls);
- d) clients' risk tolerance and compatibility of the risk / reward profile of the product with the target market, i.e. the Company will specify the general attitude that target clients must have in relation to the risks of investment. Basic risk attitudes will be categorized (for example, risk-oriented or speculative, balanced, conservative) and clearly described; and
- e) clients' objectives and needs, i.e. the Company will specify the investment objectives and needs of target clients that a product is designed to meet, including the wider financial goals of target clients or the overall strategy they follow when investing (for example, reference may be made to the expected investment horizon).

#### 2.1.6. Identification of the 'negative' target market

The Company will also consider whether a product would be incompatible with certain target clients ("negative" target market). When doing so, the Company will apply the principles noted in Section 2.1.4.

In situations where a product could, under certain circumstances and where all other legal requirements are met (including those relating to disclosure, assessment of appropriateness, identification and management of conflicts of interest), be sold outside the positive target market, these instances must be justified by the individual facts of the case and the reason for the deviation should be clearly documented. Approval for the sale of such products will be provided by either the Company's BoD or an Executive Director. An internal registry will be kept, where all such incidents with relevant details will be recorded.

As the negative target market is an explicit indication of those clients for whose needs, characteristics and objectives the product is not compatible and to whom the product should not be distributed, the sale to investors within this group will be a rare occurrence and the justification for the deviation will be accordingly substantiated.

The approval and documentation procedure noted in the above paragraph will be adopted. In the event that the Company becomes aware, for example, through the analysis of clients' complaints or other sources and data, that the sale of a certain product outside the target market identified ex-ante has become a significant phenomenon (for instance, in terms of number of clients involved), such input will be taken into due consideration in the course of its periodic review of the products an

related services offered. In such cases, the Company may, for example, come to the conclusion that the target market originally identified was not correct and that it needs to be reviewed or that the related distribution strategy was not appropriate for the product and has to be reconsidered.

## **2.2. Product Testing**

Under its capacity as a product manufacturer, the Company will stress-test the products manufactured under various product market conditions. To this end, scenario analysis of the financial instruments manufactured will be conducted, which shall assess the risks of poor outcomes for end clients posed by the product, and in which circumstances these outcomes may occur.

In this respect, the Company shall assess the financial instrument under negative conditions covering what would happen if, for example:

- a) the market environment deteriorated;
- b) the financial instrument fails to become commercially viable; or
- c) demand for the financial instrument is much higher than anticipated, putting a strain on the Company's resources and/or on the market of the underlying instrument.

The Company will also examine whether the financial instrument is likely to pose a threat to the orderly functioning or stability of financial markets before deciding to proceed with its launch.

The Company will determine whether a financial instrument meets the identified needs, characteristics and objectives of the target market by examining the following elements:

- a) whether the financial instrument's risk/reward profile is consistent with the target market; and
- b) whether the financial instrument design is driven by features that benefit the client and not by a business model that relies on poor client outcomes to be profitable.

### **2.2.2. Distribution strategy**

The Company will consider the distribution strategy identified by the product manufacturer and review it with a critical look. However, ultimately, including when a product manufacturer is an entity not subject to MiFID II and thus it is not obliged to identify a distribution strategy, the Company will define its own distribution strategy in light of information on its client base and type of services provided.

The Company, under its capacity as product manufacturer / distributor, will take reasonable steps to ensure that its financial products are distributed to the identified target market. As per section 1.1. the Company's products will be distributed via the following investment services: **Investment Advice.**

The preferred acquisition channel will be through an online platform. The Company's products will be distributed directly to retail, professional clients and eligible counterparties of a country which lies within the context of its authorization to freely provide/perform services/activities for Member States and for Third Countries where the Company has a legal opinion or can justify beyond any reasonable doubt with substantive evidence that it can offer such services and products.

#### 2.2.3. Regular review of products

The Company will at least annually, or more frequently if that is deemed necessary, review its products to assess whether they remain consistent with the needs, characteristics and objectives of the identified target market and whether the intended distribution strategy remains appropriate.

Under its capacity as a product manufacturer / distributor, the Company will review products on a regular basis, by considering any event that could materially affect the potential risk of the identified target market. The Company shall consider if:

1. the financial instrument remains consistent with the needs, characteristics and objectives of the target market;
2. the financial instrument is being distributed to the target market; and
3. the financial instrument is reaching clients for whose needs, characteristics and objectives the financial instrument is not compatible.

The Company's Board of Directors will have effective control over the Company's product governance process. The Company's compliance officer will be responsible for the monitoring and the periodic review of the Company's product governance arrangements, to detect any risk of failure by the Company to comply with its relevant obligations. In this respect, the

compliance reports submitted to the Company's Board on an annual or an ad-hoc basis will include information about the products and services offered.

#### 2.2.4. Distribution of products manufactured by entities not subject to MiFID II

In the event where the Company distributes products that have not been manufactured by entities subject to the MiFID II product governance requirements, the Company shall perform the necessary due diligence to provide an appropriate level of service and security to its clients compared to a situation where the product had been designed in accordance with the MiFID II product governance requirements.

#### 2.2.5. Charging Structure

Although the Company will be receiving its products by its Investment Research Ancillary service, The assets' value is determined according to the market price of the asset as determined by the respective trading exchange at the closing price for the given trading day. In case the said asset is traded on several exchanges (trade organizers), the Company uses the data of any of them at its own discretion. If price

of the asset is indicated in a foreign currency, the Company will use an official exchange rate of the European Central Bank for the cost calculation of services in Euro at the date of calculation.

. When doing so, the Company will provide information about these charges to its Clients accordingly.

In relation to the proposed charging structure of the financial instrument, the Company shall always take into

consideration the following factors:

1. whether the instrument's costs and charges are compatible with the needs, objectives and characteristics of its target market;
2. whether the charges undermine the instrument's return expectations, such as where such charges equal, exceed or remove almost all of the expected tax advantages linked to the instrument; and
3. whether the charging structure of the instrument is appropriately transparent for its target market.

In this respect, the applicable costs and charges will be disclosed prior to the distribution of the product and the relevant disclosure will not be too complex to understand.

### **3. Financial Instruments Documentation**

#### **3.1 Key Information Documents (KIDs) required under the PRIIPs Regulation**

The PRIIPs Regulation requires that a KID is a stand-alone, standardized document prepared for each investment. A KID can be up to a maximum of 3 sides of A4-sized paper and may refer to other documents such as a prospectus if the cross-reference is related to the information required to be included in the KID, or refer to where detailed information can be found. A KID may also provide information about underlying options for one product (such as a life policy) within one document.

Each KID will need to contain the following information, presented in a pre-determined sequence of sections. The sections are:

- What is this product?
- What are the risks and what could I get in return?
- What happens if [name of the PRIIP manufacturer] is unable to pay out?
- What are the costs?
- How long should I hold it and can I take money out early?
- How can I complain?
- Other relevant information

The Regulation outlines the layout of the KID. The RTSs contains detailed rules on:

- the content and presentation of the KID
- how to calculate some of the information in the KID
- the review, revision and republication of the KID
- the timing of delivery of the KID