



**BANCO ALCALA**  
Wealth Management

## **GENERAL INFORMATION ON PROVIDING INVESTMENT SERVICES**

**- MiFID brochure -**



**Date:** 27 March 2012

## **1. Information on the MiFID**

The main aims of the new legislation governing financial instrument markets, known as the MiFID and applicable in all countries of the European Union, are to increase the transparency and degree of protection for clients requesting investment or ancillary services to be provided, as well as to achieve a greater degree of integration among European financial markets.

Banco Alcalá, SA (hereinafter "the Company") is authorised to provide the investment and ancillary services regulated by the MiFID and by Spanish legislation governing financial markets, including the following:

- Reception and transmission of orders in relation to financial instruments.
- Execution of orders in relation to financial instruments.
- Dealing on own account.
- Placing financial instruments.
- Providing investment advice.
- Administration and safekeeping of financial instruments for the account of clients.

These services are related to the following financial instruments, which are considered to be MiFID products:

- Variable income securities (listed and unlisted).
- Fixed income securities (stock market and non-stock market).
- Money-market instruments.
- Collective investment undertakings.
- OTC derivatives / regulated markets.
- Structured products.

One of the mechanisms established by the MiFID to protect clients consists of providing retail clients, before a contract is taken out, with certain information regarding the company providing the investment services and regarding the conditions applicable to these services.

For the purposes of article 62 of Royal Decree 217/2008, of 15 February, on clients classified as retail clients, the content of this document must be understood as pre-contractual information.



## **2. Information on Banco Alcalá, SA**

Banco Alcalá, SA, with Spanish Company Tax Code (CIF) A-79074274 and its registered offices at Calle Ortega y Gasset, 7, is a credit institution supervised by the Bank of Spain and entered in the Institution Register under number 188.

All products and services provided by Banco Alcalá, SA are governed by current legislation and supervised by the Bank of Spain, the Spanish Stock Market and Securities Commission (CNMV) and other regulatory bodies.

For more information, contact:

<b>Banco de España</b> C/ Alcalá, 48 28014 Madrid Ph.: 913 385 000 <a href="http://www.bde.es">www.bde.es</a>	<b>Comisión Nacional del Mercado de Valores Oficina de Atención al Inversor</b> C/ Miguel Ángel, 11 28010 Madrid Ph.: 902 149 200 <a href="http://www.cnmv.es">www.cnmv.es</a>
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## **3. Client classification**

All clients of the Company are classified according to the following categories: retail, professional and eligible counterparty. Categories are assigned according to clients' level of knowledge and experience in financial markets and their capacity to understand and assume the risks resulting from their investment decisions, with the aim of duly adapting the protective measures.

The specific characteristics of each category are as follows:

- **Eligible counterparty**: professional clients with the best market knowledge (credit institutions, investment firms, insurance companies, collective investment undertakings and their management bodies, governments, large international organisations, etc.). For this client category, MiFID establishes a very basic level of information and protection as they act directly and very frequently in the markets.
- **Professional client**: clients possessing the experience, knowledge and expertise to make their own investment decisions and properly assess the risks incurred in these decisions. They are afforded a lower level of protection as they are assumed to possess such knowledge and experience. Professional clients are



mainly institutional investors and large firms. The latter must necessarily meet two out of the following three requirements:

- ✓ Balance sheet total: 20,000,000 euros
  - ✓ Net turnover: 40,000,000 euros
  - ✓ Own funds: 2,000,000 euros
- **Retail client:** clients that do not form part of any of the previous categories, who will receive the highest level of protection possible, both in terms of carrying out appropriateness and suitability tests and also in terms of providing information prior and subsequent to the investment services being provided. This category includes all private clients acting as natural persons, SMEs, etc.

The Company notifies its clients of the category assigned by means of a communication and also informs them of the possibility to request a change in the category assigned should they not agree with the classification. This communication also provides information on the requirements to request such a change.

### 3.1 The right to request changes in the MiFID category assigned

Clients may request the following changes in the category assigned:

Initial classification	Possible classification changes
Retail client	Professional client
Professional client	Retail client Eligible counterparty
Eligible counterparty	Retail client Professional client

To request a change in category, clients must provide the corresponding form, duly completed and signed. This form is available on the website [www.bancoalcala.com](http://www.bancoalcala.com).

Whether the Company accepts the request depends on whether the client meets the regulatory requirements established at the time.

In the specific event of requesting a change in category from retail to professional client, given that this means the client expressly waives being treated as a retail client and the associated level of protection, two of the following requirements must be met:

- The client has carried out transactions, in significant size, on the relevant market at an average frequency of ten per quarter over the previous four quarters.



- The size of the client's financial instrument portfolio, including cash deposits and financial instruments, exceeds 500,000 euros.
- The client works or has worked in the financial sector for at least one year in a professional position which requires knowledge of the transactions or services envisaged.

After verifying that the client meets these requirements and therefore approving the change requested, the Company notifies the client of the new category assigned.

#### **4. Client knowledge: suitability and appropriateness tests**

The MiFID establishes a clear distinction in terms of the need to gather client information (knowledge and experience, investment objectives and financial situation) depending on the type of services to be provided and the category assigned.

- **Suitability test:** aims to assess clients regarding their knowledge, experience, financial situation and investment objectives, to determine the risk profile and evaluate the suitability of the products that are going to be recommended to clients as part of the *investment advice and portfolio management services*. This is not applicable to eligible counterparties.
- **Appropriateness test:** aims to determine whether clients have the necessary experience and knowledge regarding a specific *complex product they wish to take out through a non-advised service*, so that the Company can assess whether the product is appropriate for the client. This only applies to retail clients.

The Company has designed a series of tests that will always be carried out on clients before services are provided and depending on the following aspects:

Product type	Client type	Client knowledge
Discretionary portfolio management and investment advice	Retail	Complete suitability test
	Professional	Partial suitability test, only investment objectives
Complex product brokering	Retail	Appropriateness test



## 5. Product classification

Within the list of financial instruments regulated by the MiFID, the Company has classified products as complex and non-complex.

Complex products are those whose investment entails a greater level of risk being assumed by the client and whose understanding requires greater financial knowledge.

Complex products	Non-complex products
Structured products without guarantee	Variable income securities
Free investment funds (hedge funds)	Fixed income securities
Financial derivatives (options, futures, warrants, exchange insurance, etc.)	Repos
Preferred stock	Other investment funds
Venture capital shares	

## 6. The main risks affecting MiFID financial instruments

Acquiring a financial instrument, whether it be as an investment, as hedging, speculation, etc., involves financial risks that must be evaluated by clients before taking out such products. There may even be different risks for the same financial instrument that vary according to its characteristics.

The following are some examples of the possible risks that, individually or via a combination of two or more, may affect financial instruments:

- **Exchange rate risk:** risk resulting from variations in currency exchange rates when the investment has been made in a different currency to the one of the original account.
- **Price risk:** the possibility that, when an investor wishes to sell an asset, its sale price may be lower than its purchase price. In general, the prices of financial assets are sensitive to general expectations regarding how the economy will perform, the specific performance of certain sectors or companies, etc.
- **Interest rate risk:** measures how variations in market interest rates may affect investment performance.



- **Credit or insolvency risk:** the risk that the issuer of a security may not be able to meet the repayments, either of coupons or to repay the principal, or that such payments are delayed. The issuer might be a company, financial institution, state or public body.
- **Liquidity risk:** possible penalty on the price obtained when an investment is terminated, should a fast sale be required. In extreme cases, it could mean that it is impossible to recover the money at the required time.

## **7. Information provided to clients**

All the information provided by the Company to its retail clients complies with the necessary conditions that it must be impartial, clear and not misleading, as stipulated in article 60 of Royal Decree 217/2008.

The Company provides its clients with information from the time the product or service is marketed, when the contract is signed and subsequently:

- **Pre-contractual information:** letters communicating the category, this informative brochure and commercial details or informative brochures on products providing information regarding the level of risk for each instrument.
- **Contractual information:** clauses of the contract as well as the corresponding letters regarding disclaimers/responsibility involved in carrying out the aforementioned tests.
- **Post-contractual information:** periodic reports confirming transactions carried out via agency services, as well as periodic reports on the status of the portfolios recommended or managed.

## **8. Client communication**

The Company will communicate to its retail clients, if applicable, the corresponding periodic reports confirming transactions carried out as part of the agency and/or portfolio management services according to the time and content requirements established in articles 68 and 69 of Royal Decree 217/2008.

In addition, any retail client may give specific instructions to the Company regarding the frequency and type of reports on transactions and/or services they wish to receive.

All instructions given by clients to the Company regarding financial instruments must be carried out in writing on paper, clearly and precisely, so that they cannot give rise to error or different interpretations.



However, all requests need to be confirmed by the client by fax or email so that there is no risk of error or possible misinterpretation. Should clients give instructions by telephone, the conversations will be recorded.

### ***8.1. Language***

Clients may receive information in Spanish or in English. However, communication between clients and the Company is mainly in Spanish, given that it is the official language of Spain.

### ***8.2. Company communication with clients***

Clients may communicate with the Company via any of the following methods:

- In person, at the Company's branches.
- By telephone, on +34 91 175 07 00 or by fax on +34 91 577 92 42.
- By post or by email.
- On the website [www.bancoalcala.com](http://www.bancoalcala.com).

Regarding the means, channels and ways of sending orders related to financial instruments, specific details are provided on these in each of the contractual documents governing the transactions in question.

## **9. Information regarding the safekeeping of assets**

The Company has an asset safekeeping policy detailing the control measures employed to comply with the custody obligations for financial instruments and funds of clients established by the MiFID. In this way, the Company complies with the following requirements:

- It keeps all necessary records and accounts so that, at any time and without delay, it can distinguish one client's assets from those of another client and its own assets. Securities owned by clients are kept in individualised accounts under their own name.
- The records and accounts guarantee the accuracy of the data they contain and their correspondence to clients' financial instruments and funds.
- If applicable, the Company regularly checks its internal accounts and records against those of third parties holding its clients' assets.



- It adopts the necessary measures to guarantee the following:
  - That clients' financial instruments deposited with a third party are distinguished from those belonging to the investment services firm and to this third party.
  - That the clients' funds are recorded by the depository in an account or accounts separate from those in which the funds belonging to the investment services firm are recorded.
- It adopts the organisational measures required to minimise the risk of loss or reduction in value of clients' assets or of any rights related to these, as a consequence of the misuse of assets, fraud, maladministration, inadequate maintenance of records or negligence.

Clients must consent, via contract, that, in the case of securities traded on foreign markets and when the habitual practice in these markets so establishes, these securities are deposited as part of the overall securities account (omnibus account) opened in the name of the Company or of any organisation delegated by the Company for this purpose, the identity of this delegated organisation being previously communicated to its clients.

The Company informs clients regarding the following:

- The possibility that the accounts containing clients' assets are or are going to be subject to laws that are not those of a Member state, indicating that any rights regarding these assets may differ as a consequence.
- Any withholding right or right to guarantee that may be held regarding the clients' assets or any right to compensation held in relation to these assets.

The Company may not use clients' securities on its own account nor may it carry out financing operations for clients' securities without first securing the express and due authorisation of the client and without informing them of the possible risks inherent in the planned operations.

## **10. Information regarding the handling of conflicts of interest**

The Company has a general policy for conflicts of interest that identifies and deals with all those circumstances giving rise to any kind of conflict of interest between the Company itself and its clients or between its different clients.

This policy contains the specific procedures used to proactively identify, record and handle possible conflicts of interest that may be harmful to its clients and, when these cannot be avoided, to disclose them.



As a minimal criterion in identifying potential conflicts, the Company must take into account whether itself or a competent person or another person directly or indirectly linked to the former by means of a controlling relationship is facing any of the following situations:

- The Company or the person in question can obtain a financial benefit or avoid a financial loss at the client's cost.
- The Company or the person in question has an interest in the result of the services provided or the transaction carried out on behalf of the client other than the client's own interest in this result.
- The Company or the person in question has a financial or any other kind of incentive to favour the interests of third parties above the interests of the client in question.
- The Company or the person in question carries out professional activity that is identical to the client's.
- The Company or the person in question receives or is going to receive, from a third party, an incentive regarding the services provided to the client, in money, goods or services, other than the usual commission or fee received for the service in question.

In any case, the fact that the Company may obtain a benefit is not considered sufficient if there is not also potential harm for the client, or that the client may obtain a profit or avoid a loss if there is not the possibility of the concomitant loss of another client.

Employees of the Company undertake, as a general principle of conduct, to behave honestly, impartially and professionally in the best interest of the clients. Consequently, the interests of one client or group of clients are not favoured above those of others and all clients are treated equally. All the measures exhaustively detailed in this policy assume these principles of conduct that must be considered by the Company's employees.

The Company has a record of the different services and activities in which a conflict of interest has arisen or may arise, which is kept and periodically updated. Should a conflict of interest be recorded, those measures are taken that are deemed appropriate in order to alleviate this conflict and, should these not be enough, clients are notified of this conflict before the investment service is provided.

## **11. Information regarding the execution of orders**

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The MiFID requires institutions that provide services of execution and/or reception and transmission of client orders to establish measures in order to achieve the best possible result for their clients.

To this end, the Company has established an order execution policy that is applicable to all retail and professional clients who are provided portfolio management, order receipt and transmission or execution services in relation to financial instruments. To execute these orders, the bank may have to transmit the client's order to another company in the group or to a third party, but it will also defend its client's best interests.

The Company believes that, when determining the **best execution** for clients and selecting the specific execution venue for their orders among those available, the factors of price, cost, speed, probability of execution and settlement, volume, nature of the transaction and any other relevant element must be taken into account in order to execute the order.

The relative importance of each of the aforementioned factors is determined according to:

- The client's profile, including their classification as a retail or professional client.
- The characteristics of the order given by the client.
- The characteristics of the financial instruments in question.
- The characteristics of the execution venues to which the order may be sent. To this end, execution venue is understood to mean a regulated market, a multilateral trading facility, a systematic internaliser, a market maker or another liquidity supplier, as well as organisations carrying out similar functions to those carried out by the aforementioned organisations in third party countries.

Taking these factors and current legislation into account, the Company believes that, systematically, the best possible result is achieved for clients in the execution and the reception and transmission of their orders by essentially applying the following policies:

- For transactions on behalf of **retail clients**, the key factors that determine best execution are the price of the financial instrument and the costs related to its execution.
- For transactions on behalf of **professional clients**, the total consideration is primarily considered although, given the characteristics of the order and the financial instruments, factors such as speed, probability and security of its execution and settlement are particularly taken into account.



To this end, the Company sends orders to those execution venues and preferred intermediaries that help to systematically obtain the most favourable consideration for the client combining all the above-mentioned factors.

The order execution regime is applied when, in providing the aforementioned services, transactions are carried out on behalf of the client. It is considered that the Company is acting on behalf of the client when the result obtained by the client depends on the decision taken by the Company regarding the execution of the order.

However, the precepts contained in this policy are not applicable (and it is therefore not subject to the best execution regime) in transactions with those financial instruments for which the Company does not take any decision regarding the execution of the order but the client accepts a specific offer made by organisations to buy or sell a financial instrument from their own portfolio. For example, in client transactions with non-stock market fixed income securities and derivatives not listed on organised markets (OTC), in which the Company limits itself to quoting the price to clients and the latter decide whether to carry out the transaction or not in accordance with the conditions proposed.

Unless otherwise stated, the Company understands that the client gives their **tacit consent to the order execution policy** established once the client classification has been communicated and no communication has been received to the contrary.

Nevertheless, the Company warns that **any specific instruction made by the client may prevent the Company from adopting the measures contained in this policy to achieve best execution.**

The Company also has an order attribution policy that guarantees the processes of transmitting, assigning and attributing orders are carried out while striving to achieve the client's best interest at all times.

## **12. Information on associated costs and expenses**

For carrying out its work and for providing the investment services in relation to financial instruments that come under the scope of application of the MiFID at any time, the Company shall receive the rates and fees established in the corresponding price list.

The Company publishes information, on its corporate website ([www.bancoalcala.com](http://www.bancoalcala.com)), on the different products (via commercial files or leaflets) regarding the particular features, characteristics and inherent risks associated with the financial instruments and investment services offered to clients.

These commercial files may also be requested by clients and potential clients from the Company's Commercial Department.