

MiFID II. The Austrian Securities Supervision Act 2018.



**Enhanced investor protection
and extended transparency.**

Banking that matters.

 **Bank Austria**
Member of  **UniCredit**

From January 2018: enhanced investor protection and extended transparency

Financial markets have changed significantly over the past years: technological progress and the growing importance of high-frequency trading require a new legal framework.



¹ **MiFID:** Markets in Financial Instruments Directive. The new version, MiFID II, was adopted by the European Commission and the European Parliament together with MiFIR, the Markets in Financial Instruments Regulation.

MiFID II¹, the new Markets in Financial Instruments Directive of the European Union, introduces new rules which – among other things – enhance investor protection and provide extended transparency with regard to advisory services, costs and products starting from 3 January 2018. The Directive has been transposed into Austrian law through the Securities Supervision Act 2018 (Wertpapieraufsichtsgesetz 2018 – WAG 2018). The rules for trading venues are included in the Austrian Stock Exchange Act 2018 (Börsegesetz 2018 – BörseG 2018).

What are the objectives of WAG 2018?

Investor protection: The main concern is to enhance investor protection through

- extended transparency with regard to advisory services, products and costs,
- improved documentation of advisory talks,
- more resilient and efficient market structures,
- stricter regulation of financial markets and
- extended supervisory powers and powers of regulatory authorities to impose sanctions

Further key objectives:

- The consequences of technological progress, e.g. high-frequency trading, are taken into account and
- a new type of trading venues, so-called “organised trading facilities” (OTFs), has been created.



How will you benefit from WAG 2018?

In short, through enhanced investor protection. For you this means

- extended transparency for investment advice,
- extended transparency for product selection,
- extended transparency for costs and
- extended transparency for transactions.

We have prepared this brochure to provide you with further details.

Extended transparency for investment advice.

Bank Austria is a universal bank. We therefore offer a wide range of investment services, securities products and other financial products – enabling every investor to find a suitable solution.

Bank Austria is a “non-independent” investment adviser. This means that we offer primarily financial products of UniCredit Group and products of selected renowned companies with which we maintain close links or contractual relations.

Disclosure of benefits. As a non-independent investment adviser we may receive benefits² from third parties³ or pay benefits to third parties – provided such benefit

- is connected with an investment service or ancillary service and
- is justified by measures improving quality for investors.

For example, Bank Austria employs experienced and specially trained relationship managers throughout Austria who support you in the best possible manner.

Improvement of documentation. Our relationship managers record the content of the advisory talk.

You will receive advisory minutes if you have been classified as a “retail customer” under WAG 2018. The advisory minutes contain the “suitability statement”, in which we explain how the financial products offered fit in with your personal investment objectives and your personal risk tolerance.



² **Benefits** include fees, commissions (e.g. volume-based commission) and other monetary and non-monetary benefits.

³ **Third parties** include, for example, issuers, product providers or distribution partners.



⁴**Packaged Retail and Insurance-based Investment Products** – PRIIP: investment products by which your money is invested in capital markets indirectly rather than directly. Such products include fund-linked and index-linked life insurance policies, structured investment products such as certificates and over-the-counter (OTC) derivatives.



⁵ **Costs and ancillary costs** include, for example, safe-custody fees and transaction costs.
⁶ A standardised overview of expected costs associated with FX forwards and FX swap transactions will be made available.

Extended transparency for product selection

Definition of target market. With effect from January 2018, all manufacturers and providers of financial products are obliged to define a target market for the relevant product. Apart from the currently required assessment of suitability and appropriateness of financial products, from January 2018 all manufacturers and providers of financial products have to define for each product a target group of customers who may acquire the product.

Key information documents for packaged investment products. If you have been classified as a “retail customer” as defined in WAG 2018, you will receive key information documents for packaged retail investment products and insurance-based investment products⁴ from January 2018. The key information documents will be provided by the product manufacturer. They will also be available in the Internet on the website of the product manufacturer.

Essential information contained in key information documents for investment products:

- type and features,
- investment objectives,
- maturity,
- potential developments under various market scenarios (performance scenarios),
- risks and
- costs.

You can use the key information documents to make a comparison of investment products.

Extended transparency for costs

Statement of costs. We provide you with detailed information on the costs and ancillary costs⁵ of an investment service, a securities product or a derivative transaction:

- Before a purchase or sale we will provide you with a statement of all expected costs⁶.
- Moreover, you will receive an annual overview of all costs actually incurred in the past year.

Presentation of costs.

- The total costs will be presented as an absolute amount and as a percentage.
- Moreover, where applicable, the effect of all costs and ancillary costs on the expected return will be taken into account.
- Payments by third parties which we receive in connection with an investment service will be presented separately.

Overview of your securities transactions.

An overview of your securities investments provides additional transparency. You will receive such an overview from us on a quarterly basis.

New easy-to-read information on fees and charges.

The WAG 2018 also provides for extended transparency for fees and charges payable for securities transactions. We have therefore adjusted our fees and charges to the new legal framework and simplified them significantly. The display of currently applicable prices for securities transactions is available at your branch.

Extended transparency for transactions

All investors conducting securities and derivative transactions from 2018 (this also includes asset management) will need an identification code which is applicable worldwide. Its purpose is to make financial markets more safe and transparent.

Natural persons, independent professionals and sole proprietorships which are not registered are assigned a national client identifier (NCI). Depending on the person's nationality, this is made up of various defined personal data. With the exception of citizens from Estonia, Iceland, Italy, Malta, Poland and Spain, the NCI is created automatically by Bank Austria. An overview of the NCI requirements for European countries is available in the Internet at nci-en.bankaustria.at.

Legal entities require a separate international identifier, the Legal Entity Identifier (LEI), for their financial market transactions. In Austria, this number is issued by registration agents such as Oesterreichische Kontrollbank (OeKB⁷). In this customer group, the relevant legal entity must apply for the LEI.

Please note that, as a legal entity, you will not be able to conduct securities transactions or (as has been the case since 2013) derivative transactions at Bank Austria from 3 January 2018 without an LEI.

How will WAG 2018 affect the execution of orders?

As in the past, Bank Austria will execute orders for securities and derivative transactions in the interest of customers in the best possible way on the basis of Bank Austria's execution policy. WAG 2018 provides for more stringent best execution requirements. This is for example reflected in the disclosure of the five major execution venues for every category of financial products, based on the trading volume and the achieved execution quality.

Tip: For further details regarding the execution policy of Bank Austria please refer to our brochure "The Execution Policy of Bank Austria. This is how we execute your orders for securities and treasury transactions.", which is included in your information package on the Austrian Securities Supervision Act 2018 (Wertpapieraufsichtsgesetz (WAG) 2018). The version as amended from time to time can also be downloaded from our website at securities-supervision-act.bankaustria.at.

Recording requirements

We will in future record telephone conversations concerning securities and derivative transactions, i.e. the acceptance, forwarding and execution of your orders. In addition, all electronic communication such as e-mails will be archived.

All recordings and other archived material will be available for at least five years.



⁷ OeKB offers an LEI assignment service for Austria (www.oekb.at/lei). A list of all LEI registration agents is available at <https://www.gleif.org/en/about-lei/how-to-get-an-lei-find-lei-issuing-organizations>.



The three investor categories

In line with WAG 2018, you will be assigned to one of the following three investor categories based on the available information:

- Retail customer
- Professional customer
- Eligible counterparty

On this basis you are afforded the necessary legal protection.

Retail customer.

Retail customers enjoy the comprehensive protection afforded by WAG 2018. It requires compliance with all legal requirements for proper conduct. Retail customers can be natural persons or legal entities, and either private assets or business assets may be invested.

In compliance with WAG 2018 we will for example, as in the past, create a complete investor profile. Because our relationship managers need a complete investor profile as a basis for providing investors with the best possible advice and for recommending investment products which are commensurate with

- their investment objectives and risk tolerance
- their knowledge and experience
- their financial situation including their ability to bear possible losses (loss absorption).

For this reason it is very important for the information provided for the investor profile to be detailed, up to date and complete.

If you are not willing to furnish all the legally required information, we can only provide a limited range of activities. Because comprehensive investor protection can only be guaranteed on the basis of an extensive exchange of information between you and our bank.

Professional customer.

Professional customers have sufficient experience, knowledge and analytic expertise to take investment decisions at their own discretion and to reasonably assess the related risks. This category of professional customers includes:

- Companies which meet at least two of the following criteria:
 - total assets: EUR 20 million or more
 - net turnover: EUR 40 million or more
 - equity: EUR 2 million or more
- National and regional governments, public bodies that deal with public debt
- Institutional investors focusing on investing in financial instruments.

For these reasons, an abridged investor profile providing information on investment objectives and risk tolerance is sufficient.

Eligible counterparty.

Eligible counterparties include the following financial services companies:

- Credit institutions (including central banks)
- Investment firms
- Insurance companies (excluding social insurance institutions)
- Investment fund companies
- Pension funds and their management companies
- Securities and commodity futures exchanges

The provisions of WAG 2018 on protection apply to eligible counterparties only to a limited extent.

Please note the following:

- If you would like a higher level of protection you can submit a written application for an assignment to a different investor category. We then check whether you meet the legal requirements for such reassignment.
- A combination of investor categories and classification as a “professional customer” by means of an “application” pursuant to Section 67 (1) of WAG 2018 is not possible at Bank Austria.





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Errors and misprints excepted.

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