

Suitability and Investment Advice & C.A.T.S.

Article 19(4) of MiFID and of Articles 35 and 37 of the MiFID Implementing Directive



An investor's view of whether advice is being given

1. 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
2. Where the client reasonably believes that a personal recommendation is being provided, because it is reasonable to think either that the recommendation is being presented as suitable or that it is based on a consideration of his circumstances
3. Where it is reasonable to think that a recommendation is being presented as suitable, this will constitute investment advice regardless of whether the recommendation is suitable for the client



5 Questions determining if advice is given (1/3)

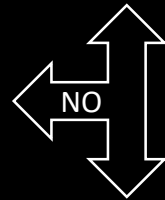
C.A.T.S.

Is it investment advice?

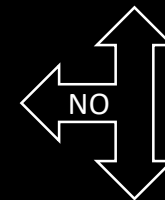
MiFID

1. There is nothing personal about the algorithms of C.A.T.S.
2. Advice requires an element of opinion on the part of the adviser, algorithms have no opinions.
3. The algorithms do not favor one product over another, all use the same public data, the only difference is the clients investment profile.
4. The decision to buy or sell does not involve C.A.T.S. staff nor proprietary data

1. Does the service being offered constitute a recommendation?



2. Is the recommendation in relation to one or more transactions in financial instruments?



5. C.A.T.S. doesn't favor an instrument. The list of available instruments to trade on comes from
 - a. the scanner selected by the user
 - b. the scanned instrument existence in the clients investment universe
 - c. the client adding the share to his "favorites" list ultimately allowing the trade to take place.
6. C.A.T.S. exclusively trades exchange based products no listing of offering exists.

Under MiFID, a personal recommendation is an implicit or explicit recommendation to the investor (whether as principal or agent) to buy, sell, subscribe for, exchange, redeem, hold or underwrite a particular financial instrument.

Can the client reasonably believes that a personal recommendation is being provided?

In general, any advice that relates to particular financial instruments – whether or not transactions ultimately go ahead – could be considered as investment advice under MiFID

According to MIFID, the definition of recommendations does not necessarily involve the "adviser" reviewing a wide range of financial instruments. Advice can also be based, for example, on a review of just a firm's own products or a restricted list of financial instrument.

In contrast, generic advice about a type of financial instrument and general recommendations are not investment advice under the Directive.

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5 Questions determining if advice is given(2/3)

C.A.T.S.

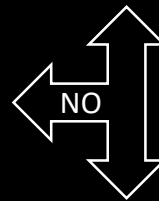
7. C.A.T.S. doesn't recommend a instrument, it places a trade against instruments previously selected/ released by the client.
8. The client is informed at start-up of an engine that, individual advice is not provided and that there is no validation on suitability, ever.
9. C.A.T.S. has no knowledge of the client, it collects no data about the customer, it only perform trades in the current accepted risk parameters settings that have been set by the client when starting the engine.
10. There is no communication between C.A.T.S. and the users of the software as no contact details are collected.
11. No information on the a persons circumstances is collected, ever.
12. If an algorithm "communicates" the intend to trade on a particular instrument then the same intention is provided to all users of the same algorithm that have added the instrument to the items it is willing to trade on.
13. There is no messaging from C.A.T.S. to the user of the software, the intend to trade is made by the software sending the trade to the trading platform, not the human using it.

Is it investment advice?

3. Is the recommendation at least one of the following...

...a) presented as suitable

...b) based on a consideration of the person's circumstances



4. Is the recommendation issued otherwise than exclusively through distribution channels or to the public?



MiFID

Can the client reasonably believes that instrument or instrument group is being suggested as suitable?

Are persons circumstances, income, marital status, their overall risk appetite, short- and long-term investment objectives or their desire for protection from particular risks considered.

If a firm has information on the person's circumstances and, in all other ways, created a reasonable expectation that this information will be taken into account in making a recommendation.

Are assessing recommendations delivered other then via the Internet or other public media.

Are assessing recommendations given other then to multiple clients at once.

5 Questions determining if advice is given(3/3)

C.A.T.S.

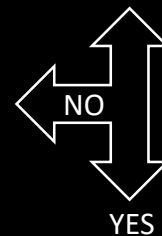
- 14. No communication send to any clients as we do request, store any communication details like phone, email or physical address.
- 15. No ancillary service of corporate finance advice is given.
- 16. No Information on trades is communicated on the website on any location that is accessible only by user profile, password or private link.

Is it investment advice?

5. Is the recommendation made to a person in his capacity as one of the following...

...a) an investor or potential investor?

...b) an agent for an investor or potential investor?



Investment Advice

MiFID

Do you make a recommendation to a person in his capacity as an investor, or agent of an investor

Having listed 16 point why I believe that we are not providing Advice under MiFID and therefore are not mandated to be compliant with Article 19(4) of MiFID and of Articles 35 and 37 of the MiFID Implementing Directive.

This conclusion is based on the data provided in [CER/09-665](#) provided by ESMA, please consult a lawyer for legal advice

Suitability assessment

1. The whole process of collecting information about a client, and the subsequent assessment of the suitability of a given financial instrument for that client.
2. Suitability assessment is not limited to recommendations to buy a financial instrument. Every recommendation must be suitable, whether it is a recommendation to use the software, to buy, hold or sell a position.
3. Ensure that the client understands the notion of investment risk as well as the relationship between risk and return on investments by providing comprehensible examples of the levels of loss that may arise depending on the level of risk take.
4. The suitability assessment is the responsibility of the investment firm. The client can't confirm that an instrument or service is suitable for him
5. The assessment needs to be recorded so that the firm can recommend suitable products or services for the client



Dealing with the suitability assessment

The assessment

- Users go through suitability assessment with Interactive brokers or with the regulated company managing the assets, they provide the instrument universe.
- Paper trading with C.A.T.S. is mandatory, MiFID makes no difference between professional investors and the general public. Assessing the paper trading allows to collect and assess all information necessary to conduct a suitability assessment for each user.
 - Trades are stored at institute, or at the C.A.T.S. infrastructure and is linked to compliance systems continuously validating suitability

The Software

- Algorithms are explained so that the users understand them and can evaluate the risk of using them as well as match the users financial situation or investment objectives.
- Paper trading allows users to test the algorithms, the settings and assessing acceptable risk levels.
- Users need to accept the paper traded instruments into the “favorites list” before being able to trade live on them.
- We inform users how to use the algorithms and provide qualified technical assistance on the academy pages.
- Trading will be halted if conditions change and suitability assessment is no longer matching the users risk profile

Suitability must be assessed using a questioner and continuously validated using the C.A.T.S proprietary “Qualified Experience” modules

