



BANQUE
INTERNATIONALE
À LUXEMBOURG

MiFID, ENHANCED PROTECTION FOR YOUR ASSETS

MIFID: HARMONISED PROTECTION OF INVESTORS AT EUROPEAN LEVEL

MiFID (Markets in Financial Instruments European Directive) is an EU directive that entered into force in November 2007.

This directive strengthens the legislative framework and facilitates the harmonisation and integration of capital and financial markets in the European Union, and has three main aims:

- to improve investor protection;
- to make financial markets fairer, more transparent and more efficient;
- to protect market integrity.

MiFID also creates opportunities on more efficient, competitive and more transparent financial markets by enabling any European investment company to operate in EU countries, subject to prior authorisation obtained in its home country. This authorisation promotes the harmonisation of the rules governing investment companies since the conditions under which it is granted are the same in all Member States.

Entities providing investment services must comply with three guiding principles:

- they must act fairly, honestly and professionally in accordance with the best interests of investors;
- they must provide adequate, complete, correct and clear information that is not misleading in order to enable investors to understand the proposed products and services and invest with full knowledge and understanding of them;
- they must take account of the investor's individual situation.

More specifically, this directive affects the relationship that you, as an investor, have with BIL.



Products concerned

MiFID applies to most products, mainly equities, bonds, money market instruments (treasury bills), investment funds and derivatives. It also covers most services provided by financial institutions, such as the reception, transmission and execution of orders in respect of financial instruments, portfolio management and investment advice, etc.

Client categorisation

MiFID requires banks to place their active investor clients into one of three categories:

- retail clients
- professional clients
- eligible counterparties

This categorisation is necessary insofar as investors do not all have the same level of knowledge and experience of financial instruments and the related risks. It ensures that each client has an appropriate level of protection, with retail investors naturally enjoying the highest level of protection.

To which client category do you belong?

Retail clients

Clients that are neither eligible counterparties, nor professional clients, are automatically considered as retail clients. Retail clients benefit from the highest level of protection.

Professional clients "per se"

These are large companies meeting criteria regarding their balance sheet total, turnover and/or equity capital and which have the necessary expertise to make their own investment decisions and to assess and bear the financial consequences of any risks.

Professional clients "on request"

These are retail clients who wish to be considered as professional clients and meet defined criteria. They have the necessary experience and knowledge to properly assess the risks associated with transactions.

Eligible counterparties

These are professional clients (for example investment companies, credit institutions, pension funds, central banks, etc.) which operate in the financial sector and are therefore deemed to have the necessary investment expertise.

Clients can request a change of category. Any change leading to a lower level of protection must meet specific criteria.



Investor profile

In addition to client categorisation, it is essential to establish an investor profile. This is why MiFID requires financial institutions to request certain information from their clients. In this context, we have drawn up a questionnaire to determine the knowledge and experience of investment products, investment objectives and horizon, financial constraints and financial situation of our retail clients and "on request" professional clients.

The suitability of products and services for the investor's profile

For retail clients in particular, the Bank must take account of their profile when offering them products and services.

When providing advisory or discretionary management services, BIL may therefore recommend only investments products corresponding to your profile.

This Suitability Test enables BIL to ensure that the risk level of your portfolio corresponds to your risk profile.

When the **investment advisory service provided is a service other than investment advice or portfolio management**, BIL is required to carry out an Appropriateness Test in order to verify that the retail client has the necessary financial knowledge and experience to understand the risks involved in investing in a complex product.

The "Best Execution" principle

This is another key point of MiFID. This principle means that investment companies must take all reasonable steps to ensure the best possible execution of orders, taking into account price, costs, speed, likelihood of execution and settlement, etc. These procedures must be clearly explained in a document which must be made available to clients.

BIL has established selection criteria in order to establish a framework for the execution of instruments traded on the stock exchange to which they are admitted. For unlisted instruments (OTC), a criterion relating to the likelihood of execution and settlement of the order has been established.

Clear and comprehensive information at all levels

The directive reinforces the communication and information rules for banks at various stages and levels depending on the categorisation of their clients. Its main objective is to provide retail clients with accurate and clear information before, during and after every transaction.

Therefore, BIL has an extended duty of information depending on the proposed service.

MIFID IN PRACTICE

Client categorisation

- On the basis of the information about you that we have in our possession, we have placed you into one of three categories: retail client, professional client or eligible counterparty.
- We will inform you to which category you belong. Please do not hesitate to contact your Relationship manager should you require further explanations or should it be necessary to make a change.

Investor profile

- Your investor profile has already been established with BIL. Your Relationship manager may contact you at some point to update it.
- If your profile has not yet been established, please make an appointment with your Relationship manager. Otherwise, BIL will no longer be able to provide you with investment recommendations and will be unable to verify that its products and services correspond to your requirements and objectives.

It is important to update or establish your investor profile with BIL if you have not already done so.

The suitability of services and products for the investor's profile

BIL has established tests to verify that products and services are suitable for your investor profile.

Do you have any questions about MiFID and its implications for you?

Do you need to update or establish your investor profile?

Contact your branch or your Relationship manager.

The "Best Execution" principle

- In accordance with the directive, BIL has formalised its Order Execution Policy, which all investors should read carefully.
- If you do not have this document, please request a copy from your Relationship manager.
- BIL's Order Execution Policy is intended to ensure the best possible execution of orders, with regard to price, costs, speed, likelihood of execution and settlement, size and type of order and any other consideration relevant to the execution of the order.

Clear and comprehensive information at all levels

BIL provides you with adequate information at all stages of the execution of your transactions. Our objective is to enable you to invest with full knowledge of the facts by providing you with detailed, transparent information.

We are in a position to enable you to take full advantage of the protection and opportunities arising from MiFID.

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