RIETUMU
BANKA

Description of Target Markets for Financial Instruments

Guidelines on determination of target markets for financial instruments

Joint-stock company "Rietumu Banka" (hereinafter – the Bank) Complying with the requirements of the Directive 2014/65/EU of the European Parliament[1] and of the Council (hereinafter – MiFID II) to determine the target market for financial instruments or providing related services, the Bank has developed guidelines which allow the client to assess whether he/she belongs to the target market for a particular financial instrument, before making an investment decision.

The Bank shall determine the target market for the financial instruments it develops and/or distributes, specifying the types of clients whose needs, characteristics and purposes correspond to these financial instruments. In some cases, the Bank is not able to ascertain whether a particular client belongs to the target market of the corresponding financial instrument. If the client wants to purchase a financial instrument on his own initiative, the Bank shall provide the client with the minimum set of information according to the rules of MiFID II, therefore, the client must independently assess whether he/she belongs to the target market for a particular financial instrument.

This material is for general informational purposes only and cannot be considered as an offer, consultation or recommendation on the purchase, holding or sale of financial instruments mentioned in it or on the entering into any investment service agreements. In case of any questions clients of the Bank as well as distributors of Bank's products may contact the Bank by phone +371 6 700 5525, E-mail address: invest@rietumu.lv.

[1] Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU

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Criteria for target market and distribution strategy

CRITERIA	DESCRIPTION	DESIGNATIONS		
CLIENT STATUS	Client status according to the requirements of the Financial Instruments Market Law of Republic of Latvia	1. Retail client 2. Professional client 3. Eligible counterparty		
CLIENT'S KNOWLEDGE AND EXPERIENCE	Knowledge / experience related to the respective financial instrument, which helps to understand the type, characteristics, risks of the financial instrument	**1. Basic investor:** An investor that meets the following criteria: - no or minimal knowledge of the financial instruments - no experience in the financial sector, i.e. an investor with no previous investment experience **2. Informed investor:** An investor that meets the following criteria: - intermediate knowledge of the respective financial instruments (informed investor is able to make an investment decision based on the information provided in the documentation of the offer; is able to understand the nature/risks of financial instruments based on existing knowledge) - has prior investment experience **3. Advanced investor:** An investor that meets the following criteria: - good knowledge of the respective financial instruments and products - has professional experience in financial sector, which is combined with providing professional consultations on investment services/portfolio management services		
FINANCIAL POSITION OF THE CLIENT AND THE ABILITY TO BEAR LOSSES	Client's ability to make financial commitments	1. Client has no regular income and liabilities are greater than assets. 2. Client has regular income; and the Client's liabilities and projected expenses are greater than assets. 3. The Client's assets are greater than liabilities and projected expenses.		
ACCEPTABLE RISK LEVEL AND PRODUCT RISK, AND COMPLIANCE OF TARGET YIELD WITH THE TARGET MARKET	Client's general attitude towards investment risks	PRIIPs SRI methodology based risk indicator value between 1 (least risky) and 7 (most risky)	UCITS SRRI methodology based risk indicator value between 1 (least risky) and 7 (most risky)	Internal methodology based risk indicator value: 1. Low risk 2. Medium-low risk 3. Medium risk 4. Medium-high risk 5. High risk
CLIENT'S OBJECTIVES AND NEEDS	Client's investment objectives and term of investment	Investment objectives: 1. Preservation of the investment amount takes priority over profitability 2. Maintaining the purchasing power of the investment, earning income close to average inflation and low risk 3. Earning returns above the rate of inflation 4. Earning higher returns 5. Maximizing profit with high risk	Term of investment: 1. Less than 3 years 2. At least 3 years, but less than 5 years 3. Long term, over 5 years	Other: 1. Marginal lending
DISTRIBUTION STRATEGY	Distribution of a financial product to a specific target market	1. Execution only (without appropriateness test) 2. Execution with appropriateness assessment/ non-advised sales		

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Non-complex Financial instruments*

Shares, UCITS funds, UCITS ETFs**, which are included in the European Union regulated market, Multilateral trading facility or an equivalent foreign market, except for shares containing a derivative instrument or which structure makes it more difficult for the client to understand the risk associated with the relevant financial instrument

Debt instruments, which are included in the European Union regulated market, Multilateral trading facility or an equivalent foreign market, with the exception of those that contain a derivative instrument or which structure makes it difficult for the client to understand the risk associated with the relevant financial instrument

Money market instruments – Certificates of Deposits, etc., with the exception of those that contain a derivative instrument or whose structure is such that it is difficult for the client to understand the risk associated with the financial instrument in question

CRITERIA	TARGET MARKET	NEGATIVE TARGET MARKET	NEUTRAL
CLIENT STATUS	1. Retail client 2. Professional client 3. Eligible counterparty		
CLIENT'S KNOWLEDGE AND EXPERIENCE	1. Basic investor 2. Informed investor 3. Advanced investor		
FINANCIAL POSITION OF THE CLIENT AND THE OPPORTUNITY TO INCUR LOSSES	N/A	N/A	N/A
ACCEPTABLE RISK LEVEL AND PRODUCT RISK, AND COMPLIANCE OF PROFITABILITY WITH THE TARGET MARKET	N/A	N/A	N/A
CLIENT OBJECTIVES AND NEEDS	N/A	N/A	N/A
TERM OF INVESTMENT	N/A	N/A	N/A
DISTRIBUTION STRATEGY	1. Execution only 2. Execution with appropriateness assessment/ non-advised sales		

* The category of the financial instrument corresponds to the classification set out in the MiFID II Directive
** Undertakings for collective investment in transferable securities

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Complex Financial instruments

Shares that are not non-complex, Non-UCITS funds, Structured products

CRITERIA	TARGET MARKET	NEGATIVE TARGET MARKET	NEUTRAL
CLIENT STATUS	1. Retail client 2. Professional client 3. Eligible counterparty		
CLIENT'S KNOWLEDGE AND EXPERIENCE	2. Informed investor 3. Advanced investor	1. Basic investor	
FINANCIAL POSITION OF THE CLIENT AND THE OPPORTUNITY TO INCUR LOSSES	N/A	N/A	N/A
ACCEPTABLE RISK LEVEL AND PRODUCT RISK, AND COMPLIANCE OF PROFITABILITY WITH THE TARGET MARKET	N/A	N/A	N/A
CLIENT OBJECTIVES AND NEEDS	N/A	N/A	N/A
TERM OF INVESTMENT	N/A	N/A	N/A
DISTRIBUTION STRATEGY	1. Execution with appropriateness assessment/ non-advised sales		

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Complex Financial instruments

Debt instruments that are not non-complex instruments

CRITERIA	TARGET MARKET	NEGATIVE TARGET MARKET	NEUTRAL
CLIENT STATUS	1. Retail client 2. Professional client 3. Eligible counterparty		
CLIENT'S KNOWLEDGE AND EXPERIENCE	2. Informed investor 3. Advanced investor	1. Basic investor	
FINANCIAL POSITION OF THE CLIENT AND THE OPPORTUNITY TO INCUR LOSSES	N/A	N/A	N/A
ACCEPTABLE RISK LEVEL AND PRODUCT RISK, AND COMPLIANCE OF PROFITABILITY WITH THE TARGET MARKET	N/A	N/A	N/A
CLIENT OBJECTIVES AND NEEDS	N/A	N/A	N/A
TERM OF INVESTMENT	N/A	N/A	N/A
DISTRIBUTION STRATEGY	1. Execution with appropriateness assessment/ non-advised sales		

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Complex Financial instruments

Derivative instruments (Futures, Options, Options on futures and shares)

CRITERIA	TARGET MARKET	NEGATIVE TARGET MARKET	NEUTRAL
CLIENT STATUS	1. Retail client 2. Professional client 3. Eligible counterparty		
CLIENT'S KNOWLEDGE AND EXPERIENCE	1. Informed investor 2. Advanced investor	1. Basic investor	
FINANCIAL POSITION OF THE CLIENT AND THE OPPORTUNITY TO INCUR LOSSES	N/A	N/A	N/A
FINANCIAL POSITION OF THE CLIENT AND THE OPPORTUNITY TO INCUR LOSSES	N/A	N/A	N/A
ACCEPTABLE RISK LEVEL AND PRODUCT RISK, AND COMPLIANCE OF PROFITABILITY WITH THE TARGET MARKET	N/A	N/A	N/A
CLIENT OBJECTIVES AND NEEDS	N/A	N/A	N/A
DISTRIBUTION STRATEGY	1. Execution with appropriateness assessment/ non-advised sales		

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Complex Financial instruments

Currency (FX) Forward Contract

CRITERIA	TARGET MARKET	NEGATIVE TARGET MARKET	NEUTRAL
CLIENT STATUS	1. Retail client 2. Professional client 3. Eligible counterparty		
CLIENT'S KNOWLEDGE AND EXPERIENCE	2. Informed investor 3. Advanced investor	1. Basic investor	
FINANCIAL POSITION OF THE CLIENT AND THE OPPORTUNITY TO INCUR LOSSES	N/A	N/A	N/A
ACCEPTABLE RISK LEVEL AND PRODUCT RISK, AND COMPLIANCE OF PROFITABILITY WITH THE TARGET MARKET	N/A	N/A	N/A
CLIENT OBJECTIVES AND NEEDS	N/A	N/A	N/A
TERM OF INVESTMENT	N/A	N/A	N/A
DISTRIBUTION STRATEGY	1. Execution with appropriateness assessment/ non-advised sales		

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Marginal lending

CRITERIA	TARGET MARKET	NEGATIVE TARGET MARKET	NEUTRAL
CLIENT STATUS	1. Retail client 2. Professional client 3. Eligible counterparty		
CLIENT'S KNOWLEDGE AND EXPERIENCE	2. Informed investor 3. Advanced investor	1. Basic investor	
FINANCIAL POSITION OF THE CLIENT AND THE OPPORTUNITY TO INCUR LOSSES	N/A	N/A	N/A
ACCEPTABLE RISK LEVEL AND PRODUCT RISK, AND COMPLIANCE OF PROFITABILITY WITH THE TARGET MARKET	N/A	N/A	N/A
CLIENT OBJECTIVES AND NEEDS	N/A	N/A	N/A
TERM OF INVESTMENT	N/A	N/A	N/A
DISTRIBUTION STRATEGY	1. Execution with appropriateness assessment/ non-advised sales		