

**From Gregor Strehovec, SKB Banka, 11.09.07**

Presentation of draft/sample documentation of financial institutions in different EU countries in the area of MIFID implementation:

- Internal documents
- Internal rules and procedures
- Notifications to clients
- Contracts and general terms and conditions

Enclosed is a short list of needed documentation in line with the law in Slovenia (called ZTFI), which implemented MIFID.

DRAFT

INTERNAL ACT regarding financial instruments services in accordance with ZTFI

Mandatory contents

1. Classification

Written documents regarding classification

- written policy and procedures for client classification
- written notification to the client regarding his/hers classification
  - as a professional client
  - as a retail client
  - as an eligible counterparty
- written request of the client regarding his/hers classification change
  - request for higher level of protection
  - request for lower level of protection
    - on general
    - for one or more types of product or transaction
    - for particular services or transactions
- express confirmation from the prospective counterparty to be treated as an eligible counterparty

2. Execution of orders

Written documents regarding execution of orders

- order execution policy (policy and procedures)
- client notification regarding order execution policy and its changes
- form on client's prior consent to the bank's execution policy
- procedures to monitor the effectiveness of their order execution arrangements and execution policy at least once a year
- notification to the client and express consent of their clients before proceeding to execute the order outside a regulated market or an MTF

4. Suitability and appropriateness

Written documents:

- in case of investment advice or portfolio management:
  - a form to obtain information regarding the client's or potential client's knowledge and experience in the investment field relevant to the specific type of product or service, his financial situation and his investment objectives
- in case of other services :

- a form to obtain information regarding his knowledge and experience in the investment field relevant to the specific type of product or service offered or demanded
- Standardized warning that on the basis of the information received the product or service is not appropriate to the client or potential client
- Standardized warning that due to lack or insufficient information regarding client's knowledge and experience, bank can not determine whether the service or product envisaged is appropriate for a client
- Standardized warning, that bank is not bound to make the determination on client appropriateness in certain cases

#### 5. Internal operation policy regarding financial services

Written documentation on:

- proper functioning in the field of financial services
- steps to identify and manage conflicts of interest
  - written disclosure to the client regarding conflicts of interest
- written business continuity plan
- outsourcing of important operational functions
- internal controls system
- record keeping
- prudent management of client financial instruments
  - client's express consent in case of usage of a client's instruments on own account

#### 6. Protection of confidential information

Written documents:

- Procedures for protection of information
- Procedures for recordkeeping on all securities transactions made by
  - 1. Persons with status of management or supervisory body;
  - 2. Person with status of employed in bank or other individuals and legal entities performing tasks in bank which may be subject to inside information.
  - 3. Close family members of the above referenced
  - 4. Legal entity in subordination with the above referenced

#### 7. Out of court settlement

Written documents:

- Notification on out of court settlement in business premises
- Notification for retail clients (prior to contract conclusion!) on out of court settlement procedures

#### 8. SUB-DEPOT

Written documentation:

- Sub-Depot rules

#### ATTACHMENTS:

- Financial instruments services contract
- General terms and conditions of financial instruments trading

