KAS BANK
COMMITTED SINCE 1806

KAS BANK MiFID GLOSSARY

Regulated Market (RM)

A 'Regulated Market' (RM) is an exchange (for shares, bonds or derivatives) recognised as such by the empowered authorities. A regulated market must have an exchange license. In addition, a regulated market must also operate on a regular basis.

Regulated markets have specific requirements with regards to among others the issue of the prospectus, publication of interim/annual figures and the publication of price-sensitive information.

Under MiFID, regulated markets are among others obliged to publish information regarding bid and offer prices, the depth of the market, the price, the size and time of the transaction both prior to and following the trade in securities.

The member states are free to determine whether they declare the requirements for transparency applicable to other financial instruments than shares.

'Multilateral Trading Facility' (MTF)

A 'Multilateral Trading Facility' is a multilateral trading platform on which several demanding and offering parties can execute transactions in financial instruments.

The most significant difference between a Multilateral Trading Facility and a Regulated Market are the less (or no) specific requirements with regards to the issue of the prospectus, publication of the interim and annual figures and publication of price-sensitive information.

A MTF is obliged to have a license and can be operated by an investment organisation or a licensee of a regulated market. Exchanges (for example Euronext) cannot operate a MTF.

Best Execution

Investment organisations must take all reasonable measures to achieve the best possible result for their clients, while taking the following execution aspects into consideration: price; expenses; speed; probability of execution and settlement; size, nature or any other consideration of importance to the execution of an order. Price and expenses are the most relevant factors for the definition of the best execution policy.

Order execution policy

KAS BANK must draw up an order execution policy for each class of financial instruments including information on the different places of execution of the orders and the factors that influence the choice for a certain place of execution. The order execution policy forms the basis for achieving the best possible result (best execution) during the execution of the client's securities orders.

The client must be informed of the order execution policy in a reliable manner and agree to the policy prior to executing his orders.

At the request of the client, KAS BANK must be able to prove that the orders were executed in conformity with the order execution policy.

Pre-trade transparency

Pre-trade transparency is all about on which market the order can best be executed.

KAS BANK continuously receives and analyses real-time market data of all relevant trading platforms in Europe through its Smart Engine. Simultaneously, the Smart Engine processes all relevant 'static data' (transaction costs, speed of execution and probability of execution) for the execution and settlement of securities orders against the best possible price.

By means of an internal 'smart router' the Smart Engine connects the static data and real-time market data to achieve the best possible execution result. The Smart Engine will then route the order to the desired trading platform or counterparty: Global, Regulated Market (RM), Multilateral Trading Facility (MTF) and, in so far as open to third parties, Systematic Internalisers (SIs).

Probability of execution is particularly important in the event of limit orders. The Smart Engine selects the platform on which the relevant order must be disseminated based on the historic data. In the event that a better price can be obtained on a different platform, the Smart Engine will immediately cancel the original order and will disseminate the order on the platform with the limit price.

Post-trade transparency

Post-trade transparency informs the investor in arrears about the conditions under which the order was finally executed. This obligation applies to all transactions in shares that are admitted to a regulated market.

Post-trade transparency relates among others to:
the publication of information regarding the accessibility of the market for other participants
the market on which the transaction was actually executed
size and price of the transaction, and
the commercial conditions under which the transaction was executed.
Investment organisations are obliged to save all information that proves that the conditions of your best execution policy have been met for a period of five years.

The KAS BANK Smart Engine provides proof of 'Best Execution' for all transactions that have been executed through KAS BANK. For multiple listed instruments for example, a ‘snapshot’ records the prices of all other platforms qualifying for execution at the moment that the order is executed. The data can be enquired at any particular moment and are available immediately for audits.

Transparency

MiFID imposes transparency obligations on both Regulated Markets, Multilateral Trading Facilities and investment organisations.

Transparency enables investors and market participants to:

- examine in advance against which price they can buy or sell shares (pre-trade transparency)
- examine in arrears against which price the shares have been actually traded (post-trade transparency).

Transparency also provides investors and market parties an insight into the liquidity of the market.

Transaction reporting

KAS BANK reports on all transactions that are executed at your order through financial instruments listed at Regulated Markets and Multilateral Trading Facilities. Our 'Transaction reporting' facility complies with all appropriate MiFID compliant formats.

Execution factors

During the execution of instructions based on KAS BANK's Order Execution Policy, we will take the following Execution factors into account:

price; expenses; speed; probability of execution and settlement; size, nature or any other consideration significant to the execution of instructions.

Based on all entered variables the Smart Engine will select the best trading platform for your order.

Price and expenses are relatively the most substantial factors when determining the best platform for best execution.

Speed of execution is also a significant factor during best execution. Generally, it is more favourable to execute an order on several platforms. Of course, during this procedure the principles of best execution must be complied with.

Execution aspects

KAS BANK takes the following Execution aspects into consideration for the definition of the relative weight of the Execution aspects:

- Your client classification
- Characteristics of your order
- Characteristics (and classes) of financial instruments for which we accept orders
- The available places of execution for your orders.

Client classification

With effect from 1 November 2007, investment organisations are obliged to classify their clients in conformity with a certain client classification. MiFID distinguishes three categories of investors:

- non-professional investors (retail clients)
- professional investors
- qualifying counterparties

Investment organisation

An investment organisation is an organisation that provides financial services to third parties; this can be either private clients or professional investors.

The definition of a professional investor is as follows:

a. administrator of an investment institution;
b. administrator of a pension fund or a comparable legal entity or company;
c. investment institution;

d. investment organisation;
e. national or regional government body or government body administering the public debt;
f. central bank;
g. financial institution;
h. international or supranational company governed by public law or a comparable international organisation;
i. credit institution;
j. market maker;
k. organisation which most significant activity comprises investing in financial instruments, executing securitisations or other financial transactions;
l. pension fund or comparable legal entity or company;
m. person or company trading in raw materials at their own expense and instruments derived from raw materials;
n. local organisation;
o. insurer.

Qualifying counterparty

A 'qualifying counterparty' is a specific type of professional investor, including among others investment organisations, credit institutions, insurance companies and pension funds.

A qualifying counterparty has the 'least' extent of investor protection under MiFID. A number of regulations are not applicable to this category, among which regulations regarding the provision of information, the 'know your customer principle' and the transaction reporting regulations.

Client agreement

All documents agreed upon between the investment organisation and the client including the mutual rights and duties must be recorded in a file.