

Otkritie Capital Cyprus Limited
 Registration # HE 165058
 Date of Incorporation: 06/09/2005
 Commission

License Number: 069/06
 Issued by the Cyprus Securities and Exchange

PRODUCT GOVERNANCE AND DISTRIBUTION POLICY

Developed/Amended by:	Position:	Date:	Comments on changes	Status:
Valeria Evseeva	Head of Compliance, MLCO	<i>December 2017</i>	<i>Prepared taking into account the new requirements of MiFID II</i>	<i>Approved by the Board of Directors on December 2017</i>
Glushchenko Iuliia	Head of Compliance, MLCO	<i>June 2018</i>	<i>Update in connection with the development of the Product Governance Procedure</i>	<i>Approved by the Board of Directors on 01.06.2018</i>

Otkritie Capital Cyprus Limited
Registration # HE 165058
Date of Incorporation: 06/09/2005
Commission

License Number: 069/06
Issued by the Cyprus Securities and Exchange

Otkritie Capital Cyprus Limited (the «**Company**» and or “**OCCL**”) is a Cypriot Investment Firm established in accordance with the laws of the Republic of Cyprus, authorized and regulated by the Cyprus Securities and Exchange Commission (the «**Commission**» and or “**CySEC**”), license 069/06.

This Product Governance and Distribution Policy (the «**Policy**») of the Company is a document which lays down the basic principles and arrangements which the Company adheres to in the governance, management and distribution of the financial instruments and products offered to clients in the course of provision of investment services and exercise of investment activities.

In addition to this Policy, OCCL has developed the Product Governance Procedure (“**Procedure**”) that describes the provisions and product governance requirements of OCCL to enhance the level of investor protection by regulating all products or services in order to ensure that OCCL acts in the clients’ best interests.

This Policy is drafted in accordance with requirements of applicable legislation of Cyprus Securities and Exchange Commission and other competent authorities of European Union, such as:

- Directive 2014/65/EU on markets in financial instruments (‘MiFID II’);
- Investment Services and Activities and Regulated Markets Law L. 87(I)/2017;
- Commission Delegated Directive (EU) 2017/593;
- CySEC Circular C236 Product Governance requirements under MiFID II;
- Guidelines on MiFID II product governance requirements – ESMA35-43/620.

Product which fall under Product Governance

Product governance requirements apply to all products (financial instruments and structured deposits) sold on primary and secondary markets, irrespective of the type of product or service provided and of the requirements applicable at point of sale.

However, those rules may be applied in a proportionate manner, depending on the complexity of the product and the degree to which publicly available information can be obtained, taking into account the nature of the instrument, the investment service and the target market. Proportionality means that these rules could be relatively simple for certain simple, products distributed on an execution-only basis where such products would be compatible with the needs and characteristics of the mass retail market.

Products manufactured and distributed before 3 January 2018 do not fall within the scope of product governance requirements.

Products manufactured before 3 January 2018 but distributed after 3 January 2018 fall within the scope of product governance requirements applicable to distributors, who they will treat the manufacturers as if they were non-MiFID entity. However, the relevant regulatory requirements will be complied with in either scenario from the date the next product review process cycle after 3 January 2018.

GENERAL PRINCIPLES

The Company has based its Product Governance Policy on the following basic principles:

- Obtaining exhaustive and comprehensive information on each financial instrument and/ or product it offers and/ or intends to offer for sale to clients;
- Obtaining exhaustive and comprehensive information on each financial instrument and/ or product it offers and/ or intends to offer for more effective analysis and distribution by Target Groups of financial instrument.
- Obtaining comprehensive and complete information on each client for more effective analysis and distribution by Target Client Groups.
- Development and implementation of the distribution strategy which fully corresponds to the needs, objectives and characteristics of the identified target markets offering the products which remain fully consistent with those;
- Establishing clear and reliable procedures for approval of each offered product;
- Establishment of clear and reliable procedures for approval and distribution of each client and product/financial instrument by Target Group;
- Regular monitoring and review of the product governance arrangements in order to be fully responsible and adaptive to regulatory and market environment;

DISTRIBUTION STRATEGY

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

1. Each intended distribution strategy is tested for its consistency, and each intended offered product and provided service are tested for their compatibility with the identified target market considering its objectives, needs and characteristics. This is implemented through procedures of analysis and assessment undertaken by the Product Governance Committee.
2. In order to ensure that the interests of clients are not and could not be compromised due to the pressures of funding or commercial nature, the Company undertakes adequate identification, analysis and assessment of the needs and circumstances of the clients which represent the intended Target Client Group.
3. Due to significant differences in objectives, needs and characteristics of the investors, it is understood that some distributed products and offered services could be incompatible with those; as deemed applicable, the Company proceeds with identifying such investors and separating them into certain groups depending on such compatibility.
4. In order to ensure that the products are or are intended to be distributed in accordance with the needs, objectives and characteristics of the identified target market, the Company obtain from the

Otkritie Capital Cyprus Limited
Registration # HE 165058
Date of Incorporation: 06/09/2005
Commission

License Number: 069/06
Issued by the Cyprus Securities and Exchange

product manufacturers or from the available public sources of information the information enabling it to obtain the necessary understanding and sufficient knowledge of each product intended for sale.

5. As part of such intended distribution process, the Company proceed with obtaining the reliable, adequate and sufficient product information from such manufacturers and shall determine the target market for each such instrument, including the cases where such market was not defined by such manufacturer.

6. Where information relevant to the distribution of a certain product is not publicly available, the Company can take all reasonable steps to obtain such required information from the product manufacturer or its agents.

7. In order to identify the target market and distribution strategy the Company use the relevant client information as well as the information received from the manufacturer of the product.

The range of investment products and/ or financial instruments and services which the Company intends to offer and/ or offers is subject to prior scrutiny for their compliance with applicable legislative requirements, specifically, regarding assessment of suitability and appropriateness, inducements, disclosure and efficient conflicts of interest management. These provisions, which are also applicable to the offering of new products and variations to the provided services, are implemented through internal procedures and measures, which include, inter alia, the close involvement of the Product Governance Committee.

Risks of financial instruments

The Clients should be aware that there are significant risks in investing in the Securities of any Issuer in the securities market as well as market indices and other instruments. Such investments may be highly speculative, involve a high degree of risk and may result in the loss of the entire investment.

The client should fully understand the following:

- That investments are made or other positions taken in financial instruments at the client's own risk;
- The need to carefully study the securities company's general business terms and conditions and other relevant information on the financial instrument in question and its properties and risks before trading in financial instruments;
- The need to immediately scrutinize contract notes and submit any complaints regarding any errors;
- The need to regularly monitor changes in the value of holdings of financial instruments;
- The need to react by selling holdings if required in order to reduce the risk of losses on the client's own investments.

OCCL try to protect its clients by notify clients to the potential risks that arise when trading in certain financial instruments.

Otkritie Capital Cyprus Limited

Registration # HE 165058

Date of Incorporation: 06/09/2005

Commission

License Number: 069/06

Issued by the Cyprus Securities and Exchange

OCCL pay special attention of its clients, as well as potential clients on the Product Governance and Risk Disclosure Statement. **This Risk Disclosure Statement** is included in the Product Governance Procedure as well it is **published on Company's website**.

Most important types of risks are:

- **Market risk:** The risk of change in the market value of asset due to changes in asset prices, FX rates, interest rates, commodity prices and volatility. This risk includes Price risk, Price volatility risk, Currency risk, Interest-rate risk, etc.
- **Credit risk:** The risk that the issuer or a contracting party will fail to meet its obligation when they become due
- **Tax risk:** The risk that tax rules and/or tax rates are unclear or may be changed.
- **Leverage/gearing effect risk:** The structure of a derivative instrument which means there is a risk that a change in the price of the underlying asset will have a major negative effect on the price of the derivative instrument.
- **Legal risk:** The risk that relevant legislation and rules are unclear or may be amended.
- **Company-specific risk:** The risk that a company does worse than expected or that the company is affected by a negative incident so that the financial instruments which are linked to the company may fall in value.
- **Industry-specific risk:** The risk that a specific industry does worse than expected or is affected by a negative incident so that the financial instruments which are linked to the companies in the industry in question may fall in value.
- **Liquidity risk:** The risk that the client cannot sell or purchase a financial instrument at a certain time when the client wishes to do so because the Issuer of the financial instrument cannot fulfil its obligations upon maturity.

More detailed information about the characteristics, criteria of the client's graduation by Target Client Group, as well as examples of the client's graduation by Target Client Group is presented in the Product Governance Procedure.

Information, Analysis and Assessment

Before offering a financial instrument, the Company shall be capable to fully understand the identified target market; such identification is based, inter alia, on the compatibility of this instrument with the following client characteristics:

- Client category (Retail Clients, Professional Clients (Elective Professional and Per Se Professional Clients), Eligible Counterparty),
- Client's knowledge and experience (including those relevant to similar products),
- Financial situation of the client, specifically their ability to bear losses to their capital (Decrease of Capital),
- Risk tolerance of the client,
- Objectives (the aim (needs and objectives) that the investor/client has and the reason he opens the account within OCCL),
- Whether the risk/ reward profile of the product is compatible with the target market,

Otkritie Capital Cyprus Limited

Registration # HE 165058

Date of Incorporation: 06/09/2005

Commission

License Number: 069/06

Issued by the Cyprus Securities and Exchange

- Knowledge of the client: Knowledge of Investments (the level of knowledge of investor in investments in general) and Knowledge of Financial Instruments (the level of knowledge of investor specifically in the financial instruments),
- Experience of the client: Experience in trading financial instruments (the level of experience of investor/client in financial investments in general) and Experience in trading specific financial instruments (the level of experience of investor in trading in a specific financial instrument),
- Restrictions and/or prohibitions of the investment strategy and/ or risk tolerance.

At the on-boarding stage (KYC), the **Brokerage client** completes the Due Diligence Questionnaire and Appropriateness Test. The Company analyzes and assesses all provided information. On the basis of the responses, the Company identifies in which “Target Client Group” client falls.

Target Market with the reference to client’s characteristics, e.g. so-called “**Target Client Group**” is represented by the 8 various target groups of clients:

- **S Group**, e.g. Safety Group,
- **C Group A**, e.g. Conservative Group A,
- **C Group B**, e.g. Conservative Group B,
- **O Group A**, e.g. Optimal Group A,
- **O Group B**, e.g. Optimal Group B,
- **RA Group A**, e.g. Risky-Aggressive Group A,
- **RA Group B**, e.g. Risky-Aggressive Group B,
- **ER Group**, e.g. Extremely Risky Group.

Each Target group includes various types of clients with the characteristics listed above.

More detailed information about the characteristics, criteria of the client's graduation by Target Client Group, as well as examples of the client's graduation by Target Client Group is presented in the Product Governance Procedure.

The financial instrument shall be offered to the client only after it is ensured that this shall be in the client’s interest and appropriate for him.

Target Group of products /financial instruments is represented by the 6 various target groups:

- Safety Group,
- Conservative Group,
- Market Group,
- Optimal Group,
- Aggressive Group, and
- Extremely Risky Group.

Each target group includes various types of the financial instruments based on a lot of characteristics.

Otkritie Capital Cyprus Limited
 Registration # HE 165058
 Date of Incorporation: 06/09/2005
 Commission

License Number: 069/06
 Issued by the Cyprus Securities and Exchange

More detailed information about the characteristics, criteria of the financial instrument's graduation by Target Group of financial instrument, as well as examples of the financial instrument's graduation by Target Group of financial instrument is presented in the Product Governance Procedure.

Here is a summary table of Target Client Group and Target Group of financial instruments:

Target Client Group	S Group	C Group A	C Group B	O Group A	O Group B	RA Group A	RA Group B	ER Group
Target Group FI	Safety Group	Safety Group Conservative Group	Safety Group Conservative Group Market Group	Safety Group Conservative Group Market Group Optimal Group	Safety Group Conservative Group Optimal Group	Safety Group Conservative Group Optimal Group Aggressive Group	Safety Group Conservative Group Optimal Group Aggressive Group	Safety Group Conservative Group Optimal Group Aggressive Group Extremely Risky Group

Here is a summary table of Target Groups of financial instruments (information about the financial instruments included in a particular Target Groups):

Target Group FI	Safety Group	Conservative Group	Market Group	Optimal Group	Aggressive Group	Extremely Risky Group
Financial Instruments included in the Target Group	Listed on EU RM shares or on equivalent 3rd countries Listed on EU RM bonds or on equivalent 3rd countries Listed on EU RM DRs listed on EU RM or equivalent 3rd countries RM	Shares traded outside EU RM or equivalent 3rd country Bonds traded outside EU RM or equivalent 3rd country DRs traded outside EU RM or equivalent 3rd country ADRs	Debt instruments where the return is dependent on the performance of a defined asset pool; Debt instruments where the return is subordinated to the reimbursement of debt held by others; Debt instruments where the issue has discretion to modify cash flows (such as repayment of principal) of the instrument; Debt instruments structured in a way that may not provide for a full repayment of the principal amount; and ebt instruments which do not have a specific redemption or maturity date. Structured deposits where more than one variable affects the return received; or here is a complex relationship between the return and the relevant variable or the mechanism to determine the return; or the variable used in the return calculation would be unusual or unfamiliar to the	OTC Shares OTC Bonds Eurobonds Share-index bonds Subordinated bonds Money-market instruments ETF	Options Share options Share-index options Warrants Forwards/forward rate agreement, Futures, Swaps, Derivatives Fixed-income instruments, structured financial instrument	CFD

Otkritie Capital Cyprus Limited
 Registration # HE 165058
 Date of Incorporation: 06/09/2005
 Commission

License Number: 069/06
 Issued by the Cyprus Securities and Exchange

			average retail investor; or the credit institution has unilateral rights to terminate the agreement before maturity.			
--	--	--	--	--	--	--

All clients will be notified about the following:

- Target Client Group of this client;
- Target Group of Financial Instruments of this client;
- What financial instruments are appropriate for this client;
- What financial instruments are non-appropriate for this client;
- Positive target for this client;
- Negative target for this client.

At the on-boarding stage (KYC), the **Asset Management client** completes the Due Diligence Questionnaire and Suitability Test. The Company analyzes and assesses all provided information. On the basis of the responses, the Company identifies in which “Target Client Group” client falls.

Target Market with the reference to client’s characteristics, e.g. so-called “**Target Client Group**” is represented by the 9 various target groups of clients:

- **CP Group**, e.g. Capital Preservation Group,
- **C Group**, e.g. Conservative Group,
- **LT Group**, e.g. Long Term Group,
- **M Group**, e.g. Market Group,
- **E Group**, e.g. Eurobond Group,
- **EX Group**, e.g. Eurobond Extremely Group,
- **R Group**, e.g. Reconvertable Group,
- **L Group**, e.g. Linear Group,
- **A Group**, e.g. Aggressive Group.

Each Target group includes various types of clients with the characteristics listed above.

More detailed information about the characteristics, criteria of the client's graduation by Target Client Group, as well as examples of the client's graduation by Target Client Group is presented in the Product Governance Procedure.

The financial instrument shall be included to the Client’s Portfolio only after it is ensured that this shall be in the client’s interest and appropriate for him.

Otkritie Capital Cyprus Limited

Registration # HE 165058

Date of Incorporation: 06/09/2005

Commission

License Number: 069/06

Issued by the Cyprus Securities and Exchange

Target Group of products /financial instruments is represented by the 5 various target groups:

- Safety Group,
- Conservative Group,
- Optimal Group,
- Aggressive Group,
- Extremely Risky Group.

Each target group includes various types of the financial instruments based on a lot of characteristics.

More detailed information about the characteristics, criteria of the financial instrument's graduation by Target Group of financial instrument, as well as examples of the financial instrument's graduation by Target Group of financial instrument is presented in the Product Governance Procedure.

On the basis of the analysis of Target Client Group and the Target Group of Financial instruments is determined by the **Strategy** that is best suited to the client, according to which the client's Portfolio is formed.

Strategy	Capital Preservation	Conservative	Long Term	Market	Eurobond	Reconvertible	Linear	Aggressive
Target Client Group suitable for the relevant Strategy	CP Group	C Group	LT Group	M Group	E Group EX Group	R Group	L Group	A Group
Target Group of FI	Safety Group	Safety Group	Safety Group	Conservative Group	Optimal Group	Aggressive Group	Aggressive Group	Extremely Risky Group

The Involvement in product governance arrangements

The Company, its management and staff involved in the provision of investment services, at all times have full understanding and knowledge of the financial instruments and products that the Company offers or intends to offer, including sufficient understanding of their characteristics.

The management of the Company ensures that the staff involved in the distribution of the products, including the intention for offering and recommendation of those and in the provision of relevant services at all times have full understanding and knowledge of the financial instruments and products that the Company offers or intends to offer, including sufficient understanding of their characteristics and shall possess the necessary expertise and knowledge in order to sufficiently understand the characteristics of these products, risks they entail and the characteristics, objectives and needs of the identified target market.

Otkritie Capital Cyprus Limited
Registration # HE 165058
Date of Incorporation: 06/09/2005
Commission

License Number: 069/06
Issued by the Cyprus Securities and Exchange

In order to ensure this, the Company convenes, on a regular and frequent basis, in-house and external trainings, workshops, analytical conferences. In line with this, the compliance and risk management functions of the Company under close control of the Board have established the procedures of assessment and review of consistency of each financial instrument and investment service to be developed, implemented and offered to the clients.

For more effective work on protection of clients' interests, for more effective analysis of the available information on clients and financial instruments, for more correct distribution of the client to the Target Client Group and financial instruments to the Target Group of financial instruments, OCCL has created a Committee - Product Governance Committee (PG Committee).

This PG Committee will consist of:

- a representative from the Compliance Department,
- a representative from the Risk Department,
- and one of the Directors.

The competence of this PG Committee is:

- review and update information for the Product Governance issue;
- consideration of information on clients and their distribution in the Target Client Groups;
- consideration and analysis of information on new financial instruments and their inclusion in the Target Group of financial instruments;
- annual reviewing the information on the distribution of clients in the Target Client Groups and other information regarding product governance arrangements;
- overseeing the development and periodic review of product management arrangements etc.

Review product governance arrangements

The implemented and existing product government arrangements are subject to periodical review and update (at least once a year) with the aims of ensuring that they continue to be robust and fit for the relevant purposes and of detecting any grounds for their revisions and, where necessary, for taking appropriate actions.

In reviewing on a regular basis the offered investment products and provided services, the Company take into account any event that could materially affect the potential risk to the identified target market.

In its capacity as a distributor the Company on an ongoing basis monitors the consistency of the offered products and provided services with the characteristics, objectives and needs of the identified target market and the appropriateness of the intended distribution strategy.

Where the Company, acting as a distributor, would become aware that it has incorrectly identified the target market for a specific financial product, or the service could no longer be considered as being fully compliant with the conditions and circumstances of the identified target market, it will reconsider such target market and/ or revise and update the product governance arrangements. Some of the

Otkritie Capital Cyprus Limited

Registration # HE 165058

Date of Incorporation: 06/09/2005

Commission

License Number: 069/06

Issued by the Cyprus Securities and Exchange

conditions for determining such misidentification are highly increased volatility of the product or its illiquidity.

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

The range of investment products/financial instruments offered to respective clients are subject for approval and regular monitoring by the Product Governance Committee. Any revisions, amendments, expansions or any other alterations to this range shall be possible after express approval of the Product Governance Committee.