

## **BASIC INFORMATION ON MIFID II**

This information is provided by Citibank Europe plc with its registered seat at 1 North Wall Quay, Dublin 1, Republic of Ireland, registered with the Companies Registration Office, registration number 132781, conducting its business activity in the Slovak Republic through Citibank Europe plc, pobočka zahraničnej banky with its registered seat at Dvořákovo nábrežie 8, 811 02 Bratislava, Slovak Republic, business number 36 861 260, registered with the Commercial Register of District Court Bratislava I, Section Po, Insert No. 1662/B.

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 and related EU legislation (together as **MiFID II**) set out the EU regulatory framework for investment firms providing investment services linked to financial instruments to clients. .

As from 3 January 2018 MiFID II replaces former applicable EU legislation in this field. MiFID II aims to further improve market transparency and level of investor protection while fostering further competition in the financial services industry.

In Slovakia, MiFID II was implemented through amendment to Act No. 566/2001 coll. on securities and investment services (“Securities Act”).

## **HOW DOES MIFID II AFFECT CLIENTS?**

### **Client Consent Forms (applying in particular to OTC products)**

MiFID II obliges Citibank Europe plc, pobočka zahraničnej banky, along with all other banks operating in the EEA, to obtain consent from our clients to continue executing transactions on their behalf outside of regulated markets, multilateral trading facilities or organised trading facilities.

### **Client Classification**

MiFID II distinguishes three types of clients: "retail clients", "professional clients" and "eligible counterparties". Regulatory protection should reflect the demonstrable risks faced by different types of investors, which vary according to the extent and sophistication of their financial knowledge. The reasoning behind the categorisation of clients is the acknowledgement that different types of clients should be afforded a different level of investor protection and be provided with appropriate information about the investment firm's products and investment services.

### **Basic overview of categories**

For each client category the exact requirements are defined in the law in terms of content and scope of information, which the financial institution is obliged to provide to the client before any transaction with financial instruments is executed whereas the retail clients have the highest level of protection.

#### **1. Eligible counterparty**

Eligible counterparties are professional clients who are active in the financial sector and who are deemed to have the experience to take investment decisions, on the basis of their corporate profile. This group has the lowest level of protection. This category only applies in respect of certain investment services and can be considered to be a sub-category of professional clients.

#### **2. Professional clients**

Includes companies meeting at least two out of the three following criteria:

- a total balance sheet equal or exceeding 20,000,000 EUR,
- a total net turnover equal or exceeding 40,000,000 EUR,
- a total own capital equal or exceeding 2,000,000 EUR.

This group of clients is less protected than a retail client.

### **3. Retail clients**

Retail clients are clients that do not belong to one of the other categories. This group of clients has the highest level of protection.

#### **Provision of information to client**

The bank is obliged to provide the client in a clear form with all information which is necessary for his correct understanding of the nature and risks of the investment service, specific type of offered financial instrument and for the subsequent appropriate investment decision.

The information relates in particular, to:

- Investment services provided by the bank,
- Financial instruments, including instructions and risk warnings related to investments to such instruments, protection of financial instruments or client's funds,
- Execution venues of the services; costs and related charges.

#### **Best Execution and Order Handling**

Best execution is a key component of investor protection under MiFID II. Best execution principle means that, when executing orders, an investment firm must take all sufficient steps to obtain the best possible result for their clients taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order.

#### **Organisational Requirements**

MiFID II also specifies strict requirements governing the internal organisation and business organisation of financial services providers:

- Specific rules apply in the field of compliance, risk management, internal audit and outsourcing,
- All transactions in listed financial instruments must be reported to the competent supervisory authority,
- Special procedures must be followed for dealing with conflicts of interest and complaints.

#### **Recording and Record-keeping**

MiFID II requires investment firms to record all telephone or electronic communications relating to, at least, transactions concluded when dealing on own account and the provision of client order services. Copies of recordings of all conversations and communications with a client relating to the reception, transmission and execution of his orders are available to the client involved on request for a period of five years and, where requested by the competent authority, for a period of up to seven years.