

APPROACH TO PRODUCT GOVERNANCE IN WHOLESALE MARKETS

Approach to Product Governance in Wholesale Markets

- (1) In accordance with our MiFID II obligations as manufacturer of certain investment products, we are required to disclose the target market for the financial instruments we manufacture. Please find this disclosure set out below. Since we do not possess relevant information in order to assess whether all purchasers of J.P. Morgan manufactured financial instruments fall within the relevant target market, you should take into account the target market disclosure below including in relation to any onwards sales by you of transferable securities.
- (2) Where J.P. Morgan distributes financial instruments to you, it will do so on the basis that you fall within the target market specified for J.P. Morgan manufactured products. To the extent you are not the final investor in the chain for a particular financial instrument, you will define your own target market for the relevant instrument, with the specific knowledge on your client base in mind.
- (3) OTC derivatives are standalone contracts. Therefore, they are not capable of onwards distribution. Where you enter into an OTC derivative transaction with us, and subsequently back to back that trade with another counterparty. J.P. Morgan will be the manufacturer of the first transaction between you and us (even in circumstances where you approach us with an idea for a particular transaction). However, you will be the manufacturer of the OTC transaction with your client / counterparty even if it is identical to that entered into between you and J.P. Morgan. You must define your own target market in relation to any OTC transactions you execute with your clients.
- (4) We may, from time to time, ask whether you have made any sales of J.P. Morgan manufactured financial instruments outside the intended target market or whether you are aware of any such onward sales by your counterparties.
- (5) In dealing with you, we are entitled to assume that you fully understand the risks and potential adverse consequences, including potential unlimited losses and that, in choosing to transact with J.P. Morgan:
 - a) you have chosen a J.P. Morgan manufactured product amongst other third party manufactured financial instruments available to you;
 - b) you have carried out independent analysis in relation to the transaction and its potential outcomes that you have deemed necessary;
 - c) you are experienced in transacting in equivalent investments and understand both the risks of entering into transactions of this type and the broader market factors which will cause the product to perform negatively; and
 - d) you are entering into transaction(s) as part of a broader investment and / or hedging strategy.

The UK left the EU on 31 January 2020 and immediately entered into a transition period that lasts until 31 December 2020. During the transition period, most EU law continues to apply to and in the UK. After the transition period ends, EU law will no longer apply directly in the UK. UK statutory instruments have therefore been passed to onshore EU law into the UK domestic framework at the end of the transition period. Accordingly, from 1 January 2021, any reference to MiFID II herein shall be interpreted to include UK legislation which implements, amends or replaces Directive 2014/65/EU on MiFID II.

Target market disclosure

J.P. Morgan manufactured products:

The target market for all financial instruments manufactured by J.P. Morgan entities authorised and/or regulated within the EU or in the UK, as applicable, is set out in the table below.

In the event that J.P. Morgan defines a different target market for a particular financial instrument it will separately disclose the target market in the relevant transaction documentation.

The type of client to whom the product is targeted	Professional or eligible counterparty clients (as defined in MiFID II)
Knowledge and experience	<p>Investors have one or more of the following characteristics:</p> <ul style="list-style-type: none"> - expert investor with comprehensive understanding of relevant financial instruments; <p style="text-align: center;">AND</p> <ul style="list-style-type: none"> - large number of diverse investment holdings in relevant financial instruments; - frequent trading activity in relevant financial instruments; - previous exposure to high-risk or complex investments; or - relevant financial industry experience.
Financial situation with a focus on the ability to bear loss	Investors are able to lose more than the initial price of the transaction
Risk tolerance and compatibility of the risk / reward profile	<p>Investors have the following characteristics:</p> <ul style="list-style-type: none"> - willing to lose all capital, or more than invested capital, in search of higher returns - willing to accept large fluctuations in price and returns - willing to concentrate/accumulate risk in search of higher returns
Client's objectives and needs	<p>Acquiring the financial instrument as part of a broader investment and hedging strategy</p> <p style="text-align: center;">AND</p> <p>Investors are able to limit access to their invested capital for the period specified by the product terms or otherwise as agreed with J.P. Morgan</p>
Negative target market	<p>Retail investors (as defined in MiFID II)</p> <p>Note: Unless separately specified in any relevant transaction documentation</p>
Distribution strategy	Non-advised

EU MiFID financial instruments:

J.P. Morgan will assign a positive or neutral target market for such instruments in relation to sustainability factors. "Sustainability factors" are defined to mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters. For more information please refer to the relevant product literature for this element of the target market disclosure.

In the absence of any other separate disclosure on this point, the default is a neutral target market in relation to sustainability factors.

J.P. Morgan as distributor:

Where J.P. Morgan distributes financial instruments to you, it will do so on the basis that you fall within the target market specified. To the extent you are not the final investor in the chain for a particular financial instrument, you will define your own target market for the relevant instrument, with the specific knowledge on your client base in mind.