

**Clients' Information Document  
on the provision of  
INVESTMENT and ANCILLARY SERVICES  
in FINANCIAL INSTRUMENTS**

**Argus Stockbrokers Ltd**

## DISCLAIMER

This information document hereinafter referred to as "MiFID II Information Document" is addressed to existing or potential clients of Argus providing necessary information about the investment and related ancillary services for transactions in Financial Instruments provided by Argus Stockbrokers Ltd "(Argus" or the "Company").

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This MiFID II Information Document may be amended and/or revised and/or updated from time to time at the sole discretion of Argus and any information included therein is provided on as "as is" basis.

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

Argus may also from time to time send to clients supplementary notifications and/or information of new developments and Argus reserves the right to review and/or amend its Policies referred herein and make the necessary notifications whenever it deems this appropriate. As Client, it is 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 Argus's website [www.argus.com.cy](http://www.argus.com.cy).

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# PART A: GENERAL INFORMATION

## 1. LEGISLATIVE FRAMEWORK

The Directive 2004/39/EC on Markets in Financial Instruments was incorporated into Cyprus law by the Investment Services and Activities and Regulated Markets Law of 2007 (L.144(I)/2007), which came into effect on from 1<sup>st</sup> of November 2007 ("MiFID I"). On 3<sup>rd</sup> January 2018, Investment Services and Activities and Regulated Markets Law 87(I)/2017 (the 'Law') replaced Law 144(I)/2007, effecting the transposition into Cypriot law of the new Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments (the "MiFID II"). MiFID II replaced, on an EEA level, MiFID I.

The revision of the investment services legal framework brought by MiFID II represents a fundamental change for the European financial markets across a multitude of areas. The scope of MiFID II and the associated Regulation (EU) No.600/2014 ("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.

MiFID II (as transposed and implemented in Cyprus local legislation by the Law) sets out an updated comprehensive regulatory regime governing how banks and investment firms performing investment and ancillary services and investment activities should operate. 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 sets 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 clients' orders execution in respect with the high quality execution in the regulated markets, aiming mainly at the investor's protection.

Argus Stockbrokers Ltd ("**ARGUS**", the "**Company**") implements appropriate procedures and policies to comply with the requirements of MiFID II, 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").

## 2. THE COMPANY AND THE SERVICES IT PROVIDES

### 2.1. General Information

**Argus Stockbrokers Ltd** is a regulated Cyprus Investment Firm, authorised by the Cyprus Securities and Exchange Commission (the "CySEC") (with License No.010/03), and offers financial services in Cyprus and in all European Member States (cross border) ("ARGUS"). ARGUS is also a member of the Cyprus Stock Exchange (the "CSE") and a member of the Athens Stock Exchange (the "ASE").

**ARGUS**, being one of the oldest, continually operating financial services firms in Cyprus has a wealth of expertise and hard-to-find experience in the areas of Brokerage and Advisory Services, Corporate Finance and Asset Management.

**ARGUS**, relying on the professionalism, commitment, creativity and integrity of its personnel aims at the satisfaction of the investment needs and expectations of its clients. Our main priority is the provision of the best possible financial services based on the needs and investment objectives of each individual client. We have created an excellent technological infrastructure which we constantly upgrade and develop in order to meet the current needs and demands of our clients.

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

More information about Argus can be found on Argus's website at [www.argus.com.cy](http://www.argus.com.cy)

**ARGUS's** head offices are situated at 25 Demosthenis Severis Ave., Metropolis Towers, 1st & 2nd Floor, 1080 Nicosia, Cyprus.

You can contact us either in Greek or English in the following ways:

- By phone at: +357 22 717000
- By fax at: +357 22 717070; and
- By email at: [argus@argus.com.cy](mailto:argus@argus.com.cy)

ARGUS may, from time to time, have tied agents in Cyprus, all of which are registered in the relevant public register of tied agents maintained by CySEC. The complete list of tied agents, including their contact details and services offered, is available on the Company's website [www.argus.com.cy](http://www.argus.com.cy)

**ARGUS** is regulated by the Cyprus Securities and Exchange Commission (the "CySEC"), which can be contacted at 19 Diagorou Str. CY-1097 Nicosia, Cyprus and at the following telephone number: +357 22506600 (website: [www.cysec.gov.cy](http://www.cysec.gov.cy))

Details of ARGUS's license can also be found on the CySEC's website on the link below:

<https://www.cysec.gov.cy/en-GB/entities/investment-firms/cypriot/37709/>

## 2.2. Type of Services offered

Argus is licensed to provide investment and ancillary services for transactions carried out in Financial Instruments (the **Services**) as described below.

### (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;
- (4) Portfolio Management; and
- (5) Investment Advice.

### (b) *Ancillary Services*

- (1) Safekeeping and administration of financial instruments for the account of clients, including custodianship and related services;
- (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;

## 2.3. Reception and Transmission of Orders

ARGUS provides to Clients the investment service of Reception and transmission of Orders in Financial Instruments through authorised employees, internal brokers, investment advisors and Tied Agents. The Company can meet all the needs of the modern investor when it comes to the execution of orders or the provision of investment advice, relying to its qualified personnel, its Tied Agents, and its electronic system for the online reception and transmission for execution of orders (Online Trading System).

The reception of orders for the execution of transactions is only performed by authorised persons at the Company's Head Offices and at the offices of our Tied Agents.

Under our order **Execution Policy** (see below PART B, Section 1), subject to any specific instructions from the Client, we take into account the following execution factors, in order to obtain the best possible result for you: price, costs, speed, likelihood of execution and settlement, size, nature, and any other consideration relevant to the execution of the order.

We determine the relative importance of the execution factors by using our commercial judgement and experience in light of the information available on the market and taking into account the following execution criteria:

- i. your characteristics, including your categorisation as a Retail or a Professional Client;
- ii. the characteristics of your order;
- iii. the characteristics of the Financial Instruments that are the subject of that order; and
- iv. the characteristics of the execution venues to which that order can be directed.

Whenever the Client gives us a specific instruction as to the execution of an order or a part of it, we execute

the order following the specific instruction.

Pursuant to legislation, Clients' orders for the execution of transactions can be placed directly through the Online CSE - ASE TRADING PLATFORM

or given in writing or by telephone. If the order is given in writing, the form should be signed by the Client or his authorised representative. The written order can be given in person, or send by fax or email. If the order is given through phone, then this telephone conversation is recorded.

Orders can be placed either

1. by phone – Clients' Service recorded line +357 22717011, or
2. by email to - argus@argus.com.cy (provided the relevant agreement appendix has been signed), or
3. by fax to + 357 22717070, or
4. through Argus's trading platform for the CSE, ASE, ADEX and XNET markets (provided the relevant agreement appendix has been signed and access provided)

Argus's trading platform can be accessed from the following URLs:

<https://www.argus.com.cy/tradingplatforms/csease>

The platform provides delayed prices of all securities listed on the CSE and ASE, with 15 minutes delay.

## 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.

Argus shall not:

- (i) make any personal recommendation to the Client about any transaction in Financial Instruments;
- (ii) advise the Client on the merits or suitability of a transaction in Financial Instruments (including any trading strategy); and
- (iii) provide to the Client Investment Advice, unless expressly requested by the Client and agreed to by Argus in writing.

### What is Independent Investment Advice?

To provide investment advice on an "**Independent**" basis:

(a) **Range:** the investment firm must consider:

- a sufficiently wide range of financial instruments available on the market; and
- a sufficiently diverse range of financial instruments (i.e. diverse types, diverse issuers/product providers),

to ensure that the client's investment objectives can be met in a suitable way;

(b) **Providers:** the Financial Instruments considered by the investment firm should not be limited to those provided by:

- the firm itself; or
- other entities that have close links with the firm, or other entities with close legal or economic relationships with the firm, in a way that could impair the independent nature of the advice;

- (c) **No inducements:** the investment firm cannot receive and keep benefits from third parties in relation to the provision of the service to the client (save where the benefits are minor non-monetary benefits, and where the receipt of those benefits will not impair the firm's ability to act in the best interests of the Client).

If a Client 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 not be based on a broad, but on a more restricted analysis of different types of Financial Instruments, and in particular, the range of Financial Instruments that will be assessed may be limited (Restricted Advice).

**Argus has chosen, if requested, only to offer advice on certain types of products or on products from one or limited number of carefully selected markets and/ or providers. Argus does not recommend products from the whole range of financial markets. This is known as Restricted Advice.**

## 2.5. Portfolio Management

Argus offers Portfolio Management services. Portfolio Management includes managing portfolios in accordance with mandates given by Clients on a discretionary client-by-client basis. Argus ensures that each Client's portfolio is in accordance with its investment objectives, financial situation, knowledge and experience.

The assessment of suitability of the Client determines the type of portfolio that may be suitable for each Client. Each type of portfolio invests in specific Financial Instruments, with determined percentage limits per asset class and in specific currency/ies, subject to the Client's profile and investment objectives, or a portfolio is structured subject to the Client's instructions and mandate. Argus classifies each portfolio type in categories depending on the level of risk the Client undertakes.

Argus, subject to applicable law, manages the Client'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 Client. In addition, a specific benchmark for each type of portfolio may be selected against which the performance of the Client's portfolio will be compared or assessed.

## 2.6. Safekeeping of Financial Instruments / Custody Services

Argus offers the ancillary service of safekeeping clients' Financial Instruments and funds. At Argus's level, all Client holdings and transactions are recorded in dedicated accounts in the name of each Client.

When holding your Financial Instruments and funds, we take adequate steps to ensure the maximum protection and safeguard of your ownership rights. The Company deposits the funds of its clients into special bank accounts in authorized and reliable credit institutions under the name "clients' account" and takes all necessary steps to protect the clients' proprietary rights. The Company proceeds to the liquidation of the financial instruments of clients only following an explicit order and/or consent of the Client, unless provided otherwise in a relevant agreement.

Moreover, in order to safeguard the clients' rights in regard to their financial instruments and assets, the Company takes the following measures:

- (a) Keeps all the necessary records and accounts in order to be in the position, at any given time and with no delay, to distinguish the assets that are kept on behalf of the Client from those that are kept on behalf of any other client as well as from the Company's assets.
- (b) Keeps its records and accounts in a way that ensures that they are true and accurate and that they correspond to the Financial Instruments that are kept on behalf of the Clients.
- (c) Takes all the necessary measures in order to ensure that Financial Instruments of clients that have been deposited into third parties, can be distinguished from those that belong to the Client.
- (d) Conducts, on a regular basis, reconciliations between our internal accounts and records and those of any third parties by whom those assets are held.
- (e) Takes all the necessary measures in order to ensure that the clients' assets, deposited at authorized financial institutions, are kept into a separate account or accounts to any other accounts that may be used for assets that belong to the Company.
- (f) Applies all necessary organizational measures in order to minimize the risk of loss or reduction of the client's assets or rights in regard to these assets, because of asset misappropriation, fraud or negligence.

In particular:

1. The Company deposits its clients' funds into bank accounts of credit institutions under the Company's name by stating explicitly to the financial institution that these are funds that belong to its clients.
2. Unless you have chosen a third-party custodian on your own, the Company safeguards the financial instruments of its clients in the following ways:
  - Financial Instruments, such as stocks, bonds, ETFs, warrants and rights, which are listed on the Cyprus Stock Exchange and ATHEX as dematerialised securities are kept in the Client's name at the local Central Registry and Central Securities Depository (CSD) and the services are provided through the Electronic Dematerialized Securities System (DSS) and are being kept in accounts under the control of the Company (with operator being Argus). [In case that you are a regulated entity and you are account is an omnibus account then your Financial Instruments are deposited for safekeeping in the DSS with operator being [STATE YOUR OPERATOR]
  - Financial Instruments traded on the XNET Network are deposited for safekeeping with ATHEXCSD, with the latter acting as a third-party custodian of Argus's choice. At present ATHEXCSD uses primarily Citibank, N.A. as their sub-custodian; however, the choice of ATHEXCSD's sub-custodian rests entirely with ATHEXCSD.
  - Financial Instruments, in relation to which your orders are executed through [STATE YOUR EXECUTION BROKERS], are deposited for safekeeping with either [STATE YOUR CUSTODIANS], with the latter two acting as a third party custodian of Argus's choice.  
 In this case, that the securities are kept by a third person/Custodian or sub-custodian in materialized or dematerialized form, registered in an account held by this Custodian, the Company shall ensure that:
    - i. The Custodian is a Central Securities Registry or other authorized Central Securities Depository, System of Keeping Accounts of Dematerialized Securities, Credit Institution or Investment firm (hereinafter called the "Custodian"), which are entitled to provide custody and safekeeping services, and
    - ii. It is being communicated to the Custodian that the financial instruments and funds registered in the aforementioned investment accounts are being kept on behalf of the Company's clients.

The Company may keep these accounts into omnibus accounts kept on behalf of more than one client by

distinguishing in the Company's accounts which financial instruments correspond to each client.

3. The tangible safeguarded financial instruments shall be kept:
  - (a) Either in the Company in the name of the client; or
  - (b) In a Financial institution, Investment firm or another undertaking which is entitled to act as a Custodian of financial instruments, in the name of the client or in the name of the Company on behalf of the client.
  
4. In the case of a Custodian operating in a third country outside the European Union and governed by the Laws of the third country, the Company shall deposit the client's financial instruments with this Custodian only if the latter is subject to special regulations and supervision in the third country. Please note that in this case, the client's rights regarding his financial instruments or assets, which are kept with a Custodian governed by the Laws of a third country, may be inferior to the rights resulting from a Custodian based and operating in a Member State of the European Union.
  
5. However, the Company does not accept any liability towards its Clients regarding:
  - (a) the inefficient fulfillment and/or non-fulfillment of the Custodian's obligations;
  - (b) the solvency and, generally, the fulfillment of the Custodian's obligations, (including Central Securities Registries and Central Securities Depositories of every kind and Clearing and Settlement Systems), in which the clients' assets are being kept. It is presumed that the operation of Central Registries, Central Securities Depositories, Clearing and Settlement Systems, Investment Firms and Credit Institutions operating in a Member State or in another state that provides the implementation of a supervision system in line with the international standards, eliminates the existence of any wrongdoing on behalf of the Company, unless the Company had a special knowledge of the fact that the Custodian would become insolvent and permanently unable to meet its payment obligations. Moreover, the Company is not responsible for any wrongdoing committed by the Custodian's bodies or the bodies assisting in the fulfillment of the Custodians obligations.
  
6. The Company shall not dispose of, charge, manage or use in a different way the Financial Instruments that keeps on behalf of its Clients, unless the Client has given a prior explicit instruction to act as such.

In addition to the above measures, the Company is a member of the Investor Compensation Fund for Investor Clients of Investment Firms ("ICF"). ICF's objective is to ensure the protection of the financial instruments and funds of the covered clients (up to a specific amount) with the payment of compensation for claims that arise from the provision of services provided for by the member of ICF, in case of inability of the member to fulfill its obligations (for further information please refer to Part B: Section 5- Investor Compensation Scheme) .

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

Despite the fact that Argus 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 Client.

Notwithstanding that Argus 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 Client acknowledges and accepts that s/he bears the risk that the relevant assets or Financial Instruments may be lost.

Neither of Argus nor any director, officer, employee or agent of Argus shall be liable to the Client 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 custodian, 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 Client are or will be subject to the law of a jurisdiction other than that of Cyprus, the rights of the Client relating to those financial instruments or funds may differ accordingly.

The Client, by electing the ancillary service of safekeeping or custody is deemed to understand and acknowledge that Argus 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.

Argus, further subject to the terms of the Investment Services Agreement, have or may have security interest or lien over the Client'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.

## **2.7. Electronic Services (Online Trading Platform)**

For the purposes of trading in Financial Instruments through the use of internet, electronic means and/ or specialised software, Argus may, from time to time provide to Clients access to its electronic Online Trading Platform at 'Broker online'.

It is noted that the use of electronic online trading platforms should be used only by Clients that acknowledge and understand the risks of electronic trading and use of internet.

### **Special Notice**

**When making a decision to deal in Financial Instruments a Client must consider the risks inherent in the relevant Financial Instrument or related products. The Client 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 further 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 CLIENT FOR PROVISION OF SERVICES

### 3.1. Language and Methods of Communication for the provision of Services

**Language:** The languages in which Argus communicates with its clients are Greek and/or English. However, due to the nature of the Services, the primary business language used by Argus in respect of the Services is English, and so if we have not expressly agreed otherwise, communications from Argus to the Client in relation to the Services is likely to be in English.

**Methods of Communication:** Argus communicates with its Client, other than verbal communications, via the following channels: postal mail, telephone, fax, online trading platform or e-mail.

Argus communicates with the Client using the contact details notified by the Client in the Investment Services Agreement, or as changed and updated thereafter, and provided, that such details and information are accurate. Any relevant material or documentation will be dispatched to the client by using the contact details available to Argus.

Within the context of order execution regarding transactions in financial instruments, the clients may submit their orders in writing, through the Online Trading Platform at <https://www.argus.com.cy/tradingplatforms/csease> or / or, phone 22717011 (recorded lines), e-mail or fax. Argus reserves the right to request the client to submit or re-submit his order in writing if communicated verbally.

**Recordings:** Argus may make and retain records of any telephone conversation and electronic communications between the Client and Argus in compliance with applicable law. Further information on the processing and collection of Personal Data by Argus is provided in Argus's Privacy Statement and is summarised in Part D: Section 1 of this document. However, your attention is drawn to the fact that Argus has specific obligations to make and retain records of communications, regarding the reception, transmission and execution of client orders in Financial Instruments (further information are provided in Section 3.7 herein below).

### 3.2. Client Information for the provision of Services

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

- (i) the Client's identity (Know Your Client); 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 Client intends to receive for executing transactions in Financial Instruments, so as to enable Argus to categorise the Client 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 Client does not provide the information requested this will have an impact on whether Argus can actually provide the Services at all.

Effective as from 3<sup>rd</sup> January 2018 subject to **Regulatory Transaction Reporting Obligations** (see Part A: Section 3.7 below) Argus will not be able to report a trade on behalf of a client, unless the Client provides or confirms his personal details as noted below.

**Physical/ Natural Persons:**

Each Client, including each person listed in an account as joint account holder, has to notify or confirm his/her personal identifying details to Argus as per his nationality.

**Legal Entities**

Legal entities (funds, provident funds, corporate entities and partnerships) to be able to trade in Financial Instruments shall provide Argus their LEI (Legal Entity Identifier) Code. The LEI Code is a new global standard code (a unique 20 digit alpha-numeric code based on the ISO 17442 standard developed by the International Organization for Standardization (ISO)) with the aim of providing improved transparency of financial transactions. Each Client needs to obtain a LEI Code and subsequently to be provided to Argus in order to enable the execution of any requested transaction in financial instruments.

LEI Codes are issued by Local Operating Units (LOUs). A legal entity is not limited to using a LEI issuer in its own country; instead, it can use the registration services of any LOU that is accredited and qualified to validate LEI registrations within its authorized jurisdiction(s).

There is a number of approved providers. From our experience we recommend the below providers that have simplified and straightforward processes for registration and renewal through their websites:

Bloomberg LEI: <https://lei.bloomberg.com/>

Luxembourg Stock Exchange: <http://www.luxcsd.com/luxcsd-en/products-and-services/lei-service/67518>

Irish Stock Exchange: <https://www.isedirect.ie/>

Athens Stock Exchange: <https://www.helex.gr/web/guest/axialei>

LEI Code should be renewed annually by the Client.

Further information can be provided by Argus's Clients' Service Officers or Brokers. Argus's Clients' Service staff can assist you on the issuance of the LEI and undertake the process of issuing the LEI on your behalf based on specific authorization, which will need to be provided. The total cost for the issue of the LEI will be €250.

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

### 3.3. Client Categorisation

#### 3.3.1. Categories of Classification

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

The Law recognises that investors have different levels of knowledge, experience and skills in the investment field relevant to the specific type of product or services offered or requested and are classified in three categories; as a retail client, a professional client or an eligible counterparty. Within this context, a Retail Client benefits of the highest level of protection, compared to a Professional Client or an Eligible Counterparty, which bare a reduced level of protection due to the fact that they are considered more experienced and knowledgeable in carrying out transactions in Financial Instruments.

If a Client has already been categorised as Professional Client under parameters and procedures similar to those referred to in this document, it is not intended that his relationships with Argus shall be affected by the new rules adopted by MiFID II.

#### A. Retail Clients

Retail clients are considered as those clients who do not fulfil the criteria to be treated as professional clients or eligible counterparties. A retail client receives the highest level of protection and information from us, compared to a professional client or an eligible counterparty.

Local public authorities and municipalities and private individual investors will be treated as retail clients by default, unless they have elected to opt up to professional clients and have been assessed as having the required knowledge and experience to be classified as professional clients.

#### B. Professional Clients

Professional clients are clients who are considered to possess the experience, knowledge and expertise to make their own investment decisions, as well as to properly assess the risks that they will incur.

Certain categories of clients are considered to be Professional Clients on the basis of the provisions of MiFID II and Law 87(I)/2017 are satisfied. These are referred to as 'per se' clients. Other clients may be treated as professional clients on request provided that the relevant criteria and procedures provided in MiFID II and Law 87(I) /2017 are satisfied. Those are referred to as 'elective' professional clients.

The following are regarded as professional clients per se:

- a) Entities which are required to be authorised or regulated to operate in the financial markets, including all authorised entities carrying out the characteristic activities of the entities mentioned below: entities authorised by a member state of the EU under legislation of the EU, entities authorised or regulated by a member state of the EU without reference to legislation of the EU, and entities authorised or regulated by a country which is not a member state of the EU, such as:
  - Credit institutions;
  - Investment firms;
  - Other authorised or regulated financial institutions;
  - Insurance companies;
  - Collective investment schemes and management companies of such schemes;
  - Pension funds and management companies of such funds;
  - Commodity and commodity derivatives dealers;

- Locals;
  - Other institutional investors.
- b) Large undertakings meeting two of the following size requirements, on a company basis:
- Balance sheet total: €20.000.000
  - Net turnover: €40.000.000
  - Own funds: €2.000.000.
- c) National and regional governments, public agencies managing public debt, central banks, international and multinational organisations such as the World Bank, the International Monetary Fund, the European Central Bank, the European Investment Bank and other similar international organisations.
- d) Other institutional investors, whose main activity is investing in Financial Instruments, including companies which deal exclusively with securitising assets or other financing transactions.

Any clients falling within the list above are considered to be professionals and, Argus will categorise such clients, on the basis of the information available to Argus, as Professional Clients, and will be treated as such unless Argus and the client agree otherwise. However, the Client is allowed to request Argus to be classified as Retail Client and Argus may agree to provide a higher level of protection (Reclassification: Section 3.3.3 below).

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

Professional clients are responsible for keeping the Company informed about any change, which could affect their current categorisation. Should the Company become aware however, that the client no longer fulfils the initial conditions, which made him eligible for a professional treatment, the Company is obliged to take appropriate action.

### **C. Eligible Counterparties**

Eligible Counterparties are Professional Clients which operate in the financial sector and are therefore deemed to have the necessary investment expertise, and 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 Organizations.

A client can only be classified as an Eligible Counterparty when Argus provides the investment services of the reception and transmission of client orders, or the execution of orders on behalf of clients, or any ancillary services directly related to such transactions. In such cases, Argus is not obliged to comply with the following:

- a) Comply with certain investor protection requirements; we are obliged, however, to provide appropriate information to you;
- b) Assess the suitability and appropriateness of certain products or services, before providing them to you; we are obliged, however, to provide you with adequate reports on the service provided;
- c) Take all sufficient steps to obtain the best possible result for you when executing orders on your behalf;
- d) Have in place procedures to provide for the prompt, fair and expeditious execution of your orders,

relative to other client orders or our own trading interests.

No client can be treated as an Eligible Counterparty when Argus provides any other kind of investment and ancillary services, such as investment advice or portfolio management.

In addition, Argus may accept as an Eligible Counterparty an undertaking which falls within a category of clients who are to be considered as Professional Clients in accordance with the description above and the identification criteria. Argus will require the Client's express consent regarding the categorisation as Eligible Counterparties.

Under the Law 87(I)/2017, CySEC shall recognise as eligible counterparties other undertakings meeting pre-determined proportionate requirements, including quantitate thresholds.

Retail clients and elective Professional clients cannot be treated as Eligible Counterparties.

### *3.3.2. Differences in Client Protection*

The different treatment per client classification relates mainly to the following:

- (a) the information communicated to the client;
- (b) the assessment of appropriateness and suitability of the investment service/financial instrument provided to the client;
- (c) the reports sent to the client 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 client.

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 regards 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 Argus provides Services other than Investment Advice or Discretionary Portfolio Management, Argus will ask 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. Argus requires this information in order to assess whether the Service or Financial Instrument envisaged is appropriate for the client. In case, on the basis of the information received, the product or service is deemed as not appropriate for the Retail Client, Argus will warn the client accordingly.

Please note that Argus is not required to assess appropriateness of Financial Instruments in certain cases specified by applicable laws (please see also Section 3.5.1: Appropriateness Test).

On the contrary, Argus 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, Argus will not generally need to obtain additional information from the Client for the purposes of the assessment of appropriateness for those Services or Financial

Instrument for which a Client has been categorised as a Professional Client, other than as provided in Section 3.5 below.

(iii) When executing orders Argus must take all reasonable steps to achieve what is called **Best Execution** of the client's orders, that is, to obtain the best possible result for its clients (please refer to Part B, Section 1 of this document for further information on **Order Execution Policy** applied by Argus).

In principle, where Argus 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 Client which are directly related to the execution of the order.

When providing **Professional Clients** with Best Execution Argus is not required to prioritise the overall costs of the transaction as being the most important factor in achieving best execution for them. However Argus considers that the most important execution factor for its Professional Clients is also the Total Consideration.

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

(iv) Argus 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 be entitled to compensation under the Investor Compensation Fund (for further information please refer to Part B: Section 4 - Investor Compensation Scheme).

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

When Argus classifies a Client as an Eligible Counterparty, its 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 client in respect of the investment services/activities of reception and transmission of orders, execution of orders on behalf of clients, and/or any ancillary service directly related to such transactions.

As regards the remaining of Argus'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 client and/or any ancillary service directly related to such transactions, an Eligible Counterparty will receive the same treatment as Professional Clients unless such Eligible Counterparty requests to be reclassified and treated as a Retail Client and Argus agrees to such request. Acceptance of such request is at the Company's discretion. In its relationship with eligible counterparties, Argus will act honestly, fairly and professionally and communicate in a way which is fair, clear and not misleading, taking into account the nature of the eligible counterparty and its business.

#### *3.3.3. Reclassification*

As stated above, a Client is entitled to request a different categorisation, i.e. a Reclassification at any time. Argus reserves the right **not** to accept such request or only to be able to undertake such reclassifications if the necessary regulatory requirements have been met. For the purpose of offering the client a higher level of protection, a change of categorization may also occur at the initiative of the Company, but only on this occasion.

The following categorisation changes are permissible under the Law:

**Initial Categorisation**

Retail Client →  
 Professional Client →  
 Professional Client Per Se (i.e. a client that has not been originally categorised as a Retail Client) →  
 Eligible Counterparty →  
 Eligible Counterparty →

**Possible Changes in Categorisation**

Professional Client  
 Retail Client  
 Eligible Counterparty  
 Professional Client  
 Retail Client

Reclassification always leads to a change in the level of protection afforded to a client.

*3.3.4. Retail Clients who may be treated as Professional Clients on Request*

Clients other than those that are regarded as Professional Clients per se (Section 3.3.1.B 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 Argus.

Argus may treat any Retail Client as Professional Client provided the relevant criteria and procedure mentioned below are prima facie satisfied. Any such request for waiver of the protection afforded by the standard conduct of business regime will be considered and may be accepted by Argus only if an adequate assessment of the expertise, experience and knowledge of the Client, undertaken by the Argus, provides reasonable assurance, in the light of the nature of the transactions or services recommended, that the Client 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 Client 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 Client 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.

Further the Client shall:

- (i) state in writing to Argus 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.

By changing client categorisation from Retail Client to Professional Client, you will waive the highest level of protection and information provided to Retail Clients. In case it is ascertained that you no longer fulfil the criteria under which you had been classified as a Professional Client, we should re-categorise you as a Retail Client and inform you accordingly.

**Professional Client obligation to request for Reclassification:** In case a Client is classified as a Professional Client, he is entitled to request to be treated as a Retail Client, in order to receive a higher degree of protection, if he considers that he is not able to properly assess or manage the risks involved.

**Professional client per se to Eligible counterparty:** Only a Professional Client per se may request to be treated as an Eligible Counterparty. By changing client categorisation from Professional Client to Eligible

Counterparty, the Client will waive the higher level of protection and information provided to Professional Clients in comparison to Eligible Counterparties.

**Eligible counterparty to Professional client or Retail client:** In case a Client has been categorised as an Eligible Counterparty, he has the right to request to be treated as a Retail Client or as a Professional Client, in order to receive a higher degree of protection, if he considers that he is unable to properly assess or manage the risks involved.

### 3.4. Client Investor Profile

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

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

### 3.5. Assessment of Suitability and Appropriateness

Within the context of providing Investment Services, Argus performs tests to assess whether the offered Investment Services or Financial Instruments are suitable and appropriate (if applicable) for the Client and correspond or are aligned with his Investor Profile. Subject also to a Client's Categorisation (Retail Client or Professional Client), and the respective investment service requested to be provided, the tests applied focus on examining the Client'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 Client is categorised as an Eligible Counterparty Argus does not have to undertake a Suitability Test or Appropriateness Test.

#### *3.5.1. Assessment of Appropriateness*

The assessment of appropriateness is carried out by Argus to ensure that the Services or Financial Instruments are appropriate for the Client by considering the knowledge and experience of the Client, and therefore contributing to client's protection. Such assessment is carried out when Argus is requested to provide **Execution Only Services or Reception and Transmission of Orders Service in Complex Financial Instruments (Appropriateness Test)**. The Appropriateness Test is to be processed upon Argus accepting Orders under the above referred Services, in Complex Financial Instruments. Appropriateness Test requirements do not apply when dealing with Eligible Counterparties nor undertaken when providing execution-only services for non-complex Financial Instruments, even if a Client is a Retail Client.

In the context of the Appropriateness Test, the Client 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 Client Questionnaire has to be completed and updated from time to time as may be requested by Argus.

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

**Table 1** Minimum information to be obtained according to MiFID II for the Assessment of Appropriateness

<b>TABLE 1: REQUIREMENTS FOR ASSESSING APPROPRIATENESS</b>	
<b>Minimum Information to be obtained for purposes of assessing Appropriateness *</b>	<b>Requirements</b>
<b>Client's Knowledge and Experience</b>	<ul style="list-style-type: none"> <li>• Types of Service, transactions in Financial Instruments with which the Client is familiar;</li> <li>• Client's transactions in Financial Instruments (nature, volume, frequency);</li> <li>• Client's level of education, profession or (if relevant) former profession.</li> </ul>

*\*Argus may assume that the requested service is appropriate if dealing with Professional Clients and Eligible Counterparties*

### *3.5.2. Assessment of Suitability*

The suitability assessment covers a Client's knowledge and experience, financial situation and investment objectives, when Argus is requested to provide Services in Financial Instruments which include **Investment Advice and/ or Portfolio Management**. If the Client is categorised as Retail Client or Professional Client, and services requested to be offered are Investment Advice and/or Portfolio Management, Argus will request the Client to provide such information to enable Argus to assess the Client'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.

Argus 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, Argus is not required to assess the suitability of the Financial Instrument or Service offered, in relation to the Client's respective knowledge and experience in each of those Financial Instruments. Therefore, Clients 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 clients on their own initiative. Clients should make their own assessment in respect of an investment in these financial instruments and the risks associated with such an investment.

**Table 2** overview of minimum information to be obtained according to MiFID II for Suitability Assessment

<b>TABLE 2 :REQUIREMENTS FOR ASSESSING SUITABILITY</b>	
<b>Minimum Client's Information</b>	<b>Requirements</b>
<b>Client'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 Client is familiar;</li> <li>• Client's transactions in Financial Instruments (nature, volume, frequency);</li> <li>• Client's Level of education, profession or (if relevant) former profession.</li> </ul>
<b>Client's financial situation</b>  <i>(Note: Assumed this requirement is satisfied when dealing with Professional Client)</i>	<ul style="list-style-type: none"> <li>• Client's source of funds and regular income;</li> <li>• The client's assets, including liquid assets, investments and real property;</li> <li>• The client's regular financial commitments;</li> <li>• Client's ability to bear losses.</li> </ul>
<b>Client's investment objectives</b>	<ul style="list-style-type: none"> <li>• Client's investment horizon;</li> <li>• Client's risk preferences, risk profile and risk tolerance;</li> <li>• Purposes of the investment.</li> </ul>

However, Argus 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 Client's categorisation process, it does not need to be repeated for suitability purposes. It is therefore important that the Client provides Argus with all requested information and keep Argus updated of any changes.

#### **Who provides the information to Argus**

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

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

**Joint Account Holders:** Argus 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 Client (or his representative or the management body (in case of a legal entity)), as the case may be, does not provide Argus with the relevant information, Argus may not be in a position to, and therefore cannot be obliged, to provide the Service requested.

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

- (i) Argus is allowed to assume in relation to any Services or Financial Instruments, for which a Client has been classified as Professional Client, that the Client has the necessary level of experience and knowledge to understand the associated risks;

- (ii) Argus is not required to provide Professional Clients with Suitability Reports (Section 3.6.1 (iv) herein below) in relation to any Investment Advice provided. Though, when providing Investment Advice to a Professional Client Per Se (not an Elective Professional Client), Argus is entitled to assume that the Client understands any investment risks and can undertake any financial loss as per his Investor Profile.

**Table 3** Requirements for the assessment of Suitability and Appropriateness subject to Clients' categorisation

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

The Financial Instruments as these are defined in the Law and their classification into Complex and non-Complex Financial Instruments are set out in **Appendix III**. The characteristics and associated risks of major generic categories of Financial Instruments are further described in **Part C**.

### 3.6. Client Reporting - Transactions and Portfolio Statements

Argus provides to the Client detailed and transparent reports as to the Investment Services provided to the Client by Argus, as well as, of related costs and charges (as may be applicable subject to the Services offered).

ARGUS where is carrying out an order on your behalf, other than for portfolio management, in respect of that order, shall:

- (a) Promptly provide you with the essential information concerning the execution of that order,
- (b) Send you a notice confirming execution of the order in a durable medium, as soon as possible, no later than the first business day following execution of the order or, if the confirmation is received by us from a third party, no later than the first business day following receipt of the confirmation from the third party.

Clients may choose one of the following ways to receive the information regarding the execution of their orders:

- by telephone;
- by text message;
- via email (as long as the client's email address is known to the Company);
- by fax;
- by using its password to access the ARGUS website

In general, various reports are provided to Clients in a Durable Medium, as below:

- (i) Trade confirmation (other than portfolio management)
- (ii) Statement of Client's Portfolio -Financial Instruments and Funds (other than portfolio management)

- (iii) Portfolio Management Reports (for portfolio management only)
- (iv) Suitability Reports (where applicable, for investment advice and portfolio management Clients)

If the Client has access to Argus's Online Trading Platform he also has online access to portfolio position (financial instruments and available funds) and executed trades.

### *3.6.1. Trade confirmation*

When Argus has carried out an order on behalf of a Client, other than for portfolio management, Argus will provide the Client with a trade confirmation, including details to the executed transactions 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 Argus receives confirmation from a third party, no later than the first business day following receipt of the confirmation from the third party. Argus is not required to provide such Transaction confirmations if the same information is promptly dispatched to the Client by another person.

### *3.6.2. Statement of Client's Portfolio (Financial Instruments and Funds)*

Argus, also sends on a quarterly basis to Clients a statement of the Client's Portfolio (i.e., a statement of all Financial Instruments and funds held). This Statement of Client's Portfolio contains information on the Financial Instruments and funds held, including also information as to the value of the Financial Instruments together with an indication of a market price.

Where an estimated value is provided in such statements it is done on a **best efforts** basis. It is clarified that Argus does not provide valuation services in relation to the Financial Instruments held in a Client's Portfolio. Consequently, the value of the Client'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 Argus accepts no responsibility for its accuracy and/or correctness.

Loss barrier reports for Leveraged Financial Instruments: If a Client has elected to be provided with Execution Only Services, Argus will inform you where the value of leveraged Financial Instruments or holdings in contingent liability transactions 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 exceeds the cost of acquiring the Financial Instrument.

### *3.6.3. Portfolio Management Reports*

Where Argus is providing the service of Portfolio Management to Retail or Professional Clients, quarterly reports are provided to the Client, 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. Argus may also periodically provide further details to the Client.

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

### *3.6.4. Suitability Reports*

When Argus is providing to a Retail or Professional Client the service of Investment Advice, Argus, shall, before executing an Order, provide the Client in a Durable Medium (e.g. can be via email) a Suitability Report which

will specify how the advice given meets the Client'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.

It is noted that in case the Client 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 Client has consented to receiving the Suitability Report without undue delay after the conclusion of the transaction; and (ii) Argus has given the Client the option of delaying the transaction in order to receive the Suitability Report in advance.

Where Argus is providing the service of Portfolio Management to Retail or Professional Clients, a periodic assessment of suitability will be performed after the initial service is established and an updated Suitability Report will be prepared on how the investment meets the Client's preferences, objectives and other personal characteristics. The periodic assessment will be performed at least annually as well as when the market conditions and/or your preferences, objectives and other characteristics indicate that a more frequent assessment is required. The updated Suitability Report may only cover changes in the Financial Instruments involved and/ or the circumstances of the Client, will not repeat all the details of the first Suitability Report and will be communicated to the Client in Durable Medium.

***Reporting to Eligible Counterparties:***

Argus 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. Regulatory Transaction Reporting Obligations**

Subject to MiFID II orders handled by Argus or quotes given by Argus 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 Argus provides a Service which results in a transaction, Argus may be required by the Regulators to report details of the transaction processed (including but not limited to details about the Client).

Transaction reporting obligations may arise as a result of various activities, including but not limited, to where the order is executed, or whether the order was generated for the Client under Argus's discretionary decision-making authority.

Argus 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 II or MiFIR) or Argus may be directly required to make such details public. Similarly, Argus may be required to make public or disclose the details of any quotes provided to the Client for a potential transaction either to a Regulator or to another other client if is required by applicable law (known as Market Transparency Requirement).

**Important Note:** Additional regulatory reporting requirements, outside MiFID II, such as tax, may be applicable or imposed either on Argus or the Client. Further information are provided in **Part D: OTHER REGULATORY AND LEGISLATIVE INFORMATION.**

# PART B: POLICIES IN RELATION TO PROVISION OF SERVICES

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

## 1. ORDER EXECUTION POLICY

Argus, pursuant to its regulatory duty shall take all sufficient steps to obtain the best possible result for its Clients, taking into account the execution factors, on a consistent basis when executing, placing orders with or receiving and transmitting orders of clients to other entities, such as brokers, for transactions in Financial Instruments and when executing orders on behalf of Clients in the context of portfolio management. Unless specific instructions are given by the Client, Argus, as a matter of principle, executes orders on terms most favourable to its Clients and follows the same execution principles for orders given by Clients and for decisions taken by Argus in portfolio management. This **primary principle** to obtain best possible results for Clients is referred to as Argus’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 Client Orders. Argus’s **Order Handling Policy** sets the basis on which Argus will provide Best Execution in compliance with applicable laws relating to investor protection and market abuse (see **Section 2** of this **Part B**).

Best Execution Policy and Order Handling Policy will be collectively referred to as the **Order Execution Policy**.

### 1.1. Best Execution Policy

#### *1.1.1. Scope of Application*

Only the Clients categorised as **Retail** or **Professional** fall within the scope of **Best Execution**. So, in case you have been categorised as a Retail Client or as a Professional Client, when we execute orders on your behalf, receive and transmit your orders for execution to third parties and/or place orders with other entities for execution that result from our decisions to deal in Financial Instruments on your behalf while providing the service of portfolio management, we will follow our **Order Execution Policy**.

Argus will always apply the principles of Best Execution where required under applicable law, unless specific instructions received from a Client restrict Argus’s ability to apply the principles fully. Where there are specific instructions from the Client, Argus will execute the order following the specific instructions.

In case you have been categorised as an Eligible Counterparty, although the Order Execution Policy does not apply to you, in our relationship with you, we will act honestly, fairly and professionally and communicate in a way which is fair, clear and not misleading, taking into account the nature of you as a client and of our business.

The following cases are exempted from the obligation of Argus to execute orders on terms most favourable to

its Clients:

- a) The client has been categorised as an Eligible Counterparty.
- b) Argus executes a Client order or a specific part of that order following specific instructions of the Client which relate to that order or part thereof.
- c) The Client posts an order via a Direct Electronic Access (DEA) system.

The Best Execution obligation is also applicable when we are acting in a principal capacity and you are placing a legitimate reliance on us to protect your interest in relation to the execution of a transaction.

When determining whether the client is placing legitimate reliance on us, we will assess the following:

- whether we owe an obligation to you given our relationship with you, in particular whether you understand the basis on which we are transacting and the information provided by us to you;
- whether you initiated the transaction;
- whether there is a market practice and the existence of a convention to “shop around”; and
- whether there is price transparency within the market from your perspective

### *1.1.2. Transactions where Best Execution has Limited Scope*

#### **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.

#### **Online trading system**

Where the Client requests and get access to prices displayed on the Online Trading System and the Client decides to deal at the prices displayed, the Client is responsible for achieving his own Best Execution.

#### **Client Specific Instructions**

Any specific instruction of the Client may prevent Argus 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 Client’s instructions relate to a part of the order, Argus applies its Order Execution Policy in respect of the elements that are not covered by such instructions.

If the Client does not provide any instructions, Argus 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 Argus from taking the steps it has designed and implemented to obtain best execution in respect of the elements covered by such instructions.

### *1.1.3. Execution Factors and Criteria*

Argus, in order to achieve the best possible result for the Client when executing orders is taking into account the following Execution Factors by reference to the Execution Criteria set out further below.

#### **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) Client's instructions for the execution of the order;
- (viii) Any other consideration relevant to the execution of the order at Argus's discretion, e.g. prevailing market conditions, the availability of price improvement (the opportunity of an order to be executed at a better price than that which is currently quoted publicly).

Argus may take into account, at its discretion, additional other factors, such as market conditions, considered at the time relevant for the execution.

### Execution criteria

Argus in order to determine the relative importance of each execution factor referred to above takes into account the following execution criteria:

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

#### *1.1.4. Importance of Execution Factors in relation to Client Categorisation*

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

### 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 costs related to the execution;
- (ii) the speed of the execution;
- (iii) the characteristics of the order and of the underlying Financial Instrument;
- (iv) the correctness of the execution.

### Professional Clients

When providing Professional Clients with best execution Argus is not required to prioritise the overall costs of the transaction as being the most important factor in achieving best execution. However, Argus considers that the most important execution factor for its Professional Clients is also the **Total Consideration** (as defined 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.

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

### *1.1.5. Execution Venues*

**Order Execution Policy** shows a list of the Execution Venues on which Argus considers it enables it to obtain on a consistent basis Best Execution.

The Company will not unfairly discriminate between execution venues but will make a decision on an execution venue based on a consideration of the execution factors. However, we may execute orders on other venues that are not included in the Orders Execution Policy where we deem it appropriate, in accordance with this policy.

In cases where more than one competing venues exist for the execution of an order, Argus assesses and compares the results in each one of the execution venues in order to achieve the best possible result for the client. Argus 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 Argus shall be deemed to have provided the best possible result in respect of these types of Financial Instruments. In other instances, the Client, may instruct Argus 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 Argus 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.

Argus may, subject to Client'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.

Argus regularly assesses the Execution Venues available in respect of any Financial Instruments that it trades to identify those that will enable Argus, on a consistent basis, to obtain the best possible result when executing Clients' 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 Argus's website.

For more information regarding the application of best execution by product please refer to the Company's Best Execution policy available on the Company's website:

[http://www.argus.com.cy/downloads/Order Execution Policy for Argus Stockbrokers Ltd as per MiFID II.PDF](http://www.argus.com.cy/downloads/Order_Execution_Policy_for_Argus_Stockbrokers_Ltd_as_per_MiFID_II.PDF)

### *1.1.6. Reception and Transmission of Orders to third parties*

Argus will generally place or transmit clients' orders via third-party Brokers and Counterparties/ Intermediaries for execution.

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, Argus 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.

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

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

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

#### *1.1.7. Execution of order over-the-counter (OTC)*

Argus may execute or accept instructions to execute orders in financial instruments traded 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, Argus checks the fairness of the price proposed to the Client 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 Client shall take into consideration of additional risks may be incurred including (but not limited to):

- (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.

#### **Consent for OTC transactions**

If the possibility for the execution of an order at over the counter exists, Argus will notify the Client 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 client consent** should be received. This consent may be in the form of a general agreement or in respect of individual transactions.

**The Client, upon signing the Investment Services Agreement for the provision of Services will be**

**deemed to have expressly given his consent to Argus for the execution of orders in Financial Instruments outside Regulated Market or MTF or OTF such as in OTC.**

### *1.1.8. Exceptions /Limitations*

Under certain circumstances Argus may be unable to fulfil its Best Execution obligations in full. However, irrespective of these circumstances Argus 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.

### **Specific Instructions**

Where you provide us with specific instructions, we will execute your order in accordance with those instructions. This includes where you specify the characteristics of an order or a particular aspect of an order. Where your instructions relate to only part of an order, we will continue to apply our Order Execution Policy to those aspects of the order not covered by your specific instructions. **Your instructions may prevent us from taking the steps described in this policy to obtain the best possible result for the execution of the order.** In following your instructions we will be deemed to have satisfied our best execution obligations. The Company applies the Policy upon acceptance of an order and when a client gives no specific instruction on the execution method. When a client gives no specific instruction on an order, the Company will execute the order following this instruction. On the other hand, when the Company receives a specific instruction on an order then the Company should follow and execute such instruction even if this may prevent the Company from implementing the policy in order to obtain the best possible result for the execution of the order.

### **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 Argus 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 Argus is aware of such circumstances, it will notify its Clients prior to executing or transmitting their orders. Once the Client has agreed to proceed with its order, the most important execution factor becomes executing orders in time.

### **Illiquid markets**

In case of less actively traded Financial Instruments, Argus 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, Argus should notify the Client of these special circumstances and has to receive an explicit instruction to proceed with the execution of the order.

### **Extraordinary, unforeseen circumstances**

In case of extraordinary, unforeseen circumstances (such as computer system failure, system unavailability at a specific execution venue) which do not permit the Company to execute orders on terms most favourable to

the client and in line with its Best Execution Policy, the Company will execute orders in the most reasonable manner taking into account those factors which render compliance with its policy impossible.

## **1.2. Order Handling Policy**

Argus, subject to applicable laws, implements procedures and arrangements which provide for the prompt, fair and expeditious handling of execution of Client orders, relative to other Client orders. We are also required to consider the need to manage any potential conflicts of interest between clients and/or between the Company and you.

Argus is a member of:

- the Cyprus Stock Exchange (CSE)
- the Athens Stock Exchange (ASE)
- the Athens Derivatives Exchange (ADEX)
- the XNET Network

Comparable client orders must be executed sequentially and promptly, unless this is impracticable given the characteristics of the order, market conditions or if the interests of the client require otherwise. Priority must be given to executing a client order over any own account dealing, regardless of whether or not the client would be disadvantaged or whether the client order was accepted after the firm's decision to deal (unless the client order cannot be executed because of size or other limitations or unless agreed with and disclosed to the client). We may combine your order with our own orders and orders of other clients. By combining your orders with those of other clients we must reasonably believe that this is unlikely to disadvantage any client and sufficient prior disclosure is therefore made in this policy that the effect of aggregation may work to a client's disadvantage. As such, aggregation may result in you obtaining a less favourable price in relation to a particular order. The Company must follow order priority with regard to the final allocation of the investments concerned. In particular, allocations to client orders are prioritised over the trading interests of the firm.

Argus shall always fulfil the following conditions when carrying out client orders:

- (a) ensure that orders executed on behalf of clients are promptly and accurately recorded and allocated;
- (b) carry out otherwise comparable client orders sequentially and promptly unless the characteristics of the order or prevailing market conditions make this impracticable, or the interests of the client require otherwise;
- (c) inform a retail client about any material difficulty relevant to the proper carrying out of orders promptly upon becoming aware of the difficulty.

Argus when executing a Client order chooses the place of execution that, in Argus's opinion, will provide the Client with the best result. Argus considers that in determining the best result in terms of Total Consideration (referred in Section 1), 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,
- (iii) currency, and
- (iv) access to price information.

In case a Client's limit order of traded shares is not immediately executed under the prevailing market conditions, Argus should make this order public without undue delay. Argus can disregard this requirement only if it has an

express instruction from the Client to do so.

### *1.2.1. 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 noted 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 client's trading account etc.

With respect to Price, the order may be:

- **Limit Orders (LMT):** LMT is the order entered at a specific price. The price is the highest price at which you are willing to buy or the lowest price at which you are willing to sell. Consequently, a limit order is traded at the specific price stated in the order or at any other better price.
- **Market Orders (MKT):** MKT is the order entered for a specific quantity of securities at no specific price. A MKT order is entered at no specific price and is immediately matched with the existing opposite orders at BBO. MKT orders may be matched at more than one price, if the volume of the MKT order is bigger than the corresponding volume of the opposite order at BBO. Provided there is unmatched balance of the MKT order, then this is converted into a limit order at the price of the last trade executed through this specific order.
- **At the Open (ATO):** ATO is an order entered with no price limit during the pre-opening phase exclusively and pertains to trade at the opening price. The unmatched balance of the order is cancelled. The ATO order is not displayed in the best bids/offers; it however, participates in the auction price determination process.
- **At the Close (ATC):** ATC is an order entered with no price limit and pertains to trade at any closing price. These orders may be entered at any phase prior to the closing phase; they are however, activated and may be matched only during this phase.

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

- **Day Order:** Day Order is the order with a daily duration that remains active until cancelled or matched. At the end of the session, all day orders which have not been matched are automatically cancelled and withdrawn from the system. Orders for which no duration is determined in advance are considered to be good for day orders.
- **Good till Date (GTD):** A GTD order allows you to enter a specific date at which the order is to expire and be withdrawn from the system. GTD orders, not matched or cancelled, remain active in the system for as long as their price remains within the permitted price limits.
- **Good till Cancelled (GTC):** A GTC order remains in the system as an active order until matched or cancelled. GTC orders, not matched or cancelled, remain active in the system up to the expiry date provided that their price remains within the permitted price limits. The order is automatically withdrawn from the system as from the trading session following the expiry date.

### *1.2.2. Aggregation of Orders*

Argus may aggregate Client orders, provided the following conditions are met:

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

### *1.2.3. 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.

### *1.2.4. 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 Clients. Where there is more than one competing execution venues to which Argus may route a Client's order:

- (i) Argus assess and compares the results that would be achieved by executing the Client's order on each of the competing execution venues; and
- (ii) take into account Argus'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 Clients, Argus 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.

### *1.2.5. 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 Argus 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.

### **Equities and equity-like instruments**

Orders relating to Equities include orders: in Shares, Transferable Securities, Depositary receipts (ADRs and GDRs), Exchange Traded Funds (ETFs) 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 Argus 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.

Argus is a direct member of the Cyprus Stock Exchange (the "CSE") and a remote member of the Athens Stock

Exchange (the "ATHEX"). Equity orders received by Argus for the CSE and ATHEX are executed via the common trading platform while equity orders for international markets are primarily executed through ATHEX (XNET network). Execution venue

Regarding listed shares in foreign Stock Exchanges and Exchange Traded Funds (ETFs), that are not available on the XNET network, Argus transmits the orders to Eurobank Cyprus Ltd, or to such other third party it may cooperate with, which in turn executes the client's order directly, if such third party 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, Argus in routing such orders may take into account additional factors such as, prevailing market conditions, the strategy being pursued, and the Client Specific Instructions. In ordinary course of business Argus selects the execution venue offering the best liquidity, spread and price at the time of execution.

### **Fixed Income (Bonds)**

Fixed Income orders mainly relate in bonds, such as Government Bonds, Supranational, Corporate Bonds, and Emerging Market Bonds. Regarding listed bonds on the CSE and the ATHEX, where Argus is a member and executing broker, Argus transmits the orders via the common trading platform. For the purpose of executing orders on international bonds, Argus cooperates with Shore Capital Markets and Eurobank Cyprus Ltd.

In a request for quote process Argus selects the executing broker offering the lowest costs, directly or indirectly related, to the execution and the best price. 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, Argus's best execution obligation, if applicable, is fulfilled if the prices given to the client are close to market prices.

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, Argus 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.

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

Regarding derivatives traded on ATHEX where Argus is a member and executing broker, Argus transmits the orders via the common trading platform. Argus considers the following factors when executing an ETD order: price, speed, likelihood of Execution, size and costs as described hereinabove. If Argus accepts a Client's order in ETD, will consider the different execution factors in the context of the instructions that the Client 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) Clients' 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 Client provide to Argus with,

combined with our knowledge and the market that the order needs to be placed in. The execution strategy also is subject to any Client's Specific Instructions, and therefore Argus may process the order immediately or over a period of time to achieve best execution, if applicable. This may be in circumstances where there 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.

### **Structured Products**

Structured Products are largely customised in order to meet Client specific requirements. Pricing for structured products is therefore generally derived as a result of bilateral negotiations between Argus and the Client. 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, Argus 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.

### **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, Argus executes Client orders with the respective registrar/transfer agent or management company of the fund to minimize the total consideration.

#### *1.2.6. Review / Monitoring*

Argus monitors on a regular basis the effectiveness of its Order Execution Policy and, where appropriate, corrects any deficiencies. Argus reviews on an annual basis the Order Execution Policy and the order execution arrangements whenever a material change occurs that affects Argus's ability to continue obtaining the best possible result for its clients.

Monitoring, review and verification of best execution arrangements and this Order Execution Policy will take account of publicly available information and data on best execution, including by venue and asset class published by trading venues and other firms, in order to assess whether the Company is meeting its objective of obtaining the best possible execution for clients.

The Company is required to be able to demonstrate to clients or applicable regulators that we have executed their orders in accordance with this Order Execution Policy. All such requests should be directed to [argus@argus.com.cy](mailto:argus@argus.com.cy).

Any revisions and updates of this Policy will be published and posted on Argus' website: [www.argus.com.cy](http://www.argus.com.cy)

## **2. COSTS, CHARGES AND INDUCEMENTS**

### **2.1. Costs and Associated Charges**

Information on the costs and associated charges, in respect of the Services provided by Argus, are made

available to you, as set out in the Investment Services Agreement.

The costs and charges for Argus's Services are illustrated in the Company's **Fee Schedule**. The current policy is set out in **Appendix II**.

For equities, fees and charges, and the methodology for calculating these, are agreed in advance and disclosed to a client. In addition, where foreign exchange is charged, the Company will charge a separate commission so that overall charges are transparent.

In quote driven markets such as Cash Bonds, the Company, in common with our competitors, does not charge an explicit commission but imposes a mark-up or spread between where it may buy a financial instrument and where it may sell the same instrument. The Company will ensure that mark-ups and spreads charged on transactions where best execution is owed are reasonable, not excessive and will be within a range that we consider reasonable for the product type, tenor, liquidity and size of the trade. The Company will not structure or charge its commission in such a way as to discriminate unfairly between execution venues. Should there be any variance between commission rates for different exchanges, this will reflect the actual difference in the cost to the Company of executing on those venues in accordance with this policy. The Company does not receive any remuneration, discount or non-monetary benefit for routing client orders to a particular trading venue or execution venue

The Fee Schedule can be requested at any time from the Clients' Service Officers. The Fee Schedule may be subject to change from time to time, or on a case -by-case basis in accordance with Argus's internal policies and procedures. Further, as may be agreed in writing between a Client and Argus as to the terms of specific Services or Financial Instruments specific fees may apply, which override the indicative fees and charges set out in the Fee Schedule which are subject to the provisions of the Investment Services Agreement entered into and executed between the Client and Argus.

#### *2.1.1. Illustrations of Ex-Ante / Ex-Post Costs*

A holistic illustration showing the cumulative effect of costs on return when providing investment services, including costs additional charges for investment services, such as execution and/or custody costs, are available and can be provided to the Client on an ex-ante and ex-post basis. Such an illustration on an ex- ante basis will be provided to the Client prior to the provision of investment services as will be amended or revised from time to time.

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

Unless otherwise agreed, Argus discloses costs and charges prior to the provision of the elected Service, taking into account the Client'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 Argus 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, Argus uses data available at the point in time of the execution of the order or earlier. It is noted that real time data may differ from the valuation that may be

contained in any prior report or statement provided to the Client.

It is also possible 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. 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.

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

Argus on an annual basis will provide the Client with a report of aggregated costs which have actually been incurred by the Client for the Services offered. Such information as to the aggregated costs a Client 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.

**2.2. Inducements / Third Party Payments**

Argus, in the process of providing certain Services other than Portfolio Management or Investment Advice, may pay or be paid fees or commissions, or provide or be provided with non-monetary benefits (all together "Inducements"), in connection with the provision of an investment or an ancillary service, to or by any party except you or a person on behalf of you, only where the inducement is designed to enhance the quality of the service to you and the inducement does not impair compliance with our duty to act honestly, fairly and professionally, in accordance with your best interests.

Where Argus provides Portfolio Management Services to Clients, is not allowed to accept and retain fees, commissions or any monetary or non-monetary benefits paid or provided by any third party or a person acting on behalf of a third party in relation to the provision of such service to Clients.

Nonetheless, Argus may receive from or provide third parties with minor non-monetary benefits that are capable of enhancing the quality of service provided to Clients and are of a scale and nature such that they could not be judged to impair compliance with our duty to act in your best interest.

Minor non-monetary benefits that are acceptable include, amongst others, the following (this is a non-exhaustive list):

- Information or documentation relating to a Financial Instrument or an investment service, which is generic in nature or personalised to reflect the circumstances of an individual client.
- Written material from a third party that is commissioned and paid for by, for instance, a corporate or potential issuer to promote a new issuance, provided that the relationship is clearly disclosed in the material and that the material is made available to anyone wishing to receive it or to the general public.
- Participation in conferences, seminars and other training events on the benefits and features of a specific Financial Instrument or an investment service.
- Hospitality of a reasonable de minimis value, such as food and drink during a business meeting, conference, seminar or other training event.
- other minor non-monetary benefits as identified by individual Member States.

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 Client 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 Client's best-possible interests.

Before providing the relevant requested Service, Argus 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 Argus is able to determine the scope of the inducement and instead have disclosed to the Client the way it is calculated, then Argus will inform the Client subsequently of the precise amount of the inducement we have received or granted.

To enable its Clients to access diversified investment opportunities, Argus offers a broad range of products, including third-party funds, which it distributes and which Clients may subscribe to at their own initiative. Argus may receive a servicing fee from certain fund managers or its representatives. Such fees are accrued by Argus on a periodic basis and information will be provided to the Client 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.

### 3. CONFLICTS OF INTEREST POLICY

Argus has obligations to address requirements and best practices as described within applicable law, relating to the identification and management of Conflicts of Interest. A conflict of interest may arise when the personal interests of a person may conflict with his professional obligations towards the Company, its personnel and its Clients, or where the interests of Clients may conflict between each other. . The Conflicts of Interest Policy of Argus is in accordance with the demands of the Law.

The philosophy and practice of the Company's Conflicts of Interest Policy have always been the Company's way of conducting business, which always operates bearing in mind the clients' interests and takes every necessary measure to ensure their protection. Our Company shall not endanger its clients due to conflicts of interest.

The Company identifies, manages, records and, where relevant, discloses potential conflicts of interests between itself and its clients and/or between existing, potential or past clients and/or between the Company and the Group it belongs and has in place a policy relating to conflicts of interest (The **Conflicts of Interest Policy**).

The **Conflicts of Interest Policy** 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 clients' interests. Argus is obliged to deal with conflicts of interest with consistency, responsibility, fair dealing, and effectiveness.

The Policy applies to all directors, employees, any persons directly or indirectly linked to the Company (hereinafter called "related persons") and refers to the provision of Investment and Ancillary Services to all clients.

#### 3.1. General Principles

The Company's Conflicts of Interest Policy, in general includes the following principles:

- (a) identify with reference to the investment and ancillary services carried out by the Company, the circumstances which constitute or may give rise to a conflict of interest entailing a material risk of damage to the interests of one or more Clients;
- (b) specify procedures to be followed and measures to be adopted in order to manage such conflicts;
- (c) ensure that the procedures and measures taken are designed to ensure that relevant persons engaged in different business activities involving a conflict of interest, carry on those activities at a level of independence appropriate to the size and activities of the Company and to the materiality of the risk of damage to the interests of Clients.

For the purposes of paragraphs (b) and (c) above, the Company follows procedures and has adopted measures that include the items listed below, which are considered necessary and appropriate so as to ensure the requisite degree of independence:

- (a) effective procedures are in place in order to prevent or control the exchange of information between relevant persons engaged in activities involving a risk of a conflict of interest where the exchange of that information may harm the interests of one or more Clients
- (b) the separate supervision of relevant persons whose principal functions involve carrying out activities on behalf of, or providing services to, Clients whose interests may conflict, or who otherwise represent different interests that may conflict, including those of the Company

- (c) the removal of any direct link between the remuneration of relevant persons principally engaged in one activity and the remuneration of, or revenues generated by, different relevant persons principally engaged in another activity, where a conflict of interest may arise in relation to those activities
- (d) measures to prevent or limit any person from exercising inappropriate influence over the way in which a relevant person carries out the provision of investment and ancillary services
- (e) measures to prevent or control the simultaneous or sequential involvement of a relevant person in separate activities where such involvement may impair the proper management of conflicts of interest.

The Company has identified the following circumstances which may give rise to a conflict of interest:

- a. the Company may be matching the client's orders with that of another client by acting on such other client's behalf as well as on the client's behalf;
- b. the Company may be advising and providing other services to associates or other clients of the Company who may have interests in Financial Instruments or investments or Underlying Assets, which are in conflict or in competition with the client's interests;
- c. the Company may provide advice to a corporate client while also (i) acting for investors in that corporate client or (ii) providing ongoing or transactional advice to other corporate clients which operate in the same industry sector;
- d. the Company may be in possession of confidential client information which if inappropriately used or shared, whether internally or with another client, may damage the interests of the client to whom the information relates;
- e. the Company's portfolio managers may trade any financial instrument on behalf of the clients knowing that the trades will be beneficial to the Company, its employees' or related persons' positions in the same financial instruments;
- f. the Company, its employees and related legal persons may have, establish, change or cease to have positions in any financial instrument covered by an investment recommendation or advice;
- g. the Company may have an interest in maximizing trading volumes in order to increase its commission revenue, which is inconsistent with the client's personal objective of minimizing transaction costs;
- h. the Company may receive or pay inducements to or from third parties due to the referral of new clients or clients' trading;
- i. the Company or a related person has an interest in the outcome of a service provided to the client or of a transaction carried out on behalf of the client, which is distinct from the client's interest in that outcome;
- j. the Company or a related person has a financial or other incentive to favour the interest of another client or group of clients over the interests of the client;
- k. the Company or a related person carries on the same business as the client.

### **Identification of Cases of Conflict of Interest**

For the purposes of identifying the types of conflict of interest that arise in the course of providing investment and ancillary services, or a combination thereof, and whose existence may damage the interests of a Client, the Company is taking into account, by way of minimum criteria, the question of whether the Company or a relevant person, or a person directly or indirectly linked by control to the Company, finds itself in any of the following situations, whether as a result of providing investment or ancillary services or investment activities or otherwise:

- (a) the Company or that person is likely to make a financial gain, or avoid a financial loss, at the expense of the Client;
- (b) the Company or that person has an interest in the outcome of a service provided to the Client or of a transaction carried out on behalf of the Client, which is distinct from the Client's interest in that outcome;
- (c) the Company or that person has a financial or other incentive to favour the interest of another Client or group of Clients over the interests of the Client;
- (d) the Company or that person carries on the same business as the Client;

(e) the Company or that person receives or will receive from a person other than the Client an inducement in relation to a service provided to the Client, in the form of monies, goods or services, other than the standard commission or fee for that service.

### **3.2. Prevention and Management**

When potential Conflicts are identified the primary purpose is to prevent them from occurring whenever possible. If this is not possible, a Conflict must be properly managed to mitigate adverse effects to clients. Therefore, Argus 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 clients, some of which are listed below:

#### *3.2.1. Separate supervision and segregation of duties/ functions*

In order to prevent and/or control the simultaneous or sequential involvement of a person in separate services or activities, where such involvement may lead to situations of conflicts of interest or may impair the proper management of conflicts. 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 Argus. All employees are bound by professional secrecy and confidential information is only to be shared if essential for performing a job function and all employees receive instructions and guidance regarding managing of conflicts of interest.

#### *3.2.2. Chinese Walls /Management of confidential and other information*

Chinese wall arrangements are implemented to manage the information flow within Argus, especially where sensitive client 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 Argus, to avoid information leakage and unsecure physical access to records. As a consequence, employees have access only to data and information deemed necessary for the fulfilment of their duties. The Company also uses procedures governing access to electronic data.

#### *3.2.3. Remuneration (including non-financial remuneration, e.g. benefits in kind / career progression)*

We take measures to ensure that we do not remunerate or assess the performance of our staff in a way that conflicts with Argus's duty to act in the best interests of our Clients. We assess and remunerate the performance of staff in a way that conflicts with the Clients' best interests is prohibited. The Company ensures the removal of any direct link between the remuneration of relevant persons principally engaged in one activity and the remuneration of, or revenues generated by, different relevant persons principally engaged in another activity, where a conflict of interest may arise in relation to those activities.

#### *3.2.4. Inducements*

Under certain circumstances, we prohibit the payment and/or acceptance and retaining of fees, commissions and any monetary or non-monetary benefits to or from persons other than our clients (e.g. advisory firms, issuers, distributors and other third parties), unless certain criteria are met (refer to Part B: Section 2, Inducements). This prohibition is intended to ensure that such fees, commissions and benefits are not inducements and, as such, do not introduce conflicts with clients' interests by influencing the behavior of the staff.

#### *3.2.5. Information on Financial Instruments and Services*

Argus, 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 client, considering the total price for the Financial Instrument, the speed and the propriety of executing the Client's order. The ultimate goal is the avoidance of a conflict of interest between the Company and its Clients or between the Clients.

### *3.2.6. Forbidden Transaction Practices*

The Company employs measures in order to prevent or limit any person from exercising inappropriate influence over the way in which a relevant person carries out investment or ancillary services or activities. In order to prevent potential conflicts of interest between the Company, the following transaction practices are strictly forbidden; and all employees are aware of the following forbidden transaction practices, and it's their responsibility to inform the Compliance Officer immediately in case any of these appear:

- the provision to a Client of investment and ancillary services with the purpose of influencing the price of financial instruments for the benefit of the Company or related persons, particularly with respect to transactions that the Company or related persons are about to effect before or after the provision of the said investment and ancillary services.
- the use of Client transaction information by the Company for own benefit or the announcement to third persons of such information.
- the preferential treatment of Company members of staff at the expense of its Clients, during the provision of the investment and ancillary services to a Client.
- the effect of transactions by members of the Company's staff and directors for their own account, or for the account of persons related to them, on the basis of confidential information which they acquire during course of their employment with the Company.
- external business interests conflicting with the interests of the Company as far as the Company's officers and employees are concerned, unless Board of Directors approval is provided.
- Personal account dealing requirements applicable to relevant persons in relation to their own investments

Additionally, the Company has established an in-house Compliance Department to monitor and report on the above to the Company's Board of Directors and has appointed an Internal auditor to ensure that appropriate systems and controls are maintained and report to the Company's Board of Directors. The four-eyes principle is also established in order to supervise the Company's activities. The Company also undertakes ongoing monitoring of business activities to ensure that internal controls are appropriate.

### **3.3. Procedures & Controls for the Identification, and Management of Conflicts of Interest**

1. All relevant persons of the Company shall become aware of this Policy and the Compliance Officer shall ensure that the relevant employees will have the ability and knowledge to identify such cases of conflict of interests.
2. Given the nature of the conflict of interest situation, the Compliance Officer shall decide whether to allow the transaction by notifying the Client, or not allow the transaction all together.
3. Argus's Compliance Officer is monitoring compliance with these measures and therefore with the management of Conflicts. Argus's Compliance Function 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.
4. The relevant persons of the Company, when faced with a possible conflict of interest situation as indicated in the above, will immediately contact the Compliance Officer and notify him of the fact.
5. Disclosure and Management of Conflicts of Interest:  
Where organisational or administrative arrangements made by the Company to prevent and/ or mitigate

conflicts of interest from adversely affecting the interest of its Clients are not sufficient to ensure, with reasonable confidence, that risks of damage to Client interests will be prevented, the Company shall clearly disclose to the Client the general nature and/ or sources of conflicts of interest and the steps taken to mitigate those risks, before undertaking business and/ or refrain from acting for the Client concerned.

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

The disclosure will be made in a durable medium and include a specific description, sufficient detail, 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 Client to make an informed decision with respect to the Service provided or demanded by the Client. The disclosure shall clearly state that the organisational and administrative arrangements established by Argus to prevent or manage the potential Conflict are not sufficient to ensure, with reasonable confidence, that the risks of damage to the interests of the client will be prevented. Following such communication, the consent of the Client shall need to be obtained and recorded before proceeding with the provision of the Service.

For the avoidance of doubt, disclosures herein are made by Argus in order to provide the Client with general information as to Argus's approach to managing conflicts generally and not due to Argus 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 Argus will not process any such transaction or relationship.

The Compliance Officer shall have the responsibility to make/oversee such communication.

6. Recording of instances where there is a risk of Conflicts of Interest:  
The Compliance Officer shall have the responsibility to keep and regularly update a record of the kinds of investment service or activity carried out by the Company in which a conflict of interest entailing a material risk of damage to the interests of one or more Clients has arisen or, in the case of an ongoing service or activity may arise, including any actions taken, as well as any consents given.

The Company regularly and at least on an annual basis monitors and evaluates the adequacy and effectiveness of the Conflicts of Interest policy and takes appropriate measures to address any deficiencies that are identified.

The Board of Directors is responsible for approving the Conflict of Interest Policy. Additional information on the Conflict of Interest Policy is available upon request.

## 4. COMPLAINTS HANDLING PROCEDURE

The aim of Argus is to provide high standard investment services and financial instruments and to serve the clients' interests in the best way possible. However, we understand that there may be cases where the Client may not be entirely satisfied. In such a case, the Client has a right to complain and to have his query investigated. To this effect, the Company has created a [Complaint Submission Process](#), which is being applied when a complaint or accusation is being submitted by a Client. In such a case, every effort will be made to resolve any outstanding issues in a fair and speedy way, in adherence, at all times, with the legislation.

To submit a complaint to the Company, you are kindly requested to complete and submit the Complaint Form which be downloaded from the Company's website:

[http://www.argus.com.cy/downloads/Complaints\\_Handling\\_Policy\\_as\\_per\\_MiFID\\_II\\_Argus\\_Stockbrokers\\_Ltd.pdf](http://www.argus.com.cy/downloads/Complaints_Handling_Policy_as_per_MiFID_II_Argus_Stockbrokers_Ltd.pdf)  
 to the following address: [argus@argus.com.cy](mailto:argus@argus.com.cy)

Argus directly registers your complaint in the internal records kept for this purpose giving a unique reference number 'Unique Reference Number' which will notify you in writing within five (5) days from the date of receipt of your complaint, confirming also the receipt of your complaint.

This Unique Reference Number can be used in the future for any communication that you may have with Argus, the Financial Commissioner 'Financial Ombudsman' and/or the CySEC, regarding this specific complaint.

The Company will proceed to investigate the complaint and will prepare a report and may contact you to request further information and /or clarifications.

Argus within two (2) months from the receipt of the complaint is obliged to inform you in writing of the outcome /decision. If this is not possible within the two (2) months period, Argus will inform you about the reasons for the delay stating the period within which the investigation is likely to be completed, which may not exceed the three (3) months after the submission of the complaint.

The decision of Argus will be notified immediately and in writing. Client's complaints will be addressed in accordance with Argus's applicable procedure and in any case with due care and diligence. Further information on Complaints Procedure is available on Argus's website at [http://www.argus.com.cy/downloads/Complaints\\_Handling\\_Policy\\_as\\_per\\_MiFID\\_II\\_Argus\\_Stockbrokers\\_Ltd.pdf](http://www.argus.com.cy/downloads/Complaints_Handling_Policy_as_per_MiFID_II_Argus_Stockbrokers_Ltd.pdf)

## 5. INVESTOR COMPENSATION SCHEME / DEPOSIT GUARANTEE SCHEME

Subject to the services offered to Client by Argus, as per applicable laws, the Clients' investments may be protected, **to some extent**, under the scheme of the Investor Compensation Fund (ICF).

### 5.1. Investor Compensation Fund (ICF)

According to the relevant legislation and Directive D187-07 for the operation of the ICF, dated 8 March 2019, issued by the Cyprus Securities and Exchange Commission ("CySEC") for the Continuance of the Operation and the Operation of the IF Investor Compensation Fund ("the Directive"), the object of the ICF is to secure the claims of the covered clients against investment firms, members of the ICF (hence forth "participating CIFs"), through the payment of compensation in cases where the concerned participating CIF 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 participating CIF 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 participating CIF 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 (EURO twenty thousand)**, irrespective of the number of accounts held, currency and place of offering the investment service. The maximum payable compensation to each covered client equals €20.000 (EURO twenty thousand) or 90% of the covered client's claim, whichever is lower. This means that, if the claim determined is €50.000, and the participating CIF is unable to pay, the client will get a compensation of €20.000 from the ICF. However, if the determined claim is for €10.000, the coverage will be only 90% of €10.000, i.e., €9.000.

CIFs established and operating in the Republic of Cyprus, other than banks, offering investment services (the "participating CIFs"), 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 ICF commenced operations on the 30<sup>th</sup> May 2004.

#### 5.1.1. Covered services for compensation under ICF

Covered services constitute the following investment services:

- 1) (i) reception and transmission, on behalf of clients, of orders relating to the execution of transactions in one or more Financial Instruments,  
 (ii) execution on clients' account of orders, referred to in this paragraph (i),
- 2) dealing in Financial Instruments for own account,
- 3) managing of investment portfolios in accordance with mandates given by clients on a discretionary basis where such portfolios include one or more Financial Instruments,
- 4) underwriting the issuance of one or more Financial Instruments and/or placement of such issues, as well as the ancillary service of
- 5) holding in custody or administration of one or more Financial Instruments.

### 5.1.2. Covered Clients

Covered clients are participating CIFs' clients, **except** those included in the following investor categories (as classified by the relevant legislation):

1. Institutional and professional investors such as:
  - (a) Investment Firms (IFs),
  - (b) legal entities associated with a participating member of the ICF and, in general, belonging to the same group of companies as the participating IF,
  - (c) banks,
  - (d) co-operative credit institutions,
  - (e) insurance companies,
  - (f) collective investment undertakings in transferable securities and their management companies,
  - (g) social insurance institutions and funds,
  - (h) Investors that have been classified by the participating IF as professionals, upon investors' own request, in accordance with the provisions of paragraph B of the Second Annex of the Law.
2. States and supranational organizations.
3. Central, federal, confederate, regional and local administrative authorities.
4. Enterprises associated with a participating IF.
5. Executive and managerial officers of a participating IF.
6. Shareholders of a participating IF whose direct or indirect shareholding in the participating IF's capital amounts to at least 5% of its share capital, or the participating IF's associates who are personally liable for the participating IF's obligations, as well as persons responsible for carrying out the financial audit of the participating IF 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 IF.
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.
  - (a) Investors that their claim is arising from transactions of persons convicted of a criminal offence, for the aforementioned transactions, under the provisions of the Prevention and Suppression of Money Laundering Activities Law of 2007 (as the same is amended and/or replaced from time to time).
  - (b) Investors-clients of a participating IF responsible for events which have caused financial difficulties to the participating IF or which have contributed to the aggravation of its financial situation, or investors-clients of a participating IF who have benefited from such events.
10. Other companies of the same Group.
11. 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.

### 5.1.3. 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 CySEC deemed through a relevant decision that a participating CIF does not appear for the time being able to meet its obligations arising from its clients' claims, in connection with covered services provided, as long as such inability is directly related to the participating CIF's financial position which is not expected to improve in the near future, or
- (b) The Court, based on reasons directly related to the financial situation of a participating CIF, has issued a ruling, which has the effect of suspending the ability of the covered clients to pursue their claims against that participating CIF.

The CySEC issues its decision for the commencement of compensation payment procedure from the ICF, within a reasonable time, and publishes the relevant information on its website. Upon issuance of a decision by the CySEC

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 two newspapers of broad national circulation, an invitation to covered clients to make their claims, arising from covered services, against the affected participating CIF. The invitation should designate the procedure, content and deadline for submission of pertinent applications.

## 5.2. Calculating the amount payable for compensation

The amount of compensation payable to each covered client is calculated in accordance with the legal and contractual terms, especially those in relation to the set off rules and counterclaims, that apply for the valuation on the date of commencement of the compensation payment procedure, of the amount of the capital or value determined with reference to the market value wherever possible, of the financial instruments that belong to the covered client and which the participating CIF is unable to repay or return, respectively.

The amount of payable compensation is derived by summing up all of the covered client's documented claims against the participating CIF. Such claims arise from all the investment services provided by the participating CIF, regardless of the number of accounts to which a client is a beneficiary to, the currency as well as the place of provision of the service, within the European Union.

Upon completing the valuation, the ICF:

(a) issues and communicates within five working days to both the CySEC and the participating CIF, its decision for the compensation, along with the amount of money each client is entitled to receive.

The decision also lists the clients to whom compensation will not be given and the reasons for such a decision.

(b) communicates its decision to each affected client, as soon as practicable from the date of its issuance.

In case of disagreement with the ICF's decision, the claimant has the right to appeal the decision to the CySEC, justifying sufficiently his alleged claim, within one month from receiving the relevant communication. The justified disagreement should be submitted by email to [info@cysec.gov.cy](mailto:info@cysec.gov.cy) with subject "Objection to the ICF decision". The CySEC has to conclude on the objection within 45 days and in case that any mistake is noted at the evaluation conducted by the ICF, the CySEC will ask ICF in writing to take corrective measures and inform accordingly the affected client.

The ICF pays the covered clients the estimated compensation in Euro within three months from the communication of its decision to the said client. In exceptional and justified cases the ICF may ask CySEC to extend this period of time by further three months.

For any further information regarding the Regulations please refer to the CySEC' website at: <https://www.cysec.gov.cy/en-GB/complaints/tae/> or contact the ICF's Management Committee offices at:

Management Committee of the Investor Compensation Fund for IF Clients  
 19 Diagorou Str., 1097 Nicosia

## **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 Client 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 disclose all the risks and other significant aspects of Financial Instruments.

**A Client shall not deal in Financial Instruments unless he understands their nature and the extent of his exposure to risk and potential loss. A Client 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.

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 rises or falls in one trading session to such an extent that under the rules of the relevant exchange trading is suspended or restricted. 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.

Before you begin to trade, you should obtain details of all commissions and other charges for which you will be liable. If any charges are not expressed in money terms (but, for example, as a percentage of contract value), you should obtain a clear and written explanation, including appropriate examples, to establish what such charges are likely to mean in specific money terms. In the case of futures, when commission is charged as a percentage, it will normally be as a percentage of the total contract value, and not simply as a percentage of your initial payment.

Set out below in Section 1 of this Part C 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 Section 2 of this Part C.

### **1. GENERIC DESCRIPTION OF FINANCIAL INSTRUMENTS**

Argus trades on behalf of its clients, 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, Argus offers other financial instruments that are not traded in regulated markets. Overall, the vast variety of financial instruments provided by Argus may cover every investor's diversified needs, indicatively capital preservation and income growth, hedging and speculation.

Before you begin to trade, you should obtain details of all commissions and other charges for which you will be liable. If any charges are not expressed in money terms (but, for example, as a percentage of contract value), you should obtain a clear and written explanation, including appropriate examples, to establish what such charges are likely to mean in specific money terms. In the case of futures, when commission is charged as a percentage, it will normally be as a percentage of the total contract value, and not simply as a percentage of your initial payment.

### 1.1. Shares and Other Types of Equity Instruments

(i) **Shares:** Shares represent a share of ownership in a company. It is the unit in which the share capital of a company is divided in and which provides the shareholder with voting rights. Furthermore, the shareholder is entitled to receive a certain level of the company's earnings (dividend payments) that may arise from the company's operations. Dividends are not guaranteed and a company has the right to decide not to pay a dividend. The investor may also buy a company's shares so that he can make a profit from reselling them. However, the return of the investment is not guaranteed because the share's price depends on the company's performance, the evaluation of the market's performance, the existing national and international economic circumstances, the relevant risk of each sector and/or the specific risk for each company.

(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 (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. 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 any 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 could arise when the Issuer does not grow in value or, if it does, it may elect not to pay dividends, 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 Issuer is in. Even if the Issuer is listed or traded on an exchange, there is no guarantee of liquidity, whereby shares could become very difficult to dispose of.

## 1.2. Warrants

Warrants constitute an alternative way for an Issuer to raise capital. Warrant holders have the right and not the obligation to buy a specific number of shares at a predetermined price (exercise price) at specific dates until their expiration. Share warrants do not offer a dividend or any other type of payment and if they are not exercised until their expiration date, they expire and they lose their value. Their trading price is directly linked to the share's performance and, usually, their price fluctuation is higher (as a percentage) than the share's price.

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. A relatively small movement in the price of the underlying security results in a disproportionately large movement, unfavorable or favorable, 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 time-scale then the investment becomes worthless.

You 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. Additional risks associated with covered warrants, which are a form of securitised derivative are set out below.

**Investment Risks:** Share warrants are treated as Financial Instruments of higher risk due to severe fluctuations to their value and the higher risks that they entail. Before the purchase of a Warrant, the investor must be aware that there is a risk of losing the whole amount of the investment as well as any commissions and costs incurred. Warrants are subject to all of the major risks mentioned in Section 2 of this Part C below.

## 1.3. Rights Issue

A Rights Issue is a way to increase the share capital of a listed company by issuing Rights to existing shareholders on a proportional basis. Rights are usually issued in organised markets and traded for a specific limited period of time. Rights are treated as high risk Financial Instruments as they entail all main types of financial risks. If Rights are not exercised until their expiration date, they lose their value. The exercise of the Right will give its holder all the rights and risks of ownership of the underlying security.

Rights provide leverage, the extent of which depends on the Right's exercise price relative to the price of the underlying security. Therefore, a relatively small fluctuation in the price of the underlying security may lead to a disproportionately larger fluctuation, favourable or unfavourable, to the price of the Right. The price of Rights can therefore be very volatile

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

## 1.4. Bonds

Bonds are debt securities which represent the issuer's debt towards the investor. When an investor buys a bond, he lends a certain amount of money to the bond issuer. Therefore, the bond constitutes a debt towards the lender which must be paid at a specific date specified at the bond documentation. If provided for in the bond's documentation, the borrower is also obliged to pay interest to the bond holder. The interest rate, the frequency of interest payment and the amount of the interest are specified by in the bond's documentation. Possible bonds' issuers can be the Government, banks, municipalities or companies.

The bond's yield is determined by the difference between the capital paid at the bond's issue date and the amount due at the maturity of the bond.

High-yield bonds are bonds with speculative characteristics and which are rated with a low credit rating by international credit rating agents such as Moody's rating of Baa or BBB rating of low or medium return. These bonds carry a coupon that is relatively high to reflect the higher level of to investors.

**Investment Risks:** The main risks faced by bond holders are credit spread risk and interest rate risk as the bond's price usually moves inversely to the direction of interest rates changes and/or the credit spreads. Bond holders are also subjected to risk of default of the Issuer and liquidity risk.

## 1.5. Complex Bonds

Structured bonds allow the investor to access other Financial Instruments, notably shares, through an initial investment in bonds. The three more common types of bonds that give access to the company's share capital are the following:

**a) Convertible bonds:** These bonds can be converted into shares of the issuing company upon request of the bond holder or upon the exercise of an option of the issuer. The bond's maturity and conversion dates are specified in the bond's issued terms where the conversion ratio is defined and where it is specified that the bond issuer has the right to call the bond's early redemption. The bond holder's protection clauses are also described in detail in the bond's issue documentation.

A convertible bond is one which has an equity convertible element contained within it. This allows the investor the option to convert the bond into a given number/ratio of shares in the underlying company at a given price. Throughout the specified life of the bond, holders receive a regular dividend income, albeit generally at levels lower than those associated with the vast majority of bonds. However, at the specified point in time, holders have the right to convert into the said number of shares. The conversion is at the holder's choice and cannot be forced by the issuing company. Having the option to convert to shares, the bonds are often seen as having an embedded 'call'. In times when the underlying company is doing well, the share price will rise, however, the bond itself is unlikely to do much and the holder will wish to exercise the option at the earliest possible point. However, in times of a decline and value in the share price, the holder is unlikely to convert, preferring to keep within the bond unconverted. In the extreme event of the company going into liquidation, bondholders rank higher than shareholders in terms of repayment. The final consideration should be that of the income differential between converting and not converting. The bond will be paying interest, albeit lower than normal due to the convertible element, however, the share will pay a dividend, and is unlikely to exceed the income stream from the bond in the early years of the life of the bond.

**b) Contingent Convertible Bonds (CoCos):** CoCos are a form of hybrid security which are issued as a bond (debt instrument) with a coupon, usually by banks or building societies. If the issuer's capital position (which they are required by the regulator to maintain at a certain level) drops a set amount, the bonds convert

into equity shares in the issuer. The chief risks are that the coupon is paid at the issuer's discretion or can be cancelled altogether, and the value of the equity shares the CoCo converts to may drop as a result of the issuer's reduced capital position.

**c) Exchangeable Bonds:** These types of bonds allow the investor to exchange them with existing shares of a third company. Issuers of such bonds are companies holding shares in other companies.

**d) Bonds Redeemable in Shares:** Such bonds are only redeemable in shares, on the issuer's option. The bond holder is exposed to the same risks inherent in shares.

**e) Callable Bonds:** These types of bonds allow the issuer early repayment (partial or in full) of their principal at a specific period before the bonds' stated maturity date. These bonds are subject to prepayment risk. The issuers of such fixed income instruments may not be willing or able to prepay the principal at the prescribed earlier date, thus prolonging the life of the instrument.

**Investments risks:** The risks entailed in all the above-mentioned instruments are related to their complex nature. For as long as they remain in the investor's possession, the investor is exposed to risks as well as to possible fluctuations and/or volatility of the principal shares' value. After the conversion, exchange or redemption of the bonds, the investors are exposed to risks similar to those of shares.

## 1.6. Money Market Instruments

Money Market Instruments are usually debt securities which mature in one year or less (Treasury Bills) and which are usually traded in local money markets. These instruments offer a high degree of liquidity to investors and pay interest on the invested principal. 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.

## 1.7. Collective Investment Schemes

Generally, Collective Investment Schemes involve an arrangement that enables a number of investors to 'pool' their assets and have these professionally managed by an independent fund manager. This arrangement may take the form of a company, partnership or trust. Investments normally include bonds and shares of listed companies but depending on the type of the scheme, may include broader investments such as derivatives, real estate or any other financial instrument and/or asset. The valuation of such a Scheme is generally performed by the fund manager or the investment consultant of the Scheme, the custodian or by an independent valuation agency (as the case may be).

Collective Investment Schemes may invest in markets of high volatility and/or low liquidity and it is possible that there are increased exit or entry costs from or to the Scheme. The ability to liquidate such a Scheme may be limited, depending on the terms of operation of the Scheme and the long time period of notice required for redemption during which the value of each unit may exhibit high volatility and possibly decrease. It is possible that there is no secondary market for such Schemes and hence such an investment may be liquidated only through redemption.

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 (ETFs) & Exchange Traded Commodities (ETCs):** Exchange Traded Funds (ETFs) are a form of Collective Investment Schemes which track an index of a country, sector, or a specific geographical region. ETFs trade in organised and non-organised secondary markets just like shares but with the following major differences: ETFs represent an investment in a basket of Financial Instruments and their purchase/sale bears lower transaction costs. Investment in ETFs exposes the investor to the same risks as the underlying securities (shares, bonds etc) but to a significantly lower degree due to the diversification of investments.  
 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.).

Exchange Traded Commodities are investments (asset backed bonds) that allow the investor to track the underlying performance of a commodity index, including total return indices. Trading is exactly the same as any normal share, in that prices are available throughout the trading day, with market maker support, thereby stimulating liquidity. ETCs themselves will either focus solely on a single commodity or on an Index, examples being Gold, Silver or Lean Hogs for individual commodity exposure or energy and livestock for Index exposure.

ETFs and ETCs may not be for everyone so it is essential you fully appreciate the risks involved, do you understand the product, its structure and the associated risks?

- (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 in Section 1.5 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.
- (xi) **Hedge Funds:** Hedge Funds are a type of investment funds, which use specialised investment strategies (such as short selling, use of margin / leverage and use of derivatives) with the aim to maximise returns and control the risk in case of market downturn.  
 Hedge funds are considered a riskier investment than traditional funds and are suitable for more experienced investors. They usually invest in risky or illiquid securities and although they target absolute

returns, if they fail to manage risk, they may realise significant losses. Beyond the liquidity risk, Hedge Funds have the ability to leverage which means that a relative small fluctuation in the price of the underlying security may lead to a disproportionately larger fluctuation, favourable or unfavourable, to the value of the investment.

- (xii) **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. 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.
- (xiii) **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. 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.

**Investment Risks:** Depending on the category, collective investment schemes may entail different risk but may have different performances. The composition of each portfolio contains a type of risk similar to its type (aggressive, balanced or defensive).

Any investment in Funds is, amongst others, related to market risk, interest rate risk, default risk and foreign exchange risk. 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.

## 1.8. Structured Products

Structured products are Financial Instruments in the form of securities or contracts which are adapted to the needs of the client. These products are identified by one or more of the following characteristics:

- a)** the performance is determined by the underlying instrument, to a combination of underlying instruments (interest rates, equities, indices, etc,) or based on a formula,
- b)** A leveraged effect,
- c)** Other characteristics agreed upon the parties such as terms on the redemption or the existence of a guarantee,

- d) A product that does not allow a preliminary request for quote from different financial institutions, or
- e) A non-existence secondary market or a secondary which is not liquid.

Every structured product has a different risk profile. Due to the large number of possible combinations, it is impossible to describe in detail every structured product's risk. Before making any transaction in structured products, the client has to be informed on the special characteristics of the product and the entailed risks in order for him/her to make informed investment decisions after accepting the terms and the special characteristics of the specific products.

**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 Options, Futures, Forwards, Swaps, Contracts in Differences (CFDs)**

Derivatives are bilateral contracts whose value is dependent upon the value of an underlying asset or index. The parties can negotiate on regulated markets or by a mutual agreement (Over-The-Counter (OTC)).

These products are called 'derivatives' because they represent rights and financial commitments the value of which vary or is derived from underlying assets or liabilities. There are different types of derivatives differentiated by the nature of the principal instrument (shares, bonds, financial instruments, interest rates or exchange rates, stock exchange indices or commodities, etc.). There are numerous product combinations for investment, and, therefore, they are characterized by different risk profiles. Some of them are characterized by limited risk and unlimited potential upside for one party while the other party has the exact opposite position because it is probably exposed to potential unlimited loss and potential limited profits.

Besides the product's structure, many of the risks associated with derivatives contracts results from the fact that they are subject to financial leverage. That means that the investor has the possibility to pay a part of the overall exposure to market risks (by paying the premium or an initial deposit) in order to open or to maintain a position. The actual exposure to market risk with derivatives contracts can be an amount that is multiple the deposit or premium paid.

In the case of derivatives, the market risk includes the exposure to market changes in the value of market parameters, e.g. changes in interest rates, exchange rates, share prices, indices movements or commodities prices. However, the market risk includes the exposure to fluctuations in the price of the underlying instrument or to other factors such as volatility or the time value.

Transactions in foreign exchange and derivatives have a high degree of risk. The amount of the Initial Margin which

pays the investor to participate in such transactions is much smaller than the real value of the Derivative contract in which it invests. The investor must understand that if the market moves against the position taken, any damage can be multiple of the amount originally pledged as the initial margin and the amount that may be deposited. It can cause a total loss of the Initial Margin of the client as well as additional funds deposited in order to maintain the position. If the market moves contrary to the position taken by the client and/or if requirements of the Margin increase, then he will be called within a short time to deposit additional funds in order to maintain this position. If the Client fails to respond directly to the above action, ARGUS can make an immediate closure of the position of the Client and the Client will be obliged to undertake to cover the negative balance and / or the damage.

### **Option Contracts**

Options offer the buyer the right but not the obligation to buy (call) or sell (put) an underlying instrument (i.e. share) at an agreed-upon price (exercise price) before (American-type option) or after (European-type option) a specific future date. The counter party undertakes the relative obligation.

The amount the option buyer must pay to the option seller (called premium) in order to receive the right but not the obligation to buy (call option) but not to sell (put option) the underlying value at or by the expiration date is the price of the contract. This payment is made to the seller irrespective of whether the option is exercised or not. Therefore, the maximum imminent risk for the buyer is limited to the first part of the contract's price while the seller's imminent risk is unlimited. Hence, the total value of the option contract is determined by the demand and supply and it has intrinsic value and extrinsic value (Premium = Intrinsic value + Time (extrinsic) value). Other financial risks that may be associated with options are price volatility risk, liquidity risk and interest rate risk. Options lose their value if they are not exercised until their expiration date.

Unlike futures, trading in the Stock Options (option) are only legally binding agreements on the part of the seller. The buyer of an option has the right to buy / sell the underlying asset or value to the seller (depending on the type of right to buy/sell), while the seller of the option is obliged to sell / buy the underlying asset at a predetermined price at the conclusion of the agreement or at the end of the right or in the course of his life depending on the type of option.

With regard to transactions involving the purchase of options you should know the following:

These include a lower risk than those transactions which concern the sale of an Option, and if the price of the underlying asset, at the agreed time for the exercise thereof, is not beneficial for you, you can simply not exercise your right. The greatest loss may be that of the amount paid for the acquisition of the premium plus the commissions and any other costs for the overall completion of the transaction.

With regard to transactions involving the sale of options you should know the following:

These include greater risk than purchasing options. For these transactions you undertake the obligation to sell or buy the underlying asset if the reverse right to buy or sell has been exercised against you, regardless of the amount in which the value of the title has fluctuated.

Furthermore, you are required to make the transaction requested by the other contracting party who has purchased the option at the risk of capital loss greater than the price of the option that you were paid (premium) including commissions and any expenses. The risk increases even more in the case where you do not own the securities for which you sold the option.

### **Futures contracts**

A contractual agreement to buy or sell a certain Financial Instrument, when due, at a specified date and at a determined price. Futures constitute essentially a bilateral agreement between two parties who agreed to proceed to a certain buying and selling at a specific date in the future at a specified price. The terms of the future trade are precisely defined on the futures contract (quantity of shares of specific company, date of trade, etc.) except for the price of the trade which is specified by the parties' agreement (offer and demand) and which is constantly changed depending on the fluctuation of the share's price). Other financial risks that may be associated with futures contracts are price volatility risk, liquidity risk and interest rate risk.

Futures contract to buy or sell a specific financial instrument (such as treasury bills, certificates of deposit, or foreign currencies) at a specific future date and at a specified price. The market value of these contracts generally moves in a direction opposite to that of the interest rates. In other words, a futures contract is an agreement to buy or sell an asset at a future date at an agreed-upon price. Futures contracts are standardized agreements that typically trade on an exchange. One party agrees to buy a given quantity of securities or a commodity and take delivery on a certain date.

For example, an actual barrel of oil is an underlying asset, and let's say the price of oil right now is \$50 per barrel. A futures contract is an agreement to buy or sell an agreed upon quantity of an underlying asset, at a specified date, for a stated price.

Leverage in futures is a lot higher than the leverage in stock options due to the much higher lot size and low margin requirement. This makes futures trading riskier than options trading in terms of potential losses due to leverage.

A future contract (future or PIC) is a binding agreement whereby two parties agree to buy or sell an underlying asset at a specific price at a particular time in the future. That is, A is obliged to sell to B (and respectively B is required to purchase from A) at an agreed time in the future, called 'delivery date' a certain quantity of an underlying product or an underlying asset at a price fixed between them at the time of the agreement. Although it is theoretically possible for the physical delivery of goods or of value to take place at the agreed time, in practice PIC are usually closed before the delivery.

Traders in futures should be aware that a small investment for the realization of a specific transaction may result in loss or profit of multiples amounts than the originally invested (leverage). The futures may thus give rise to liability in some cases which may significantly exceed the initial investment.

There is a risk of total loss of the Initial Margin and any additional funds that may be required to be paid by the investor in order to acquire or maintain a position (open position) in the market of the said products. If the market moves "against" his position, you may need to place additional funds (margin) immediately so that he can keep his position (of course, the obligation, for the payment of the amount of the daily settlement when this is necessary, is considered as granted). If additional funds are not placed as per the above, then his position is liquidated independent to the loss and he is obliged to cover any shortfall in his account as a result of this realization.

### **Swaps**

In general, a swap is a contract where counterparties agree to exchange interest flows or currencies. Swaps are divided into categories depending on their subject: the two basic types of swaps are currency swaps and interest rate swaps.

Currency swaps constitute the exchange of two currencies in which one party sells an amount of foreign exchange to the other party at the spot price and buys another amount of foreign exchange. This contracting party agrees to buy it back at maturity an agreed upon price which corresponds to the spot price increased or decreased by the difference in the interest rate between the two investments, given that the two swaps have equivalent terms for each currency. The basic risk entailed in this type of swaps is associated with the interest rate risk on exchange

rates. Other risks entailed in currency swaps are associated with foreign exchange risk only on the implicit interest rates, liquidity risk and counterparty risk.

The second type is a contract by which the parties exchange interest rates, that is, make a commitment to pay, on an agreed frequency, amounts corresponding to the application to a given nominal amount of different interest rates. The main risks entailed in this type of swaps are interest rate risk and counterparty risk.

### **Contracts for Difference (CFD)**

Contracts for difference are transactions in relation to shares where it is not necessary for the parties to hold the shares themselves. These are short-term contracts following an agreement between the counterparties and they reflect the performance of a specific share or index. As in the case of shares, potential earnings or losses depend on the difference between the purchase price and the sale price of the Financial Instrument.

A CFD is a tradable instrument that mirrors the movements of the asset underlying it. It allows for profits or losses to be realized when the underlying asset moves in relation to the position taken, but the actual underlying asset is never owned. A CFD is an Over the Counter ("OTC") leveraged financial instrument and its value is determined based on the value of an underlying asset. The investor makes a profit or a loss on the CFD based on the direction chosen (Buy or Sell) and the direction of the value of the underlying asset. The CFD is settled in cash only and the investor has no rights whatsoever on the actual underlying asset.

An investor has the choice to buy (or go "long") the CFD to benefit from rising prices in the underlying market; or to sell (or go "short") the CFD to benefit from falling prices. The price of the CFD is derived from the price of the underlying market price, which may be either the current ("cash") price or a forward ("future") price. For instance, if an investor is long a CFD and the price of the underlying rises, the value of the CFD will increase - at the end of the contract the Company will pay the difference between the closing value of the contract and the opening value of the contract. Conversely, if an investor is long and the cash price of the underlying falls, the value of the CFD will decrease - at the end of the contract they will pay the Company the difference between the closing value of the contract and the opening value of the contract. A CFD referencing the underlying future price works in exactly the same way except that such contracts have a pre-defined expiry date – a date upon which the contract either automatically closes or must be rolled into the next period. The leverage embedded within all CFDs has the effect of magnifying both profits and losses.

The CFD or a contract for the difference is a financial derivative which operates with a Margin, which allows investors to participate in moving stock prices, indices, commodities and / or other products without owning the underlying stock or index. The CFD are the OTC (Over the Counter) products. Thus, it is that a contract between two parties to exchange, upon the expiration of the difference between the opening price and the closing price of the contract multiplied by the number of shares in the contract. In the CFD the profit or loss is determined by the difference between the purchase price and the selling price of the CFD.

The CFD operate with a Margin. The minimum amount to be paid as a security against an investor in the Stock of Derivatives is called a Margin. So an investor with a relatively small commitment of funds has the ability to purchase policies for much larger capital (leverage). It is emphasized that the transactions with Margin require a disciplined approach, because the odds of profit but also of loss are much greater.

### **Repos/Reverse Repos**

The term 'Repos' stands for 'Repurchase Agreements'. Respectively, the term 'Repurchase Reverse Repos stands for a Buying contract with a reselling agreement. Within such repurchase agreement, the owner of titles (a financial institution) agrees to sell the title(s) to the client in order for the financial institution to repurchase the title(s) at a specific date in future in a pre-agreed price. The repurchase price of every Repo transaction includes the return of

the transaction (interest) which is calculated on the basis of the interest rate agreed between the contracted parties as long as the agreement is still in force.

A Reverse Repos is a Repos Agreement with the reverse terms. The risk entailed in a Repos or Reverse Repos is the counterparty risk.

### **1.10. Leveraged Investments**

When considering "Leveraged Investments" one should consider various risks including the fact that some products use leverage and other speculative investment practices that may increase the risk of investment loss, can be illiquid, are not required to provide periodic pricing or valuation information to investors, may involve complex tax structures and delays in distributing important tax information, are not subject to the same regulatory requirements as mutual assets, often charge high fees, and in many cases the underlying investments are not transparent and are known only to the investment manager.

With respect to "Leveraged Investments" in general, the client should be aware that:

- Returns from some "Leveraged Investments" can be volatile.
- The client may lose all or a portion of his investment.
- With respect to single manager products the manager has total trading authority.
- Many "Leveraged Investments" are subject to substantial expenses that must be offset by trading profits and other income. Trading of such investments may take place on foreign exchanges that may not offer the same regulatory protection.

**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).

## **2. 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 of 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 Argus cannot guarantee specific returns.

Historical returns of the various Financial Instruments do not ensure future performance. Every investment on any Financial Instrument is exposed to one degree or another, to all or some of the following risks:

## **2.1. Market Risks**

Market risk is the risk of a change in the value of an investment due to changes in general market factors, such as interest rates fluctuations, exchange rates fluctuations, equity market indices, credit spread, share prices, principal products' prices or fluctuations in volatility. In case of a negative fluctuation in prices, investors in Financial Instruments run the risk of losing part or all of their invested capital.

The different types of market risks are the following:

### *2.1.1. Interest Rate Risk*

Interest rate risk is associated to unfavorable interest rates' fluctuations. Interest rates risk also includes the cost of up keeping. The up keeping cost is positive or negative of the financing cost of the asset is respectively higher or lower than the received interest. Thus, the up keeping cost for a loan with a floating interest can increase with a rise in the interest rate. Interest rates' fluctuations can expose the owner of Financial Instruments to a risk of capital loss but the risk level depends on the type of the financial instrument.

### *2.1.2. Foreign Exchange Risk*

The Foreign Exchange Risk exists when the value of an underlying instrument is calculated or associated with a currency index other than the currency of the investor. A decrease or increase of exchange rates can provoke, depending on the case, a rise or fall of the value of the financial instrument, the value of which is denominated in a foreign currency.

### *2.1.3. Interest Spread Risk*

Credit spread is the difference between a prearranged reference interest rate (e.g. euribor) and the bond's real interest rate. This difference depends on the credit rating of the bond's issuer. Spread risk consists in the downgrading of the issuer's credit rating which will lead to an increase of the credit spread and a decrease of the bond's current value.

### *2.1.4. Price Volatility Risk*

Volatility refers to the changes in price that securities undergo when trading. Generally, the higher the volatility of a security, the greater its price swings. The prices of investment products may present unpredictable fluctuations, thus causing a risk of loss. Prices fluctuate in the short, medium and long term. This is called Price volatility risk and is part of market risk.

### *2.1.5. Leverage Risk*

Leverage indicates the risk undertaken by an investor which is greater than the invested capital. One of the main characteristics of leverage is that the relatively insignificant fluctuations of the underlying assets' prices can lead to multiple profits or losses. A leverage investment can be extremely risky as the investor may lose more than he/she originally invested.

### *2.1.6. Basis Risk*

The basis risk is the risk that may arise if the cost of a hedge product does not move in line with the cost of the asset to be covered (e.g. futures contracts in relation to its underlying asset).

### *2.1.7. Inflation Risk*

The risk associated with the loss of the real capital value which is caused by a greater than expected inflation rise.

### *2.1.8. Risk of Early Redemption*

In case the bond type gives the issuer the right to revoke and redeem the bonds earlier than their maturity, the investor faces the risk of the bonds to be revoked or redeemed at an unfavorable price.

### *2.1.9. Relative Performance Risk*

The risk when an asset does not meet the performances of the benchmark index.

### *2.1.10. Specific Risk*

The risk of fluctuation in the price of an asset, due to factors which are specific to this asset contrary to the general market risk, which reflects a general movement of prices in the capital market.

## **2.2. Investment Risks**

Investment risks reflect the volatility of an investment's performance. The relation between performance and risk is proportional that is the achievement of a higher return presupposes that the investor undertakes higher or greater risk and vice versa.

### *2.2.1. Liquidity Risk*

The risk stemming from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss. Market's liquidity depends on the market's organization (stock exchange or over the counter) but also of the relevant instruments. Selling or buying a common product may be easy but there may be greater difficulties for very specific products. There is usually a liquidity risk for investment products of low tradability.

### *2.2.2. Volatility/Instability Risk*

The risk related to the movements of a security's specific prices. There is high volatility when the securities are affected by broad changes in a relative period of time (e.g. on a daily basis for some products or for a longer period for other products). The volatility/instability risk is calculated on the basis of the average difference between the lower and higher prices of a Financial Instrument over a certain period of time.

### *2.2.3. Default Risk*

The risk that an issuer of a bond may be unable to make timely principal and interest payments or when a company's share price may be minimized in case the company bankrupts.

### *2.2.4. Operational Risk*

Operational risk, such as breakdowns or malfunctioning of essential systems and controls, including IT systems, can have an adverse impact on all Financial Instruments. Business risk, especially the risk that the business is run incompetently, may also adversely affect shareholders or other investors in such a business. Personnel and organisational changes may severely affect such risks and, in general, operational risk may not be apparent from outside the organisation.

### *2.2.5. Settlement Risk*

Settlement risk is the risk that the settlement of transactions in Financial Instruments is not completed, especially if the counterparty does not pay or deliver titles in time to fulfil its obligation to clear the transaction. This risk is limited where the investment involves Financial Instruments traded in regulated markets because of the regulation of such markets. This risk increases in case the investment involves Financial Instruments traded outside regulated markets or where their settlement takes place in different time zones or different clearing systems.

Capital markets have different settlement and delivery procedures, and, in certain markets, these procedures are likely to be affected by the trading volume, and, consequently compromising their execution. Failing to conclude in a settlement due to such problems is possible to prevent an investor from taking advantage of investment opportunities.

#### *2.2.6. Counterparty Risk*

The possibility that the counterparty might default within a specific period of time. Counterparty risk is related with three factors: the amount of the debt, the possibility of insolvency and the proportion of the debt that will be recovered in case of insolvency. For example, an investor must consider the liability of a bonds' issuer. That is his ability to pay or redeem the loan, according to the case. Regarding over-the-counter derivative products – transactions which do not involve debt – the counterparty risk is equal to the replacement value of this derivative product at any given time if it has a positive value.

#### *2.2.7. Valuation Risk*

Valuation risk is connected to the negative fluctuations of variables which are taken into account at the valuation of an investment, i.e. volatility/instability, interest rates and/or the estimated dividend yield.

#### *2.2.8. Risk of Place of Execution*

This risk is linked to the market location of the underlying instrument. If the market is different from the investor's market, the investor is possibly exposed to a foreign exchange risk.

##### **a) International Markets**

Any foreign investment or investment that contains a foreign element is possible subject to overseas risks. These risks are likely to differ from those of the market where the instrument is issued or the investor's market.

##### **b) Emerging Markets**

Investments in emerging markets involve risks which cannot be encountered in traditional markets. This risk also exists where the issuer of a product is located in an emerging market or carries out the main volume of his business.

#### *2.2.9. Custody Risk*

Custody risk is the risk of loss of the Financial Instruments held by a custodian on behalf of the investor, due to the custodian's actions or omissions or lack of creditworthiness. In certain markets, especially in emerging markets, the rules and regulations regarding to custody issues may be less developed in terms of investor protection in comparison to the markets governed by strict rules of custody. In these markets, the assets which are entrusted to a sub-custodian if necessary – are likely to be exposed to risks connected to the sub-custodians' failure to fulfill their duties or due to their bankruptcy. The risk is greater when the market does not provide an investors' compensation scheme or, even if such scheme exists, the investor is not eligible to such protection.

#### *2.2.10. Systemic risk*

Systemic risk is the risk arising from interdependencies within markets or among markets, which results in problems possibly appearing in one of them spreading to other market participants or other markets. It involves the entire financial sector and not any one individual participant or market and appears in the form of chain reactions. For example this risk may occur in case a member responsible for the payment of the instrument is unable to fulfill its obligations and, thus, may lead the other members of the payment system to a similar inability.

#### *2.2.11. Non-systematic Risk*

Non-systematic risk is non-market or specific risk associated with a particular issuer of a security. It is sometimes called unique risk or diversifiable risk as it can be eliminated with diversification. It basically relates to the uncertainty associated with the company the investor wishes to invest into.

## **2.3. Other Risks**

### *2.3.1. Force Majeure*

Apart from the aforementioned risks, Force Majeure is a risk associated with industrial or natural disasters or with decisions made by regulatory authorities or market operators and result e.g. in the suspension of the listing of a Financial Instrument in the stock exchange market. The issuer or the market is not responsible for cases of Force Majeure. However, these events, given that they have a great impact, may influence the issuer's ability in fulfilling its obligations or affect the market's operation.

### *2.3.2. Political or Legal Risk*

The risk that a government (or any other competent authority) imposing new taxes or new regulatory or legal obligations or restrictions on the securities that have already been bought by the investor.

These are the risks deriving from government acts, market operation rules, etc. Investments in emerging markets products are usually more risky than the respective investments in developed markets. For such investment moves it is absolutely necessary that investors proceed to a detailed analysis of each individual danger.

### *2.3.3. 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 Argus from executing orders, or prevent any participant in the relevant markets from accessing any electronic online trading platform. These include, for example, system errors and outages, maintenance periods, internet connectivity issues and failures of third parties on whom you or Argus is dependent (for example, internet service providers or electricity companies). There may be circumstances beyond Argus's control that can affect its ability to support your trading.

## **2.4. 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 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. 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.

**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) 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.

### Derivatives:

- **Market risk of Derivatives**

The financial derivatives market conditions (e.g. presence or lack of liquidity) and the rules of this market operation (e.g. safeguards of the smooth operation of temporary cessation meetings, suspension of trading of a derivative, deletion of a derivative) may be difficult or may render it impossible to effectively carry out transactions on derivatives by increasing the risk of losing the invested capital.

- **Deviation of the purchase of Derivatives from the purchase of underlying securities**

The prices of derivative financial instruments do not necessarily correspond to the prices of the underlying securities. The discrepancy may be due to conditions (e.g. demand) or the rules of operation (e.g. limit values) of the derivatives market or of the purchase of the underlying securities.

- **Risk of incomplete compensation**

This risk arises when the Investor, by carrying out transactions in derivatives, intends to hedge the risk from transactions in the underlying value, however the position in the derivatives relates incompletely to the positions in the underlying value (e.g. in case of an Agreement of Future Completion on the FTSE the investor has no positions in any shares comprising the FTSE and with the proportion participating in it).

- **Reinvestment cost**

This risk exists if the other contracting party (e.g. in trade over-the counter) is unable to meet its maturing obligations. The Investor will be obliged to open a new position at the price which has been developed in the relevant market (replacement value), value which will be added depending on the amount of time until the end of the derivative (addon).

- **Commitment on cash or securities**

The commitment of cash or securities may involve a Credit risk in case the trustee fails to fulfill its obligations in full or until the due date or later.

- **Currency risk**

The profit or loss arising from transactions in derivative financial instruments valued in foreign currency (regardless of whether they are traded in domestic or foreign market) will be affected by changes in the exchange rates when there is a need to convert the value of the derivative from one currency to another and especially the currency in which the assets of the Investor are valued.

- **Liquidity risk**

The liquidity in the Athens Derivatives Exchange and in certain other stock exchanges is secured by the presence of market makers. However, it is possible in exceptional cases, that the investor cannot make a closed position, or be able to close the position at very injurious price due to the lack of market liquidity.

- **OTHER POTENTIAL RISKS**

- **Market Risk**

A potential financial loss due to changes in the market prices or in the factors - conditions that affect the valuation of negotiable securities in the market.

- **Credit Risk**

A potential financial loss due to failure of the contractor concerned to cover the economic and/or legal obligations arising from financial transactions.

- **Operational Risk**

Potential financial loss due to failure to carry out the various business processes or human error, either by natural or technical reasons.

- **Technological Risk**

A potential financial loss due to heavy reliance on technology, implementing untested technology or rapid obsolescence of technology.

- **Legal Risk**

A potential financial loss due to changes in the legal and institutional framework or lack of proper maintenance and enforcement of laws and regulations.

- **Danger of Correlation**

A potential financial loss due to changes in the correlation relationship between two variables. This is the risk to which a participant is exposed in a financial market where a sudden change in the relationship between two factors in a financial instrument affect its value.

- **Base Risk**

A potential financial loss when the price difference between the current market and the futures price shrinks or expands in relation to normal behavior during the life of the contract.

- **Interest Rate Risk**

The evolution of interest rate may affect some derivative financial instruments in respect of the type of the underlying value.

**The information that Argus provides in this document is for general information purposes only. Accordingly, a Client prior to making any investment decision in Financial Instrument must consider his personal objectives and financial situation and the significant risk of possible loss inherent in any investment product.**

## **PART D: OTHER RELATED REGULATORY AND LEGISLATIVE INFORMATION**

Argus applies appropriate procedures to comply with the requirements of Cyprus, European Union 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 and ancillary services in Financial Instruments as well as the trading of financial instruments.

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

**Argus is under no obligation to provide any advice on continuous obligations of a Client entering into transactions and/or for carrying on transactions in Financial Instruments. A Client 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. GENERAL DATA PROTECTION REGULATION (GDPR) / PROCESSING OF PERSONAL DATA**

Argus, in order to comply with its regulatory obligations as it is required to do so by applicable law may have to process specific personal data of the Client (as natural person) in relation to the provision of the Investment Services elected by the Client to be offered by Argus as set out in any contractual agreement for the provision of the Investment Services. As such, the Company has developed and adopted an internal Privacy Statement and it is provided to all clients at the commencement of the agreement for the prospective clients or through Argus's website for the existing ones.

Argus processes the Client's personal information in accordance with the applicable legal and regulatory framework, including the law providing for the protection of natural persons with regard to the processing of personal data and for the free movement of such data, as amended, or repealed, or replaced from time to time, (Law 125(I)/2018) and the General Data Protection Regulation (EU) 2016/679, and ensures compliance with the applicable data privacy laws.

In summary are noted herein below the main aspects of the Processing of Personal Data Policy of Argus in relation to the provisions of Investment Services in Financial Instruments:

Argus has a legitimate interest in collecting and processing Personal Data for the purposes as described in its Privacy Statement in order to administer, improve and generally conduct business, to prevent fraud and financial crime and to avoid non-compliance with Argus's legal and regulatory obligations. Additionally, Argus processes and collects personal data due to legal obligations emanating from relevant laws to which it is subject and due to the performance of a contract.

In the course of the performance of our contractual and statutory obligations your personal data may be provided

to various departments within the Company. Various service providers and suppliers may also receive your personal data so that we may perform our obligations. Such service providers and suppliers enter into contractual agreements with us by which they observe confidentiality and data protection according to the Cypriot legislation of data protection and GDPR. To this end, the Company does not share the client's information with third parties if this is not required by the law. Personal data is processed in accordance with the rights of data subjects under the GDPR.

Argus is committed in safeguarding the privacy of the personal data and/or information the Client shares with Argus and/or with its employees and/or agents and/or associates. Argus 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 or for purposes arising from contractual relationship.

Argus, under MiFID II has specific obligations to monitor and record all telephone communications between the Client and any other person acting for his account and Argus 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 II obligations, Argus is obliged to record the Client's telephone recordings and store with Argus for a minimum of ten (10) years or for as long as is necessary for Argus to comply with any legal and contractual obligations Argus may have. As part of the Anti-Money Laundering and Counter Financing obligations (see section below), Argus is obliged to keep Client identification and transaction data for at least 5 years after the end of the business relationship with the Client or from the conclusion of an occasional transaction with the Client.

Argus informs the clients that they may request, at any time, the update, access, correction and/or deletion of their Personal Data, refuse and/or restrict any further processing of their personal data, as well as to withdraw consent of processing in accordance with the provisions of the Law 125(I)/2018. The Client 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 Argus to the termination of the provision of the Services to the Client.

Any consent given for marketing purposes can be withdrawn at any time by giving written notice to Argus.

For further information on Data Protection Policy applied by Argus you can read the privacy statement of the Company at the following [link](#) or visit the website of the Company at <http://www.argus.com.cy/>

For any requests or complaints you can contact the DPO of the Company at [argus@argus.com.cy](mailto:argus@argus.com.cy)

## **2. ANTI-MONEY LAUNDERING AND COUNTER TERRORISM FINANCING (AML/ CTF)**

Cyprus, as member state of European Union, is subject to EU Regulation concerning anti money laundering and the prevention of 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**).

Cyprus has transposed into national legislation the requirements of the *Third Directive of the European Union (Directive 2005/60/EC)* through the Prevention and Suppression of Money Laundering Activities Law, 2007- 2016

**(AML Law)** and each competent authority for the participant in the financial sector further issues local Directives and Guideline Circulars for the implementation of the Law. Cyprus has also amended, in April 2018, the national AML Law for purposes of transposition of the Fourth EU Anti-Money Laundering Directive, Directive (EU) 2015/849. Argus, as an authorised Investment Firm is under the supervision of CySEC. CySEC is the competent authority for the enforcement of the provisions of the legislation regarding the services and activities that are provided by the Investment Firms (website <https://www.cysec.gov.cy/en-GB/legislation/financial-crimes/>).

Argus, 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 Argus on setting the business relationship with a Client (Know-Your-Client Procedures) in relation to the following, including inter alias:

- (a) Client identification and due diligence procedures and enhanced due diligence procedures for high risk clients;
- (b) Client acceptance policies;
- (c) Record keeping;
- (d) Recognition of suspicious transactions/activities, internal reporting and reporting to the local Financial Intelligence Unit (**MOKAS**);
- (e) 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;
- (f) Identification and risk assessment of money laundering risks associated with new payment methods;
- (g) Internal control, assessment and management of risk with the purpose of preventing AML and CTF;
- (h) Development of a risk based model to improve the existing framework to manage, control and address risks; and
- (i) Identification procedure and monitoring of politically exposed persons (PEPs) (enhanced client due diligence is conducted on these clients).

Argus pays special attention to:

- Understand the ownership and control structure of its Clients;
- 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 Client 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 Argus's Compliance and the Internal Audit as well as by the external auditors.

The Compliance Function and the Internal Audit are permanent functions, independent from Argus's business activities. In order to safeguard their independence, the Compliance Officer and the Internal Auditor report directly to the Board of Directors of Argus.

## **2.1. Employee AML/CTF training**

Argus 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 Argus's products and services for AML and CTF.

An Employee awareness training program is applied by Argus 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 CySEC and the European Union legislation and guidelines as applicable from time to time on AML/ CTF.

Argus 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.

## **2.2. Monitoring of Transactions**

Argus screens potential clients against lists of financials sanctions issued by European Union, United Nations and the Office of Foreign Assets Control (OFAC) and monitors the clients' accounts and transactional behaviour.

The AML/CTF prevention and monitoring processes are assessed on a continuous basis to ensure risks are identified and addressed. The monitoring and risk management process ultimate goal is to maintain an updated, comprehensive and effective AML/CTF program for Argus's business. Argus 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 Argus is strictly complying with any information request from the competent authorities to which client information may have to be disclosed in adherence with regulatory obligations.

For further information in relation to AML/CTF policies of Argus a client may contact the AML Officer of Argus at +357 22717000.

## **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.

Argus has registered with the IRS on 11 March 2016 as a Registered Deemed Compliant Financial Institution (Reporting Financial Institution) under a Model 1 IGA and has obtained the Global Intermediary Identification Number (GIIN) VLR26A.99999.SL.196 In order to comply with FATCA, subject to the Services offered, if required, clients might be contacted from time to time by Argus for additional information or clarifications.

Further information on FATCA is readily available on the IRS website [www.irs.gov](http://www.irs.gov)

## 4. 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.

### 4.1. 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 Client (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 Argus.

### 4.2. 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 website of the European Securities and Markets Authority (ESMA) website: <http://www.esma.europa.eu/page/European-Market-Infrastructure-Regulation-EMIR>.

## 5. 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 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 January 2016.

As a result, Argus 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. Argus 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 Client's business relationship with Argus. The Client's response to Argus's requests for information in respect of the Client's CRS status (if and when requested) is mandatory and failure to respond within the prescribed timeframe may result in incorrect reporting the Client's account to the Cyprus Tax Department.

It is noted, that Argus 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 the website of the OECD at [www.oecd.org/tax/automatic-exchange](http://www.oecd.org/tax/automatic-exchange)

## APPENDICES

### APPENDIX I: FEE SCHEDULE - CHARGES FOR INVESTMENT SERVICES

According to the law Argus is obliged to inform its clients in relation to the cost and the relevant charges for the provision of investment or ancillary services. For each investment service the client will be informed in relation to the commission, the charges and any taxes at the time of the signing of the relevant agreement.

The following page contains important information in reference to the fees/expenses associated with account opening, account maintenance and trade execution for brokerage services offered by Argus in the Cyprus (CSE) and Athens (ASE) stock exchange and the markets of the XNET Network.

A detailed breakdown of the fees summarized below can be provided upon request.

#### **BROKERAGE SERVICES FOR CSE, ASE & XNET**

Fees, commissions and other expenses regarding the execution of orders at CSE and ASE.

##### 1. Commissions

Service	Charges/ Commissions
ARGUS Online and Reception & Transmission of orders in relation to one or more financial instruments	0,5% - 1% *
Safekeeping and administration of financial instruments, including custodianship and related services	No Charge

\* In some cases, ARGUS may agree a specific commission with the client. .

Minimum Contract per transaction: €5 (for both CSE and ASE)

##### 2. Account Opening

- For account opening for **Physical Person** there is a charge of **€20**.
- For account opening for **Legal Entity - Cypriot** there is a charge of **€50**.
- For account opening for **Legal Entity - Foreign** there is a charge of **€60**.
- Stamp Duties: **€20**.

##### 3. Transaction Fees and Depository Fees

Stock Exchange/ CSE&ASE	Shares	Corporate Bonds	Government Bonds
CSE (Main Market)	0,05%	N/A	N/A
CSE (Other Markets)	0,09%	0,05%	0,01%
ODL Commission per transaction - CSE	€0,05		
ASE	0,05%	0,0164%	0,0164%
ODL Commission per transaction – ASE & CSE	€0,06		

*International Markets; the Customer and the Portfolio shall be charged with a fee for the execution of Stock Exchange Transactions as follows:*

Currency or Stock Exchange Reference	Unit Method of Calculating Fee	Fee for execution of Transactions	Minimum Charge	Currency or Stock Exchange Reference	Unit Method of Calculating Fee	Fee for execution of Transactions	Minimum Charge		
<b>Shares / Warrants / Rights</b>				<b>Fixed Income Products</b>					
USD	Per Share			USD	Per Share				
EUR except ASE	% on value			EUR except ASE	% on value				
EUR - ASE	% on value			EUR - ASE	% on value				
EUR - CSE	% on value			CYP - CSE	% on value				
GBP	% on value			GBP	% on value				
CAD	Per Share			CAD	% on value				

<b>Mutual Funds Abroad</b>									
Mutual Funds	% on value								
Currency or Stock Exchange Reference	Unit Method of Calculating Fee	Fee for execution of Transactions	Minimum Charge	Currency or Stock Exchange Reference	Unit Method of Calculating Fee	Fee for execution of Transactions	Minimum Charge	Additional fee on sale	Additional Sale Fee as % on value
<b>Derivative Products (Futures)</b>				<b>Options Contracts</b>					
USD	Per Contract			USD	Per Contract			% on value	
EUR except ASE	Per Contract			EUR except ASE	Per Contract			% on value	
EUR ASE	Per Contract			EUR ASE	Per Contract			% on value	
GBP	Per Contract			GBP	Per Contract			% on value	
CAD	Per Contract			CAD	Per Contract			% on value	

The Customer shall be charged also with any other stock exchange fees and expenses, taxes bank charges in relation to the Portfolio as well as with nominee/trustee fees and expenses.

#### 4. TAX

Tax on sell orders reaches 0,2% on the total value at ASE. As regards to the international markets the sales tax of each market is incorporated in each transaction expenses.

#### 5. ARGUS Commission

.....%

#### 6. Other charges

Description	CSE	ASE
Transfer of shares from Global account to Argus	€ 5,00	€ 20,00
Client balance printouts	€ 4,00	€ 0
Fee for the submission of a request in order to change data on a Share Account and on a Securities Account – form 8	Invoicing	€ 0
Fee for the submission and deposit power of attorney	€ 5,00	€ 0
Fees for the deposit of legal documents of legal Entities -	<b>Cypriot:</b> <b>Foreign:</b>	€ 0 € 0
	€ 10,00 € 15,00	€ 0 € 0

Fee for the submission of a request/ statement for the consolidation of Share Accounts: Note: From the above fees non-presented Share Accounts are excluded	€5,00 per consolidation	€ 0
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For any updates please visit our website [www.argus.com.cy](http://www.argus.com.cy).

For any updates regarding the expenses of each market please visit the relevant stock exchange

website. We are at your disposal for any clarification at T: +357 22 717000.

**Argus has the right to change the above pricing policy that concerns costs and expenses for the provision of investment services. Any changes will be effected, at least, ten (10) calendar days after their public announcement to the clients.**

For other Markets and other Services please contact us for specific quotations at [argus@argus.com.cy](mailto:argus@argus.com.cy)

## APPENDIX II: DEFINITIONS

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

**Affiliate:** means, in relation to a legal person, a person controlled, directly or indirectly, by the same person as controls that person.

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

**Broker:** means a member of an Exchange and/or Clearing House as is instructed by us (or by you in relation to the Settlement-only Service) to enter into any Transaction on an Exchange and/or clear and/or settle the same

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

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

*Note: It is the Client's obligation of the Client to notify Argus of any changes of his Investor Profile.*

**Durable Medium:** means any instrument which enable the Client to store information addressed personally to him in a way accessible for future reference for a period of time adequate for the purposed of the information and which allows the unchanged reproduction of the information stored.

**Elective Professional Client:** means a Client who: (a) is capable of making his own investment decisions and understanding the risks involved; (b) satisfies at least two 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 year in a professional position, which requires knowledge of the transactions or services envisaged.
- (iv)

**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:** the procession of a Transaction or Order being executed by Argus upon the specific instructions of the Client where Argus does not give advice on investments 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 below, as provided and listed in the Law:

- (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.

Subject to the Law, financial Instruments are divided into two categories: "non- complex" and "complex".

The following products are considered to be **non-complex** 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 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 client 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 client 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 client 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 treated as **complex products**.

**Investment Advice:** means the provisions of personal recommendation to a client, either upon Client's request or at Argus'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 provided by Argus in relation to Financial Instruments as may be requested by the Client or set in the Investments Services Agreement.

**Investment Services Agreement:** the written agreement or contract entered into between Argus and a Client in relation to certain Services provided in respect of Financial Instruments as elected by the Client.

**Investor Profile:** investor profile or style defines an individual's preferences in relation to 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 Client to Argus or by a Client's attorney or authorised signatory.

**Intermediary:** A company to which Argus transmits Orders for execution and which either executes the Order received from Argus on an Execution Venue or transmits the Order received from Argus to another Intermediary for execution.

**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.

**Law:** means the Investment Services and Activities and Regulated Markets Law (L.87 (i)/2017) which transposes into Cyprus legislation MiFID II.

**Order:** means any instruction received by Argus from the Client or on behalf of a Client, or generated by Argus on behalf of a Client, 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).

**Per Se Professional Client:** means a Client considered by Argus to possess the experience and knowledge to make his own investment decisions and properly assess the risks that he incurs arising, based upon the Client 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 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 Client with Argus pursuant to the terms of an Investments Services Agreement.

**Portfolio Management:** means the management of portfolio of one or more Financial Instrument with mandate given by a Client on a discretionary client – by –client 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 client who has been clarified by Argus as professional client for the purposes of the Law, either on the basis of such client being a Per Se Professional Client or an Elective Professional Client.

**Reception and Transmission of Orders Service:** refers to the reception of a purchase or sale Order from the Client and the immediate transmission of the instructions to the counterparty for execution.

**Regulated Market:** means as 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 ESMA or any relevant applicable European Union or other competent regulatory authority regulating Argus.

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

**Argus Terms and Conditions:** means the General Terms for Client - Argus for transactions as applicable from time to time which are available at, [www.argus.com.cy](http://www.argus.com.cy)

**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 a regulated market, 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 Client gives to Argus for the purchase or sale of a Financial Instrument, or any other transaction entered into between Argus and the Client which is either executed or received and transmitted by Argus 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 Client's withdrawal or cancellation of his request or order.

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