

MiFID

The Markets in Financial Instruments Directive

What does it mean for the client?

The purpose of the Markets in Financial Instruments Directive ('MiFID'), which will come into force on November 1, 2007, is to introduce a single market and regulatory regime for investment services across the 30 member states of the European Economic Area (the 27 member states of the European Union plus Iceland, Liechtenstein and Norway). This will be of great benefit to you, our client, since the MiFID is specifically designed to protect investors, enhance transparency and promote competition between financial institutions and exchanges. The implementation of the MiFID will also lead to the provision of more detailed information, enabling clients to make better investment choices, benefit from a closer and more scrupulous framing of the client's financial undertakings and a greater protection.

It should be pointed out though that, while MiFID does bring about some important changes to the industry in general, most of its requirements are aimed at investment services and many requirements simply underline best practice and the services NIBC already provides its clients with, such as acting in the client's best interest, e.g. best execution.

Single European market

The MiFID is designed to complete the process of creating a single European market for investment services, (initiated through the Investment Service Directive; ISD) to respond to changes and innovations which have occurred in securities markets and bring the regulation up to date with these developments and to protect the investors by making markets deeper, more competitive and

more robust against fraud and abuse. This harmonisation will also allow investment companies to deliver their services on a cross border basis in line with the reality of business dynamics and meeting clients' expectations.

MiFID will extend the scope of existing European financial services legislation and will affect the vast majority of companies operating in the financial sector in the EEA. These include investment banks, portfolio managers, stockbrokers and broker dealers, corporate finance firms, many futures and options firms, and some commodities firms.

How does it impact the client?

MiFID will affect the way that NIBC does business with its clients. The Directive foresees the use of different categories of clients (Eligible Counterparties, Professional and Retail) mirroring the various standards of investors' profiles. This means that there will be different levels of protection, allowing the tailoring of the services offered according to a broad list of criteria such as financial knowledge, experience, risk tolerance and investment purpose and strategy. MiFID also requires NIBC to ensure that all information – including marketing communications provided to clients or potential clients – is fair, clear and not misleading and that marketing communications are clearly identified as such, therefore ensuring better client protection.

Questions?

If you have questions regarding the information given in this brochure please email them to MiFID@NIBC.com.

MiFID

The definitions explained

Client categorisation

One of the main changes due to the MiFID is the requirement to know our clients and subsequently categorise them according to a new standard set of criteria. Most NIBC clients will be categorised as Eligible Counterparty or Professional client, which give them less protection, as they are able to make their own investment decisions and assess investment risks on their own. All remaining clients will be categorised as Retail client. These clients will receive more protection. Stricter information requirements exist both from NIBC to the client and vice versa.

Appropriateness

As part of knowing our clients, NIBC needs to assess the client's level of knowledge in the instrument classes tradable within the bank, as well as other factors such as the clients risk preferences. This information enables NIBC to warn clients if NIBC thinks the client might be trading instruments he/she does not have a full understanding of. Once the client has been informed of the risks he/she is undertaking and provided he/she wishes to proceed, the processing of the order can proceed. NIBC has, based on the transaction history, the current contracts and the transaction related documentation, made an assessment of the appropriateness of the current and future transactions per existing client. The results of this assessment are communicated to the clients.

Best Execution

NIBC has always strived to give our clients the best possible results for their orders. With MiFID achieving this goal has been put in a more rigid legal framework. NIBC will provide retail and professional clients with its order execution

disclosure statement, which will offer the clients insight in how NIBC selects venues to execute the client's orders. 'Best possible result' means that NIBC will take into account certain factors such as price, cost and speed and likelihood of execution when processing orders.

Conflict of Interest

Managing conflicts of interest is all part of delivering the best possible service to clients. This is, amongst others, done through the segregation of duties for employees who could have conflicting roles within NIBC. Upon request, NIBC will disclose to clients cases where there is a potential conflict of interest.

Inducements

Inducements are commissions, fees or non-monetary benefits paid or received by NIBC. All inducements will be clearly disclosed to clients. The inducements are designed to enhance the quality of the service to clients and will not impair NIBC's duty to act in the client's best interest.

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