

## GENERAL INFORMATION REGARDING MIFID

MiFID II introduces new requirements aimed at increasing investor protection:

- Non-professional clients shall receive a rapport with a statement of suitability for each investment advice provided (suitability report)
- MiFID II introduced a new product governance regime. The new regime shall reduce the risk of clients receiving unsuitable investment advice.
- Employees giving investment advice or information about financial instruments, investment services or ancillary services to clients on behalf of the investment firm shall possess the necessary knowledge and competence.

### 1. "Know-your-client"

As an investment firm, we are required to know our clients ("know-your-client"-principle). We should know our clients so well that we can assess which investment is in the client's best interest and act accordingly.

We use two tools for information gathering purposes, the suitability test and the appropriateness test respectively.

Before receiving investment advice from SpareBank 1 Markets, clients must complete the suitability test. The need for investor protection increases the need for information when investment advice is given, more than when other services are provided.

For services other than Investment advice or active management, for example when placing an order without receiving investment advice, the client need only complete the appropriateness test. The appropriateness test is less extensive than the suitability test.

If you are classified as a professional client, the test requirements are less onerous: we assume you have the required knowledge and experience to understand the risk associated with investing in the product/service

#### **Appropriateness test**

The appropriateness test will test you on your knowledge and experience with the product/service. The purpose of the test is to make sure that you understand the risks associated with the product/service, before you execute a transaction.

If we find - based on the information you have provided - that the product/service is inappropriate for you, you will receive a warning to this effect. The warning will state that you do not have the necessary knowledge and experience to understand the risk associated with the product/service, or that we do not have enough information to consider if the product/service is appropriate for you.

If you nevertheless wish to go ahead with the transaction, you may override the warning and invest at your own risk.

#### **Suitability test**

The suitability test contains, in addition to the questions knowledge and experience as outlined above, additional questions about your financial position, ability to sustain loss, risk appetite, expected return and the purpose of your investment. Your answers to these questions will enable us to assess whether a financial instrument is appropriate for you or not.

The purpose of the suitability test is to protect you as an investor. It is essential that you answer the questions in the suitability test in a correct and concise manner. Imprecise and incorrect information could lead us to making imprecise and incorrect assessments, which again could lead us to recommending products that are inappropriate for you.

If we assess that a transaction is not suitable, or we do not have enough information to assess the suitability of a transaction, we cannot give you investment advice.

### **Suitability report**

When we give investment advice to a non-professional client, we are required to provide the client with a declaration of suitability (suitability report).

The report should specify the advice given and how that advice meets the preferences, objectives and other characteristics of the client, including investment horizon, knowledge and experience, risk appetite, and the ability to sustain a loss.

### **2. Product governance**

MiFID II introduces new product governance rules for manufacturers and distributors of financial instruments. SpareBank 1 Markets is both manufacturer and distributor of financial instruments.

The purpose of the product governance regime is to promote investor protection by reducing the risk of distributing unsuitable products to clients or potential clients.

All financial instruments produced by SpareBank 1 Markets are subject to a centralized product approval process. We identify a specific target market that the product can be distributed to, and identify a distribution strategy that is compatible with the needs and characteristics of that target market. The target market is determined using the same parameters as the suitability test, that is, knowledge and experience, financial statement and ability to sustain a loss, risk appetite, expected return and investment purpose.

As a distributor of financial instruments produced by others, we are required to use our knowledge of our client base to identify the actual target market. We are further required to have procedures in place to gather all necessary information on the target market from the manufacturer, procedures to ensure that all relevant employees understand the characteristics of the product and its target market, as well as procedures for reporting to the manufacturer on our experiences with the product.

### **3. Knowledge and Competence**

To improve the investor protection, MiFID II implemented qualification needs for employees providing investment advice or information about financial instruments, investment services or ancillary services to clients. The qualification needs require both theoretical competences, as well as practical experience. Employees without the appropriate qualification or the appropriate experience to provide the relevant services, will be subject to enhanced surveillance by a competent supervisor, and can only provide the relevant services under supervision. The employee should understand the key characteristics, risk and features of the investment products being offered or recommended, including any general tax implications to be incurred by the client, understand the fundamentals of managing a portfolio, suitability requirements and more. The head of department is responsible for assessing whether the employees have the necessary knowledge and competence, and if the employee should be supervised. Compliance will carry out a yearly assessment of whether the

employee's knowledge is adequate, and consider the need for excessive training. A summary of compliance's assessment shall be presented to the company's board of directors.

#### **4. Independent investment advice**

MiFID II introduces a distinction between independent investment advice and non-independent investment advice.

Companies that provide investment advice on an independent basis cannot receive inducements or similar benefits from third parties (payment from other persons than the client) in connection with the provision of investment services. Independent investment advisers are further required to comply with requirements in terms of product range and product selection.

SpareBank 1 Markets offers investment advice on a non-independent basis. That means that we are not required to provide the same product range and that we may, in certain cases, receive third-party benefits.

We are however required to ensure that all third-party benefits are designed to enhance the quality of the relevant service to the client, for example, by giving the client access to a larger product range than the client otherwise would have.

We keep track of benefits payed or received from third parties, along with an assessment of how the benefit is designed to enhance the quality of the service.

If we receive or pay a benefit from third parties, you will be informed and receive information on the exact amount received or paid.