



## **Product Governance Policy**



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## **1. Scope**

- 1.1 Mega Equity Securities and Financial Services Public Limited (the "Company"), holding CIF License No.011/03, offers a variety of investment products and services to Retail Clients, Professional Clients, and Eligible Counterparties (the "Clients").
- 1.2 The purpose of this Product Governance Policy (the "Policy") is to ensure investor protection by regulating the distribution of financial instruments. It ensures that products are not distributed to the detriment of clients, in compliance with MiFID II requirements.
- 1.3 The Company maintains effective product governance arrangements to ensure that it acts in the best interests of its clients during all stages of the product life cycle.

## **2. Legal Framework**

- 2.1 This Policy is established in accordance with the following regulatory framework, as amended from time to time:
  - MiFID II (Directive 2014/65/EU) & Investment Services and Activities and Regulated Markets Law (Law 87(I)/2017).
  - MiFID II Delegated Directive (EU) 2017/593.
  - PRIIPs Regulation (EU) 1286/2014.
  - SFDR (Regulation (EU) 2019/2088 on sustainability-related disclosures).
  - Taxonomy Regulation (EU) 2020/852.
  - ESMA Guidelines on MiFID II product governance requirements.
  - Relevant CySEC Circulars regarding product governance and sustainability.

## **3. General Requirements**

- 3.1 The Company acts primarily as a Distributor. It acts at all times honestly, fairly, and professionally in accordance with the best interests of its clients.
- 3.2 As a Distributor, the Company must:
  - a) Understand the financial instruments it distributes.
  - b) Assess the compatibility of the instruments with the needs and characteristics of the clients (Target Market).
  - c) Ensure instruments are distributed only when in the best interest of the client.
  - d) Monitor the product regularly to ensure it remains consistent with the target market's needs.
- 3.3 The Company implements robust procedures and controls to ensure that, in determining the selection of financial instruments and investment services for distribution, as well as the identification of the target market, all relevant regulatory requirements are fully met. This includes, but is not limited to, compliance with obligations relating to disclosure, suitability,



appropriateness, management of inducements, and the prevention and management of conflicts of interest.

- 3.4 The Company assesses the potential impact that the choice of Manufacturer may have on the end client. This assessment includes, but is not limited to, consideration of the Manufacturer's charges, financial strength, and – where such information is available – the efficiency and reliability with which the Manufacturer interacts with the Distributor or the end client at the point of sale.

#### **4. Obtaining Information from Manufacturers**

- 4.1 The Company obtains all necessary information from product Manufacturers to understand the product's structure, risks, costs, and identified Target Market.

- 4.2 This includes information on:

- The product's identified Target Market and distribution strategy.
- Cost and charges structures.
- Risk/Reward profile and complexity indicators.
- Sustainability factors (in compliance with SFDR and Taxonomy Regulations).

- 4.3 If sufficient information is not available (e.g., from non-MiFID II manufacturers), the Company shall take reasonable steps to gather such information or otherwise determine the Target Market and distribution strategy independently.

#### **5. Sustainability (ESG) Considerations**

- 5.1 Sustainability Preferences - The Company assesses whether clients have specific sustainability preferences (e.g., investments in environmentally sustainable economic activities or products considering principal adverse impacts on sustainability factors).

- 5.2 The Company is required to collect detailed information on the client's sustainability preferences, if any at: (a) the onboarding stage of a potential new client; (b) at any time upon request of an existing client.

- 5.3 Data Reliance - The Company relies on Manufacturer disclosures (e.g., European ESG Template - EET) or reputable third-party data providers for sustainability data. The Company does not self-assess the sustainability of underlying issuers unless explicitly stated.

- 5.4 Matching Process - If a client expresses sustainability preferences, the Company will only recommend or invest in products matching those preferences. If a product does not meet a client's sustainability preferences, the Company shall explain this to the client. The client may decide to adapt their preferences; such decisions must be documented.



Products with sustainability features may still be distributed to clients without sustainability preferences (Sustainability Neutral), provided the product matches their other target market criteria (risk, knowledge, etc.).

5.5 Where sustainability disclosures for a financial instrument are unavailable or insufficient to allow for a proper assessment of its alignment with sustainability objectives, the Company shall not conduct an independent analysis of the instrument against environmentally sustainable investment criteria. In these circumstances, the financial instrument will be treated as not meeting sustainability criteria, and no representations regarding its sustainability will be made.

## 6. Target Market Identification

6.1 The Company is authorized for the distribution of the following financial instruments:

- a. Transferable securities.
- b. Money-market instruments.
- c. Units in collective investment undertakings.
- d. 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;
- e. 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;
- f. 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, MTF, or an OTF, except for wholesale energy products traded on an OTF that must be physically settled;
- g. Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in point 6) of this Part and not being for commercial purposes, which have the characteristics of other derivative financial instruments;
- h. Derivative instruments for the transfer of credit risk;
- i. Financial contracts for differences; **Note – The Company does not offer this financial product to any of its clients.**
- j. 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;
- k. Emission allowances consisting of any units recognised for compliance with the requirements of Directive 2003/87/EC.



6.2 The Company is responsible for identifying the appropriate client types for each financial instrument it distributes, considering their needs, characteristics, and sustainability objectives (the “positive target market”). This determination is required even if the Manufacturer has not defined a target market.

6.3 The Company must identify the target market using:

- a) the information obtained from Manufacturers
- b) and information it has on its own clients

6.4 For every financial instrument, the Company specifies both a Positive Target Market and a Negative Target Market. The Target Market assessment is based on the following five key criteria:

- Client Categorisation: Retail, Professional, Eligible Counterparty.
- Knowledge & Experience: The Company conducts a comprehensive Appropriateness Assessment to evaluate the client's knowledge and experience. This assessment considers factors such as familiarity with the specific product type, understanding of product features, and relevant experience in related areas. The evaluation recognizes that knowledge and experience may, in certain cases, be interdependent, and aims to ensure that clients possess sufficient understanding to make informed investment decisions.
- Financial Situation: The Company shall specify the proportion of potential losses that target clients are able to bear. Additionally, the Company must clearly indicate whether any financial instruments or services may give rise to payment obligations exceeding the initial investment amount, such as margin calls or similar requirements.
- Risk Tolerance: Willingness to take risk ( Low Tolerance, Low-Medium Tolerance, Medium Tolerance, Substantial Tolerance, High Tolerance).
- Objectives & Needs: (e.g., Hedging, Capital Growth, Income, Speculation)
- Investment Horizon: (Short, Medium, Long).

6.5 Target market identification should occur at an early stage, when the Company's business policies and distribution strategies are defined by the management body and on an ex-ante basis. Assessment on a target market is an integral part of the present Policy.

6.6 Granular vs. Clustering Approach:

- Complex Products: Assessment is performed on a granular, product-specific level.
- Non-Complex Products: Assessment may be performed using a clustering approach (grouping similar products, e.g., "Blue Chip Equities").

6.7 For each financial instrument, the Company shall, at a minimum, identify the relevant client type category. This includes determining whether the instrument is suitable for all investor types (including retail clients), for professional clients (both per se and elective), or for professional clients and eligible counterparties. Additionally, the Company shall specify the



appropriate distribution channel and strategy for each product. Financial instruments may be: (i) offered on an execution-only basis without active marketing; (ii) actively marketed to specific client groups sharing common characteristics such as knowledge, experience, or financial situation; or (iii) offered within the framework of portfolio management services.

**6.8 Negative Target Market:** The Company explicitly identifies clients for whom products are incompatible:

- **Clients with Conservative Risk Profiles:** Those who require capital preservation or have a "No Capital Loss" requirement seeking to trade high-risk instruments.
- **Clients with Insufficient Knowledge or Experience:** Clients who do not pass the appropriateness assessment or lack the necessary understanding.
- **Clients Whose Objectives Do Not Match the Product:** For example, clients seeking income or preservation should not be offered speculative or high-volatility products.
- **Clients Unable to Bear Losses:** Those whose financial situation does not allow them to absorb potential losses associated with the product.
- **For Advisory/Portfolio Management Services:** Clients who do not possess sufficient knowledge and experience are offered material and educational sessions to enhance their knowledge. They are then assessed again as to whether they have obtained the necessary understanding.

## **7. Distribution Strategy**

**7.1** The distribution strategy must be consistent with the identified Target Market.

**7.2** Service Level Differentiation:

- **Execution/RTO:** For clients acting on their own initiative (Execution-Only), the Company ensures products are distributed within the appropriate target market. An appropriateness assessment applies for all products increasing in difficulty and knowledge requirement for complex products.
- **Investment Advice & Portfolio Management:** Recommendations and portfolio decisions must explicitly align with the client's Target Market profile and Sustainability Preferences (Suitability Assessment).

## **8. Product Governance Procedures**

**8.1** Onboarding: Front Office staff collect detailed Know Your Client (KYC) information regarding investment objectives, risk tolerance, and sustainability preferences during client onboarding.

**8.2** Scoring & Matching: The Company utilizes a scoring or mapping system to cross-reference client profiles against product Target Markets.



- Match: Distribution is permitted.
- Mismatch: Distribution is restricted or requires specific warnings/documentation depending on the service level and nature of the mismatch.

## **9. Sales Outside the Target Market**

9.1 Deviations from the Positive Target Market are permitted only in justified circumstances (e.g., for portfolio diversification or hedging) and must be documented.

9.2 Negative Target Market: Sales to the Negative Target Market are generally prohibited. Exceptions are rare, require significant justification, and typically occur only at the client's own initiative (Reverse Solicitation) with strong risk warnings, or for specific hedging purposes in Portfolio Management.

## **10. Governance & Oversight**

10.1 Board of Directors: Retains ultimate responsibility for the Product Governance Policy and its effective implementation.

10.2 Compliance Function:

- Monitors the development and periodic review of product governance arrangements.
- Reports compliance findings to the Board annually.
- Ensures all staff involved in distribution hold necessary certifications (e.g., CySEC Basic/Advanced) and receive adequate training.

10.3 Product Committee (Optional): If applicable, a committee comprising Compliance, Risk, and Senior Management reviews new product approvals and significant changes to existing product lines.

## **11. Post-Sale Review**

11.1 The Company conducts regular reviews (at least annually) of the financial instruments it distributes to ensure they remain consistent with the needs of the identified Target Market.

11.2 Events triggering an ad-hoc review include:

- Significant changes in market conditions (volatility, liquidity).
- Material changes to the product's risk profile or costs by the Manufacturer.
- A high volume of complaints regarding a specific product.





11.3 If a product is found to no longer meet the needs of the Target Market, the Company will take immediate action (e.g., cease distribution, move to "Hold" only, inform clients).

## **12. Information Sharing**

12.1 The Company cooperates with Manufacturers by providing feedback on product performance and distribution, including:

- Sales volumes.
- Proportion of sales outside the Target Market (if any).
- Customer complaints.

## **13. Record Keeping**

13.1 The Company maintains records of:

- Target Market assessments for all products/clusters.
- Distribution strategies.
- Decisions to distribute outside the target market.
- Periodic reviews and approvals by the Board/Senior Management.

## **14. Policy Review and Updates**

14.1 The Company will review its Product Governance Policy both on a regular basis and promptly whenever a material change occurs that may impact the Policy.

14.2 The most recent version of this Policy is available on our website and is also provided as part of the account opening documentation.

14.3 This Policy may be updated or amended from time to time. When significant changes are made, the Company will notify you accordingly and update the revision date indicated below in section 14. We recommend that you periodically review this Policy published on our website to remain informed about any changes in our Product Governance Policy.



## Appendix A: Definitions & Interpretations

For the purposes of this Policy, the following definitions apply, in accordance with Law 87(I)/2017 and MiFID II delegated acts:

1. "Distributor": An investment firm that offers, recommends, or sells financial instruments and services to clients.
2. "Manufacturer": An investment firm that creates, develops, issues, and/or designs financial instruments, including when advising corporate issuers on the launch of new financial instruments.
3. "Target Market": The group of clients for whom a specific financial instrument is designed, considering their nature, needs, and objectives.
4. "Negative Target Market": The group of clients for whom a specific financial instrument is considered incompatible and to whom it should not be distributed.
5. "Sustainability Preferences": A client's or potential client's choice as to whether and, if so, to what extent, one or more of the following financial instruments shall be integrated into their investment:
  - A financial instrument for which the client determines that a minimum proportion shall be invested in environmentally sustainable investments (Taxonomy-aligned).
  - A financial instrument for which the client determines that a minimum proportion shall be invested in sustainable investments (as defined in SFDR).
  - A financial instrument that considers principal adverse impacts on sustainability factors where qualitative or quantitative elements demonstrating that consideration are determined by the client.
6. "Sustainability Factors": Environmental, social, and employee matters, respect for human rights, anti-corruption, and anti-bribery matters.
7. "Complex Product": A financial instrument that is not a non-complex instrument (e.g., derivatives, products with embedded derivatives, structured deposits).
8. "Non-Complex Product": Financial instruments specified in Article 25(4)(a) of MiFID II (e.g., shares admitted to trading on a regulated market, money market instruments, bonds or other forms of securitised debt generally excluding those that embed a derivative).
9. "Execution Only": A service where the Company executes orders on behalf of a client without providing investment advice.
10. "Investment Advice": The provision of personal recommendations to a client, either upon its request or at the initiative of the investment firm, in respect of one or more transactions relating to financial instruments.



## Appendix B: Product Governance Matrix (Target Market Assessment)

This matrix serves as the primary tool for mapping financial instruments to the appropriate client profiles.

Financial Instrument Category	Complexity	Client Type (Positive TM)	Negative Target Market	Financial Ability to Bear Losses	Distribution Strategy
<b>Listed Equities (stocks)</b>	Non-Complex	Retail, Professional, ECP	<b>Execution Only –</b> Clients who fail appropriateness assessment for this specific financial instrument  <b>Investment Advice –</b> Clients who fail appropriateness assessment and have zero loss ability	No Capital Guarantee. Able to lose invested capital.	Execution Only, Investment Advice
<b>Government/ Corporate Bonds</b>	Non-Complex	Retail, Professional, ECP	<b>Execution Only –</b> Clients who fail appropriateness assessment for this specific financial instrument  <b>Investment Advice –</b> Clients who fail appropriateness assessment and have zero loss ability.	No Capital Guarantee. Able to lose invested capital.	Execution Only, Investment Advice
<b>Bonds with Embedded Derivatives</b>	Complex	Retail, Professional, ECP	<b>Execution Only –</b> Clients who fail appropriateness assessment for this specific financial instrument	No Capital Guarantee. Able to lose invested capital..	Execution Only
<b>ETFs &amp; Mutual Funds</b>	Non-Complex	Retail, Professional, ECP	<b>Execution Only –</b> Clients who fail appropriateness assessment for this specific	No Capital Guarantee. Able to lose invested capital.	Execution Only, Investment Advice



			financial instrument		
			<b>Investment Advice -</b> Clients who fail appropriateness assessment and have zero loss ability		
<b>Derivatives: Options &amp; Futures</b>	Complex	Retail (Restricted), Professional, ECP	<b>Execution Only –</b> Clients who fail appropriateness assessment for this specific financial instrument	<b>Loss beyond Capital:</b> (Unless Neg. Balance Protection applies).	Execution Only