

BASIC INFORMATION ON MIFID.

MiFID – short for Markets in Financial Instruments Directive (2004/39/EC) – is a European Directive, which was or is to be implemented in the European Economic Area including all 27 Member States of the European Union (Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom) as well as Norway, Iceland and Liechtenstein.

MiFID's primary objectives are protection of investors, fostering further competition in the financial services industry and increased market transparency. MiFID concerns almost all financial instruments and investment services.

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

HOW DOES MIFID AFFECT CLIENTS?

Client Consent Forms (applying to OTC products in the first instance)

Directive 2004/39/EC Art 21 (3) of the European Parliament and section 73p (5) of the Securities Act 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 or multilateral trading facilities within the new policy framework.

Client Classification

MiFID introduces a new client classification regime and distinguishes between three types of clients: "retail clients", "professional clients" and "eligible counterparties". Regulatory protection should reflect the demonstrable risks faced by different types of investor, 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 are necessary for his correct understanding of the nature and risks of investment service, specific type of the offered financial instrument and necessary for the subsequent appropriate investment decision.

Information relate to, in particular:

- 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; expenses and related fees.

Best Execution and Order Handling

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

Organisational Requirements

MiFID 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 and 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.