

### **What does it mean for the client?**

The Markets in Financial Instruments Directive (*Richtlijn voor markten in financiële instrumenten*, hereinafter: MiFID) was introduced in 2007 as a regulatory framework to be implemented within the European Economic Area (hereinafter: EEA), being all member states of the European Union plus Norway, Liechtenstein and Iceland. The intention of MiFID is to harmonize as much as possible all regulation with regard to investment services. By doing so, MiFID aims:

- to create more transparency within the markets in financial instruments;
- to increase competition within these markets, and
- to improve the protection of investors.

This has resulted in a large number of provisions, both for the internal organisation of NIBC Holding N.V. and its subsidiaries (hereinafter: NIBC) as well as for the external contacts of NIBC with its clients. MiFID is specifically designed to protect investors, enhance transparency and promote competition between financial institutions and exchanges and will be of the benefit of our clients. The implementation of MiFID also led 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 brought 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.

### **How does it impact the client?**

MiFID affects the way that NIBC does business with its clients. MiFID requires the categorisation of clients (Eligible Counterparties, Professional and Non Professional clients) reflecting the various standards of investors' profiles. This means that there will be different levels of protection for each category of clients, allowing the tailoring of the services offered according to a broad list of criteria such as financial position, knowledge and experience, investment objectives. 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.

### **Client classification**

Most NIBC clients will be categorised as Eligible Counterparty or Professional client, which give them limited protection, as they are able to make their own investment decisions and assess investment risks on their own. The remainder of clients will be categorised as Non Professional clients. These clients will receive the highest form of protection. Stricter information requirements exist both from NIBC to the client and vice versa. Each client will be appointed a Relationship Manager who will carry out a client classification. The client will be informed by the Relationship Manager about the classification in a specific classification letter. Under certain circumstances clients are

able to opt for a higher categorisation (i.e. a Non-Professional Client opting to be treated as a Professional Client). NIBC's website provides for further information on NIBC's policy regarding Client Classification.

### **Suitability and appropriateness**

Depending on what investment service will be provided, MiFID introduced a harmonized set of rules for a suitability test (toetsing van de geschiktheid) and an appropriateness test (toetsing van de passendheid). The suitability test has to be performed when NIBC provides investment advice to or asset management services for a client. NIBC has to obtain sufficient information regarding the client's financial position (*does the client have sufficient financial means to bear the risk of any loss?*), knowledge and experience (*does the client understand the risks involved?*), investment objectives (*are the objectives in line with the relevant product ?*) and risk appetite (*is the client willing and prepared to take on the relevant risks involved?*), all in order to be able to assess whether the requested investment service or financial instrument is suitable for the client. The appropriateness test has to be performed whenever NIBC provides financial services to a client other than investment advice or asset management. In particular, the requirement applies in case of so-called execution-only services related to complex financial instruments. On the basis of the information received regarding a client's knowledge and experience, NIBC must assess whether the service or financial product is appropriate for that client: does he have sufficient knowledge and experience to understand the risks involved.

### **Best Execution**

NIBC will provide its Professional and Non Professional clients with its order execution policy on request, 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. For further information we refer to the NIBC policy on order execution published on our website.

### **Conflict of Interest**

Managing conflicts of interest is also 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. If a conflict of interest is unavoidable, the Relationship Manager will inform the client in writing and in a timely manner. The written message will include sufficient relevant details for the client to allow him or her to evaluate in a knowledgeable manner the consequences of the conflict of interest at hand in relation to the requested investment service. For further information we refer to our policy Procedure on conflicts of interest & inducements published on our website.

### **Inducements**

NIBC is required to act fairly and professionally in accordance with the interests of the client. Certain standards apply in relation to inducements, i.e. fees, commissions and non-monetary benefits. In principle, no inducements are to be received that are not

necessary to render the investment service or that enables the rendering of that investment service. For further information we refer to our policy on conflicts of interest & inducements published on our website.

**Questions?**

Should you have any questions in relation to the above, please contact your Relationship Manager at NIBC or, if no Relationship Manager is appointed, you can contact us at [mifid@nibc.com](mailto:mifid@nibc.com).