

# APPROPRIATENESS & SUITABILITY

## 1. General

The Bank should obtain from Clients all the necessary information in order to perform the required assessment, in an effort to understand / conclude whether an Investment Service or Financial Instrument is appropriate and / or suitable to the Client.

The Bank should rely on the information provided by its Clients or potential clients, unless it is aware or ought to be aware that the information is manifestly out of date, inaccurate or incomplete.

In case where the Client does not provide the necessary information to the Bank for performing the necessary assessments, the Client will be informed that the Bank is unable to assess whether the Investment Service or Financial Instrument is appropriate/suitable and may refuse to proceed with the offering of the Investment Service or Financial Instrument. The extent of the assessment that the Bank will carry out, it depends on the type of Investment Service or type of Financial Instruments offered to its Clients.

The table below provides information relating to the correlation among the type of Investment Service, Client type and the Appropriateness / Suitability Assessment.

	Reception and Transmission of Orders and/or Execution of Orders		Investment Advice (non-independent)	
	Retail Client	Professional Client	Retail Client	Professional Client
Appropriateness Assessment	✓	X	✓	X
Suitability Assessment	X	X	✓	✓

## 2. Appropriateness Assessment Test

### Applicability

The appropriateness test will be carried out for **all Retail Clients**. In the case of a Per-se Professional Client / Eligible Counterparty, it is assumed that the Per-se Professional Client / Eligible Counterparty has the necessary knowledge and experience to understand the risks involved in relation to any Investment Services or types of Financial Instruments; therefore, no appropriateness test is required. In such cases, it will remain at the discretion of the Bank, depending on the merits of each case, whether to carry out the appropriateness test or not.

However, Elective Professional Clients will not be presumed to possess market knowledge and experience comparable to that of Per-se Professional Clients. The Bank will therefore carry out an adequate assessment of the expertise, experience and knowledge of such Clients, in order to get reasonable assurance, in light of the nature of the transactions or services envisaged, that the Client is capable of making investment decisions and understanding the risks involved.

Where a Client (legal entity or natural person) is represented by a representative (i.e. Authorised person) through Power of Attorney, it is the Authorised person's knowledge and experience that needs to be assessed.

The responsibility of the Bank to perform the appropriateness test may be waived if the Investment Services consist only of Execution or Reception and Transmission of Client orders with or without ancillary services, excluding the granting of credits or loans that do not comprise of existing credit limits of loans, current accounts and overdraft facilities of clients, and the following conditions apply:

- The services relate to non-complex financial instruments, as defined in previous section of this document.
- The Investment Service is provided at the initiative of the Client or potential client.
- The Client or potential client has been clearly informed that in the provision of that Investment Service (i.e. Execution or Reception and Transmission of Client orders) the Bank is not required to assess the appropriateness of the Financial Instrument or the Investment Service provided or offered and that therefore, the Client does not benefit from the corresponding protection of the relevant conduct of business rules.

- There is no conflict of interest.

#### **Appropriateness Test – Factors to consider**

When assessing Knowledge and Experience, the following information will be assessed, to the extent appropriate to the nature of the Client, the nature and extend of the Investment Service to be provided and the type of Financial Instrument or transaction envisaged:

- The types of Investment Service, transaction and Financial Instrument which the Client is familiar with;
- The nature, volume, and frequency of the Client's transactions in Financial Instruments and the period over which such transactions have been carried out;
- The level of education, and profession or relevant former profession of the Client or potential client.

**It is stressed that, according to the Investment Services Regulatory Framework, no appropriateness test will be performed for non-complex Financial Instruments.**

#### **Appropriateness Test – Failure & warning letter**

In case where the Investment Service of Financial Instrument is not deemed appropriate for the Client, the Client will be informed immediately, and in any case prior to entering into any transaction. In particular, the Bank will warn the Client that the specific Investment Service or the Financial Instrument is not appropriate and that the Client may be exposed to risks that fall outside the Client's knowledge and experience and/ or which the Client may not have the knowledge and experience to properly assess and / or control by way of mitigating the impact of such risks.

If, despite of the above warnings, the Client wishes to proceed with the said Investment Service or Financial Instrument, the Client must explicitly provide the Bank with his / her declaration in writing, where any risks arising from his/her decision are transferred to the Client.

The Bank has the right to accept or not to proceed with the provision of the Investment Service or Financial Instrument in question.

### **3. Suitability Assessment Test**

#### **Applicability**

The suitability test is carried out for all Retail and Professional Clients, when those Client are provided with the Investment Service of Investment Advice.

The Bank will obtain the necessary information from its Clients so as to understand the essential facts about them and to have a reasonable basis for determining, giving due consideration to the nature and extent of the service provided, that the specific transaction to be recommended, satisfies the following criteria:

- a) it meets the investment objectives of the Client in question, including the Client's risk tolerance (e.g. information on the source and extend of the Client's regular income, assets (including liquid assets), investments and real property, regular financial commitments);
- b) it is such that the Client is able to financially bear any related investment risks and losses consistent with his investment objectives (e.g. information on the length of time for which the Client wishes to hold the investment, his preferences regarding risk taking, his risk profile, purposes of the investment);
- c) it is such that the Client has the necessary experience and knowledge in order to understand the risks involved in the transaction.

In case where the Bank provides an Investment Advice to a Professional Client, the Bank is entitled to assume that the Client has the necessary level of experience and knowledge for the purposes of point (c) above.

In case where the Bank provides an Investment Advice to a Professional Client, the Bank shall be entitled to assume for the purposes of point (b) above that the Client is able to financially bear any related investment risks consistent with his / her investment objectives.

**When the Bank does not obtain the information outlined in points (a)-(c) above, the Bank should not recommend Investment Services or Financial Instruments to the Client or potential Client. Additionally, the Bank should not recommend or decide to trade where none of the services or instruments are suitable for the Client.**

#### **Suitability Test – Factors to consider**

Where a Client is a legal person or a group of two or more natural persons, or where one or more natural persons are represented by another natural person, the Bank will determine who should be subject to the suitability assessment, through procedures in place, and how this assessment will be done in practice, including the source(s) from which information about knowledge and experience, financial situation and investment objectives should be collected.

Where the Client is a group of two or more natural persons and no representative is foreseen, the Bank will identify from whom necessary information will be collected and how the suitability assessment will be done. Clients will be properly informed about the Bank's approach and the impact of this approach on the way the suitability assessment is done in practice. Approaches such as the following may be applied:

- a) choose to invite the group of two or more natural persons to designate a representative; or
- b) consider collecting information about each individual Client and assessing the suitability for each individual Client.

Where a natural person is represented by another natural person (i.e. Authorised Person) or where a legal person is represented by an Authorised Person, the Bank will assess the financial situation and investment objectives of the legal person or, in relation to the natural person, the underlying Client rather than of the representative. However, the knowledge and experience will be that of the representative of the natural person or the person authorised to carry out transactions on behalf of the underlying Client.

The Bank will require the underlying Client(s) to agree on which financial situation should be taken into account and on their investment objectives. Where the Client is a couple, the Bank will take into account the matrimonial regime applicable to that couple.

When the Bank decides to collect information and assess suitability for each individual Client part of the group, if there are differences between the characteristics of those individual Clients (e.g. the Bank would classify them under different investment profiles), the Bank will adopt the most prudent approach by taking into account the information on the person with the least knowledge and experience, the weakest financial situation or the most conservative investment objectives. An average profile of the level of knowledge and competence of all of the underlying Clients in a group, would unlikely be compliant with the MiFID II overarching principle of acting in the Client's best interests.

If the parties involved have difficulties in deciding the person(s) from whom the information on knowledge and experience, or on the financial situation, will be collected for the purpose of suitability assessment, or for defining their investment objectives. The Bank will take the most prudent approach by taking into account the information on the person with the least knowledge and experience, the weakest financial situation or the most conservative investment objectives. Alternatively, the Bank will not be able to recommend Investment Services or Financial Instruments in such a situation.

Where the Bank offers investment advice on packaged investment services or financial instruments, the suitability test will be performed for the packaged investment services or financial instruments as a bundle.