



UNION BANCAIRE PRIVÉE

GENERAL INFORMATION

MIFID

(October 2007)

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1. INTRODUCTION

The present document informs the client of solutions implemented by Union Bancaire Privée (hereinafter referred to as UBP or UBP Group) at the group level in order to comply with the requirements of the European Union's "Markets in Financial Instruments Directive" (hereinafter MiFID)¹.

2. UBP GROUP ENTITIES CONCERNED

UBP is a banking group whose holding company is a bank subject to Swiss law. The UBP Group consists of several banking and non-banking branches and subsidiaries in several countries, some of which are part of the European Union. The following entities are subject to the MiFID regime:

- Union Bancaire Privée (Luxembourg) SA;
- Union Bancaire Privée Luxembourg branch;
- Union Bancaire Privée London branch;
- CBI-UBP International Ltd.

The present document applies only to the relationships between those entities and their clients. It does not apply to the relationships with the clients of other UBP entities unless otherwise agreed between the client and the UBP.

3. INTRODUCTION TO MiFID

3.1 Aims of MiFID

The MiFID is an European directive which essentially aims at:

- **Harmonising the regulatory framework governing the provision of investment services:** the degree of harmonisation pursued by MiFID will offer investors a high level of protection and will allow investment firms to provide their services in the entire European Economic Area, which constitutes a common market, on the basis of the surveillance exercised by their home Member State.
- **Increasing transparency and competition on financial markets:** by setting efficiency and transparency rules for financial markets, MiFID aims at enhancing the quality of the services provided to clients. The competition among execution venues will make services more efficient and less expensive.
- **Increasing the investor protection:** by establishing specific rules for the different client categories, the MiFID grants clients protection matched to their individual characteristics.

3.2 Scope of the MiFID

3.2.1 Investment services and activities

MiFID directive applies to investment firms (see Glossary in the Annex I of the present document), regulated markets and authorised credit institutions which provide one or several investment services and/or exercise one or several investment activities.

These are some of the services and activities submitted to MiFID regime:

- Reception and transmission of orders in relation to one or more financial instruments;
- Execution of orders on behalf of clients;
- Dealing on own account;

¹ DIRECTIVE 2004/39/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC

- Portfolio management;
- Investment advice.

3.2.2 Financial instruments

MiFID does not apply to all financial instruments used in the financial investment field. The client must be aware that MiFID applies only to transactions which concern the following financial instruments:

- Transferable securities;
- Money-market instruments;
- Units in collective investment undertakings;
- Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivative instruments, financial indices or financial measures which may be settled physically or in cash;
- Options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that may be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or termination event);
- Options, futures, swaps and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market and/or a MTF;
- Options, futures, swaps and any other derivative contract relating to commodities that can be physically settled and not being for commercial purposes, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are cleared and settled through recognised clearing houses or are subject to regular margin calls;
- Derivative instruments for the transfer of credit risk;
- Financial contracts for differences;
- Options, futures, swaps and any other derivative contract relating to climatic variables, freight rates, emission allowances or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or termination event), as well as any other derivative contracts relating to assets, rights, obligations, indices and measures which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market or an MTF, are cleared and settled through recognised clearing houses or are subject to regular margin calls.

4. SERVICES OFFERED BY UBP

4.1 General

Built on a strong foundation of entrepreneurial vision and innovative drive, UBP draws on the top financial talents to achieve capital protection combined with returns. As far as the MiFID is concerned, UBP concentrates on just one profession: private banking in the broad sense, both for private and for institutional clients. This activity comprises three business divisions: private banking, institutional asset management and alternative asset management.

With regard to private banking UBP provides all the services listed in chapter 3.2.1.

4.2 Portfolio Management Agreement

UBP offers its clients the possibility to enter into a portfolio management agreement based on an investment profile. The contract only becomes effective if entered into in written form. The rights and

obligations of the parties are those set out in the agreement which is the only legally binding document between the parties.

4.3 Investment Advisory Agreement

The investment advisory service offered by UBP comes in two forms:

- Ad hoc investment advisory agreement;
- Investment advisory agreement of unlimited duration.

4.3.1 Ad hoc investment advisory agreement

The ad hoc investment advisory agreement is the basic advisory agreement. **Upon express** request, UBP offers clients who did not enter into a portfolio management agreement the option of receiving investment advice any time they wish to purchase or sell a financial product. This investment advisory service must be requested before every transaction. The clients who wish to take advantage of this service have to renew the request before every transaction. The request is made by the client orally.

This investment advisory service only binds UBP at the time the order is executed. More specifically, UBP is not required to follow up on the prices of positions deposited in the portfolios of clients who have not signed a portfolio management agreement, nor is it responsible for contacting these clients to advise them on the course of action to adopt.

4.3.2 Investment advisory agreement of unlimited duration

This is a form of agreement with a very limited application. It is only used in very specific situations. As for the portfolio management agreement, the rights and obligations of the parties are those set out in the agreement which is the only legally binding document between the parties.

4.3.3 Distinction from financial analysis and general advice

According to MiFID, “ ‘investment advice’ means the provision of personal recommendations to a client, either upon its request or at the initiative of the investment firm, in respect of one or more transactions relating to financial instruments.”

The following should not be considered as investment advice:

- Advice about financial instruments given in a newspaper, journal, magazine or any other publication addressed to the general public (including by means of the internet), or in any television or radiobroadcast;
- Publications pertaining to any type of UBP product made available to the public, such as prospectuses, simplified prospectuses, activity reports or any other similar documentation;
- Generic advice about a type of financial instrument. For example, a recommendation to invest in the bond market does not constitute investment advice within the meaning of MiFID.

4.4 The execution, reception and transmission of orders

UBP has the infrastructure needed for executing clients’ orders. This activity is explained in the Execution Policy of the entities concerned².

5. MIFID’S CLIENT CATEGORIES

5.1 Introduction

MiFID has defined three different client categories:

² The Execution Policies are available on UBP’s website (www.ubp.ch) under the “Legal” tab.

- Eligible counterparties;
- Professional clients which include:
 - Clients who can be treated as professional at their own request, defined as opt-up professionals;
 - Clients per professional;
- Retail clients.

The following chapters define the criteria for belonging to the categories listed above.

5.2 Eligible counterparties

The following should be regarded as eligible counterparties:

- Investment firms;
- Credit institutions;
- Insurance companies;
- UCITS and their management companies;
- Pension funds and their management companies;
- Other financial institutions authorised or regulated under Community legislation or the national law of a Member State;
- Undertakings exempted from the application of this Directive under Article 2(1)(k) and (l) (see Annex II);
- National governments and their corresponding offices including public bodies that deal with public debt, central banks and supranational organisations.

The clients who have been classified as eligible counterparties have to be aware that when UBP provides them with investment advisory or a portfolio management service they are considered per se professional (see the next point).

5.3 Professional clients

5.3.1 Definition

A professional client is a client who possesses the experience, knowledge and expertise to make its own investment decisions and properly assess the risks that it incurs.

There are two types of professional client:

- Per se professional;
- Opt-up professional.

5.3.2 Per se professional clients

The following should be regarded as per se professional clients:

1. Entities which are required to be authorised or regulated to operate in the financial markets.
 - a) Credit institutions;
 - b) Investment firms;
 - c) Other authorised or regulated financial institutions;
 - d) Insurance companies;

- e) Collective investment schemes and management companies of such schemes;
 - f) Pension funds and management companies of such funds;
 - g) Commodity and commodity derivatives dealers;
 - h) Locals;
 - i) Other institutional investors.
2. Large undertakings meeting two of the following size requirements on a company basis:
 - Balance sheet total: EUR 20 million,
 - Net turnover: EUR 40 million,
 - Own funds: EUR 2 million,
 3. National and regional governments, public bodies that manage public debt, central banks, international and supranational institutions such as the World Bank, the IMF, the ECB, the EIB and other similar international organisations.
 4. Other institutional investors whose main activity is to invest in financial institutions, including entities dedicated to the securitisation of assets or other financing transactions.

This category applies to all services within the meaning of MiFID (see Chapter 3.2.1) and to all financial investments.

5.3.3 Opt-up professional clients

Clients other than those mentioned in the previous point, including **private individual investors**, may also be allowed to waive some of the protections afforded by the conduct of business rules by requesting to be treated as opt-up professionals.

UBP is therefore allowed to treat any of its clients as opt-up professionals provided the relevant criteria (see 8.2.2) and procedure mentioned below are fulfilled.

This category applies to all services within the meaning of the MiFID (see Chapter 3.2.1) and to all financial investments.

5.4 Retail clients

Retail clients are those who are considered neither as eligible counterparties nor as professional clients.

5.5 Level of protection

The level of protection afforded the clients depends primarily on their category and secondarily on their experience and knowledge of financial investments.

5.5.1 Main differences in treatment between retail and professional clients

The diligence an investment company has the duty to exercise is reduced when the counterparty is a professional client:

- Duty to inform (see Chapter 9): UBP is only required to provide supplementary information concerning its structure, its services and the financial products it offers to retail clients;
- When assessing the appropriateness of a service to be provided, UBP shall be entitled to assume that a professional client has the necessary experience and knowledge in order to understand the risks involved in relation to those particular investment services or transactions, or types of transaction or product, for which the client is classified as a professional client.

- Where UBP provides an investment service to a professional client, it shall be entitled to assume that, in relation to the products, transactions and services for which it is so classified, the client has the necessary level of experience and knowledge to understand the risks involved in the transaction or in the management of his portfolio.
- Where UBP provides an investment service to a professional client, it shall be entitled to assume that the client is able financially to bear any risk related to the investment.
- UBP must inform a retail client about any material difficulty relevant to the proper carrying out of orders promptly upon becoming aware of it.
- Member States shall require that, where investment firms do not deposit retail client funds with a central bank, they exercise all due skill, care and diligence in the selection, appointment and periodic review of the credit institution, bank or money market fund where the funds are placed and the arrangements for the holding of those funds.

5.5.2 Limited protection for eligible counterparties

Eligible counterparties are the least protected category. When dealing with this type of client, UBP:

- Is not subject to the duty of executing orders under the most favourable conditions for the client;
- Is not required to provide information on the costs connected with a transaction on a financial product;
- Is not required to assess the appropriateness of the service to be provided;
- Is not subject to the order handling rules established by MiFID.

6. CATEGORY SELECTION

6.1 Responsibility

It is for UBP to decide which category a client should belong to. The decision is taken on the basis of the information supplied by the client.

If the client is reluctant or the information provided by him is incorrect, UBP:

- Is exempt of its responsibility to classify the client;
- Reserves the right unilaterally to terminate the business relationship.

6.2 Clients' duty to inform

It is the client's responsibility to inform UBP of any change likely to affect his categorisation. The change of category can occur in application of the provisions in Chapter 8.

7. CATEGORY NOTIFICATION

7.1 Principle

Before providing any service which falls within the scope of MiFID, UBP shall inform the client.

UBP has to inform the client every time he changes category.

The ways to communicate the classification assigned to the client change according to his category. (see the following points).

7.2 Eligible counterparties

Eligible counterparties shall be notified in writing. The client may at any time contest the chosen classification or request that a downgrading contract be signed (8.2.3).

Until it has received the written objection or the signed contract, UBP shall continue to treat the client as an eligible counterparty. Neither the objection nor the contract can be applied retroactively.

7.3 Professional clients

7.3.1 Per se professional clients

Per se professionals shall be notified in writing. The client may at any time contest the chosen classification or request that a downgrading contract be signed (8.2.3).

Until it has received the written objection or the signed contract, UBP shall continue to treat the client as a per se professional. Neither the objection nor the contract can be applied retroactively.

7.3.2 Opt-up professional clients

Subject to the transitional provisions (see Chapter 15), on express request from a client, and only where UBP is satisfied that the conditions for belonging to the category are met, UBP can decide to treat the client as an opt-up professional.

The change to the opt-up professional category shall not come into effect until the up-/downgrading contract has been signed (see chapter 8.2.1).

The signing of the upgrading contract implies that a notification has been sent to the client and the client have accepted this classification.

The client can at any time request to change category. Until the new contract has been signed, the client shall retain his status as opt-up professional.

7.4 Retail clients

The notification shall be made only orally.

If an upgrade is requested (see 8.2.2), the change of category will be effected only when the contract is signed.

8. CHANGE OF CATEGORY

8.1 Introduction

UBP can decide to change the client category:

- On express request from the client;
- On its own initiative.

Under MiFID, UBP shall be permitted:

- To treat a retail client as an opt-up professional, provided the required conditions are met (see below);
- To treat a professional as a retail client;
- To treat an eligible counterparty as a professional or a retail client.

No client shall be authorised to request classification into a category of which he does not fulfil the conditions. A retail client can therefore never be considered a per se professional or an eligible counterparty.

8.2 Change of category on express request of the client

8.2.1 Upgrading and downgrading contracts

By signing an upgrading contract, the client declares that he understands the implications of belonging to a higher category and, in particular, that he is aware of the reduced level of protection afforded him.

The downgrading contract formalises a lower categorisation and grants an higher level of protection.

8.2.2 Upgrades for retail clients

a) Natural persons

A retail client who meets two of the three following conditions can request to be treated as an opt-up professional:

- the client has carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous four quarters;
- the size of the client's financial instrument portfolio, defined as including cash deposits and financial instruments exceeds EUR 500 000;
- 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.

The change from retail client to opt-up professional is associated with a reduced level of protection (see chapter 5.5).

UBP shall grant the upgrade only if an adequate assessment of the expertise, experience and knowledge of the client, undertaken by the investment firm, gives reasonable assurance, in light of the nature of the transactions or services envisaged, that the client is capable of making his own investment decisions and understanding the risks involved.

The change to opt-up professional shall take effect with the signing of the specific upgrading contract.

b) Legal Persons

Legal persons classified as retail clients can also request an upgrade. In this case, they must fulfil the conditions described above.

The change to opt-up professional shall take effect only with the signing of the specific upgrading contract.

8.2.3 Downgrades for eligible counterparties and per se professionals

Eligible counterparties and per se professional clients can request to be downgraded.

Eligible counterparties can request treatment as per se professionals but UBP shall not accept any request from eligible counterparties to be treated as opt-up professionals or as retail clients.

Per se professionals can request to be treated as opt-up professionals or retail clients.

The downgrade shall take effect only with the signing of the specific contract.

8.2.4 Waiving opt-up professional status

Clients who have signed an up- or downgrading contract which has given them the status of opt-up professional with UBP can request at any time to revert to their original classification.

For the change to be effective, UBP shall request that an opt-up professional classification waiver be signed.

8.2.5 Other changes of category

A change of category is permitted only in the cases described in the chapters above.

8.3 Unilateral decision by UBP

When UBP considers that a client no longer fulfils the conditions necessary to be treated as an eligible counterparty or a professional client, it shall take the following measures:

- Internally modify the client's status;
- Notify the client of the category change.

In this case an oral notification is sufficient.

The notification is for information purposes only and is not binding. Moreover, UBP reserves the right to change the classification of a client without obtaining his prior consent.

9. INFORMATION DUTY

The information duty applies to the areas detailed below:

9.1.1 The duty to supply information on the investment company and its services

UBP has made available on its website (www.ubp.ch) a description of its activities and the products it offers.

9.1.2 The duty to supply information on the proposed investment strategy

UBP informs its clients of the risks involved in the investment strategies it offers. It has no obligation to define an investment strategy when it is providing an execution-only service or investment advice.

When providing a client with an asset management or an investment advisory service of an unlimited duration (see chapters 4.2 and 4.3.2), UBP shall inform the client of the different investment profiles available and agree with him on the most appropriate one (see also chapter 10).

9.1.3 The duty to supply information concerning the financial instruments

UBP informs the client of the risks related to investments in different types of financial instruments. The information is provided at the express request of the client or where it is clear that the client does not understand the risks related to the investments in a certain type of financial instrument.

The obligation to inform the client, on its own initiative, is consecutive to the appropriateness and suitability tests (see chapter 10).

9.1.4 The duty to supply information on the preservation of financial instruments and client funds

All the information relevant to the preservation of financial instruments and client funds are contained in the General Terms of Business of the UBP entity with which the client is entered into a business relation.

9.1.5 Duty to supply information on fees and costs

UBP shall provide clients with all the necessary information on costs and associated charges, that includes such of the following elements as are relevant:

- a) the total price to be paid by the client in connection with the financial instrument or the investment service or ancillary service, including all related fees, commissions, charges and expenses, and all taxes payable via the investment firm or, if an exact price cannot be indicated, the basis for the calculation of the total price so that the client can verify it;
- b) where any part of the total price referred to in point (a) is to be paid in or represents an amount of foreign currency, an indication of the currency involved and the applicable currency conversion rates and costs;
- c) notice of the possibility that other costs, including taxes, related to transactions in connection with the financial instrument or the investment service may arise for the client that are not paid via the investment firm or imposed by it;
- d) the arrangements for payment or other performance.

The specific rules applicable to eligible counterparties are laid down in chapter 5.5.2.

9.2 Further information

UBP shall provide detailed information on the following subject areas only upon express request of the client:

- 1) status of the order;
- 2) the price of each tranche in the case the order has received subsequent partial executions and only the average price has been provided to the client;
- 3) commissions and expenses charged to the client.

In addition, UBP shall provide each of its clients who signed a portfolio management agreement with a statement that summarises the portfolio management activities carried out by UBP in the period agreed by the bank and the client. However, all the retail clients who make an express request are entitled to receive the statement every three months.

10. SUITABILITY AND APPROPRIATENESS TEST

10.1 Introduction

Investment companies carry out a suitability test when providing an investment advisory service (recommendations to buy or to sell) or a portfolio management service.

When providing an investment service not covered by the portfolio management or investment advisory agreement, they assess the appropriateness of the transactions to be executed. These services, which come under the general designation "execution-only", include, among others:

- Receiving and transmitting buy and sale orders in one or several financial instruments;
- Executing orders on behalf of clients.

These tests apply only to relationships between UBP and retail clients or professional clients.

10.2 Initial common appropriateness and suitability assessment

The assessment of the appropriateness or suitability of the services to be provided to the client is based on the following three criteria:

- The client's investment profile (see chapter 10.2.1);
- His specific knowledge of financial products;
- His financial capacity.

These criteria, in conjunction with the other information about the client and the nature and characteristics of the order, allow UBP to ensure compliance with MiFID's due diligence requirements.

Each of the criteria are detailed below.

10.2.1 Client investment profile

When entering into business relations with a client or at any subsequent time as and when it is deemed necessary, UBP assesses the client's investment profile.

The assessment is based on the answers given orally by the client to a number of questions preset by UBP.

The questionnaire allows UBP to establish:

- The client's investment objectives;
- His risk threshold;
- His liquidity needs;
- His general knowledge of financial investments;

UBP reserves the right to adapt the contents and scope of the questionnaire at any time.

10.2.2 Client's knowledge of financial products

When entering into business relations with a client, or at any subsequent time as and when it is deemed necessary, UBP assesses the client's knowledge of the following types of instruments:

Non-complex products	Complex products
Securities	Hedge funds
Bonds	Private equity
Long -only investment funds	Limited partnerships
Time deposits	Structured products
Forex (spot + forward price)	Options: listed, OTC and forex, including metals
Commodities (physical purchases only)	Warrants
	Futures: financial futures, commodity futures
	Convertible bonds

The client is made aware that within the meaning of MiFID:

- Every client is presumed to know the risks involved in investments in products considered non-complex;

- Every client wishing to invest in one or several types of complex instruments must prove to UBP that they possess the necessary knowledge and experience to be able to invest in such financial products;
- The decision to give the client free access to investments in complex products lies with UBP.

10.2.3 Client's financial capacity

When opening an account, UBP shall obtain the necessary information for assessing the total wealth of the client and his capacity for disposing of it. The information regarding the financial situation of the client or potential client shall include, where relevant, information on the source and extent of his regular income, his assets, including liquid assets, investments and real property, and his regular financial commitments.”

10.3 Appropriateness test

10.3.1 Scope of the appropriateness test

When UBP provides an execution only service, it asks the client or potential client to provide information regarding his knowledge and experience in the investment field relevant to the specific type of product or service offered or demanded.

The appropriateness test on the investment is conducted in two stages:

- UBP checks that the client possesses the necessary knowledge for assessing the risks involved in the **type of instrument** he wishes to invest in (see 10.2.2). If this is not the case, the investment shall be considered inappropriate.
- UBP assess the **quality of the financial instrument** in which the client wishes to invest. Where it is manifestly incompatible with the known characteristics of the client, UBP shall inform the client that the transaction is inappropriate.

For example: UBP may consider that an investment in a low-rated bond (a so-called junk bond) is inappropriate for a retail client (see 10.2.2) if that client does not have extensive knowledge of the risks of loss involved in such investments and a wish to take on that risk.

UBP is entitled to assume that a professional client has the necessary experience and knowledge in order to understand the risks involved in relation to those particular investment services or transactions, or types of transaction or product, for which the client is classified as a professional client.

The appropriateness test is not carried out if UBP's client is an eligible counterparty.

10.3.2 Normal execution

UBP shall execute or transmit an order on behalf of a client only when, on the basis of the information at its disposal, it considers that the investment is appropriate within the meaning defined above (see previous point).

Where the investment in itself is not appropriate, UBP reserves the right to execute the order if one of the following exceptions applies:

- It is an investment in derivatives intended to cover existing positions in the portfolio;
- The investment requested is not of a speculative nature and does not affect the portfolio's composition to any large extent;
- The investment, even if it pertains to a complex instrument, is intended to improve the structure of the client's portfolio.

When, on the basis of the information at its disposal,

- An investment is not compatible with the knowledge and experience of the client or when,
- The transaction does not fall under one or more of the exceptions listed above, UBP shall notify the client and, in principle, deny execution of the order, unless the client
- By his own initiative, insists on execution and,
- Waives the protection guaranteed by MiFID.

Such a demand can be made orally, in which case UBP shall confirm the details of the order execution in the advice addressed to the client. The document is for information only and in no way constitutes grounds for addressing claims to UBP.

Regardless of the type of instrument, UBP reserves the right to consider any investment inappropriate for the client. UBP's assessment will depend on the characteristics of the investment: for this reason UBP is not required to inform the client of its reasons for refusing an investment.

10.3.3 Execution only service

UBP is not required to assess the appropriateness of the transaction if the following conditions are all met:

- The investment service it provides comprises only execution and/or reception and transmission of clients' orders;
- It provides only services pertaining to non-complex financial instruments;
- The service is provided at the initiative of the client or potential client;
- It complies with its obligations regarding conflicts of interests.

By reading the present document, the client accepts that:

- When providing a service that only consists of execution, UBP is not required to assess the appropriateness of an investment if the transaction fulfils the conditions set out above;
- He/she is not eligible for protection under the conduct of business rules.

10.4 Suitability test

10.4.1 Scope of the suitability test

When providing **investment advice** or a **portfolio management** service, UBP shall obtain the necessary information to ensure that the transaction to be recommended or entered into as part of its portfolio management satisfies the following criteria:

- it meets the investment objectives of the client in question;
- it is such that the client is able financially to bear any related investment risks consistent with his investment objectives;
- it is such that the client has the necessary experience and knowledge in order to understand the risks involved in the transaction or in the management of his portfolio.

Where, when providing the investment service of investment advice or portfolio management, UBP does not obtain the information required, it shall not recommend investment services or financial instruments to the client or potential client.

a) Scope of the suitability test for the portoglio management service

Within the framework of a portfolio management service, UBP assesses the suitability of a service to be provided taking into account the following criteria:

- The management profile, which is based on the client's investment profile. UBP refers to the client's characteristics to establish his investment profile;
- UBP shall use, within the limits of the contract, any type of financial product which it deems suitable for meeting the objectives set regardless of the client's level of understanding of the risks involved in the specific transaction.

Where UBP considers an investment unsuitable, it shall deny execution without consulting the client.

b) Scope of the suitability test for the investment advisory service

The investment advice service provided by UBP shall be subject to a double preliminary check:

- UBP shall assess whether the client possesses the necessary knowledge for assessing the risks involved in the type of instrument on which he is requesting advice (see chapter 10.2.2).
- In light of the information relative to the client's characteristics (see chapter 10.2), UBP shall assess whether the investment he wishes to enter into complies with the requirements defined here above.

If the client requests investment advice:

- On a financial product about which he does not possess the necessary knowledge and/or experience, or
- On an investment which is incompatible with his personal characteristics (investment profile and/or capacity to take on the risk of loss),

UBP shall inform him that it can not provide the service. Such an order can then only be executed as an exception applicable under the "execution-only" regime (see chapter 10.3).

10.4.2 Suitability test for professional clients

It shall be assumed that a client responding to the criteria of a professional client has the necessary level of experience and knowledge for understanding and bearing any risks involved in a transaction or in the management of his portfolio in relation to the products, transactions and services for which he is so classified

Within the framework of the investment advisory service, a per se professional client shall be assumed to be able financially to bear any related investment risks consistent with his investment objectives.

11. CONFLICTS OF INTERESTS

UBP entities provide a variety of financial services to different clients, of which there are retail clients, professional clients and eligible counterparties and conflicts of interest may arise between a client's interests and those of other clients, counterparties or UBP itself.

However, the client has to be aware of the following:

- UBP is not an investment bank;
- It does not focus on analysing new equity or bond issues;
- It is not involved in assessing the value of acquisitions or mergers involving listed or unlisted companies;
- None of UBP's staff serve as directors of companies in which a client directly or UBP on his behalf may invest, except for collective investment schemes of which UBP is the promoter.

Where UBP acts in a situation where it has a material interest or which involves a conflict of interests, it shall take all reasonable steps to treat all its clients fairly and to act in their best interest.

In all the situations described below, a conflict of interests can arise while UBP is acting on behalf of its clients.

UBP can make recommendations regarding:

- The purchase or sale of units in collective investment schemes where UBP is the management company, the advisory company or the depository;
- The purchase or sale of structured products issued by UBP or a third party on its behalf.
- UBP can carry out transactions in connection with which it may have a direct or indirect material interest. In particular UBP may:
 - Match the order of a client with that of another person, receiving in some cases a second commission from this other person;
 - Deal with a client as a principal for its own account;
 - Arrange for a client's transaction to be executed, in full or partially, through another UBP entity or its agent.

With regard to the matching of orders, UBP's EU entities have an internal policy of not matching orders in listed shares.

UBP may underwrite investments in such a way as to be in competition with a client.

UBP may act as a market-maker in a transaction or an investment held, sold, or bought for a client's account. However the client must be aware that the bank's market-making activity is limited to settlement and therefore does not impact the price paid by the client. Other possible conflicts of interest are described in Chapter 13.

UBP is under no obligation to disclose a material interest in a transaction with or for a client or the existence of a possible conflict of interest when it has taken all the necessary measures to manage the conflict in such a way as to reasonably believe that any risk of damage to the client's interests will be avoided.

The purpose of this chapter is to make clients aware of the existence of possible conflicts of interests and to obtain their consent to act in spite of such situations.

In accordance with its regulatory obligations, UBP has a conflict of interest policy in place.

12. ORDER EXECUTION POLICY

UBP shall execute clients' orders in accordance with its Order Execution Policy, a copy of which has been provided to its clients.

Sending an order after having received information about the Order Execution Policy will be interpreted by UBP as an expression of consent.

All the amendments to UBP's Order Execution Policy will be displayed on its website.

13. FEES AND CHARGES

The client is responsible for the payment of all liabilities, charges and costs incurred by UBP in the execution of a transaction or in the provision of an investment service on behalf of the client, such as custody costs, brokerage fees, settlement and exchange fees and stamp duty.

For the execution of transactions in financial instruments UBP applies to its clients the charges listed in its internal schedule, or the charges defined in a special agreement entered into with the client.

The client must be aware that, in the provision of an investment service, UBP can pay, receive or share fees, commissions or non-monetary benefits with a person other than the client (including other UBP entities). In this case UBP shall provide its clients with information regarding the essential terms of the arrangements in place with these third persons on a product or service basis.

14. RULES APPLIED BY UBP IN HANDLING CLIENTS' ORDERS

14.1 Principles

When executing orders on behalf of a client UBP shall apply different rules: these rules shall change in relation to the nature of the account and the role played by the client with respect to the account.

14.2 Personal and joint accounts

UBP looks at the categorisation (retail client, professional client or eligible counterparty) and the particular knowledge and experience of the account holder who sends the order.

Example: X and Y are the account holders of a joint account. X sends an order for execution. UBP looks exclusively at X's personal profile to assess if the transaction is appropriate/suitable for him.

14.3 Collective and mixed accounts

UBP looks at the cumulative experience of the account holders who send the order for execution.

Example: X and Y, who are among the holders of a mixed account, send an order for execution. X possesses the necessary knowledge and experience to invest in stocks, bonds, and derivatives, Y possesses the necessary knowledge and experience to invest in stocks, bonds, and structured products. Altogether they possess the necessary knowledge and experience to invest in stocks, bonds, derivatives and structured products.

14.4 Account held by a legal entity

Where the holder of the account is a legal entity, UBP looks at its profile. However, when UBP is dealing with a small legal entity³, it has the right to look at the investment profile of the director of the entity or of any other person with a power of attorney on the account.

Example 1: X, an asset management company, is the holder of the account. UBP defines the investment profile of the asset management company and treats it as a professional client when executing transactions on its behalf.

Example 2: X is considered a small legal entity and Y is the director of X. Y has the necessary knowledge and experience to invest in bonds, stocks and structured products. Y's knowledge and experience is applied to X. As a result, X can freely invest in stocks, bonds and structured products.

14.5 Account held by an offshore company

UBP applies to offshore companies the same rules described in chapter 14.4 for the small legal entities.

Example: X, an offshore company, is the holder of the account. Y is the director of the offshore company. Y can freely invest in stocks, bonds and derivatives products. Y's knowledge and experience is applied to X. As a result X can invest in stocks, bonds and derivative products.

³ The document refers to the wording "small entities" contained in the Annex II of the MiFID directive.

14.6 Proxy

14.6.1 General rule

The proxy represents the community of the account holders. As a result UBP applies to the proxy the cumulative knowledge and experience of all the account holders.

Example: X has a power of attorney on account YZW. Y, Z and W are the holders of the account. X can invest in bonds, stocks and structured products. Z can invest in stocks, bonds and derivatives products. W can invest in stocks, bonds, convertible bonds and hedge funds. X, who represents YZW, can freely invest in stocks, bonds, derivatives, structured products, convertible bonds and hedge funds.

14.6.2 Exceptions

The client has to be aware that, in particular circumstances, he can request to enter into an agreement with UBP in order to define the powers of the proxy.

Example 1:

X, a retail client, gives to Y, a sophisticated financial investor, a power of attorney on the account. Y is classified as a professional client with the necessary knowledge and experience to invest in a large variety of financial products.

X can enter into an agreement with UBP in order to define and possibly to extend Y's investment powers in respect of the account.

Example 2:

X, a professional client with a broad experience of financial markets, gives to his son, a retail client with a degree in fine arts, a power of attorney on the account.

X wants to limit his son's investment powers in respect of the account. For this reason he enters into an agreement with UBP, which defines the proxy's investment powers.

15. UP-DATE

"UBP will notify its clients of changes in this document only by posting an updated version on its website"

16. TRANSITIONAL PROVISIONS

16.1 Classifying existing clients

UBP has classified its existing clients on the basis of the information in its possession. It took into account the two following criteria in identifying opt-up professional clients:

- The available data about the client's skills, experience and knowledge of financial markets;
- The style and frequency of the client's investments. In order to identify clients accustomed to dealing with complex financial products, a detailed analysis was carried out on the stock market orders given in the last two years of activity.

16.2 Notifying retail clients of their status

Retail clients shall be notified orally only, and before the provision of services that falls within the scope of the MiFID.

16.3 Executing existing clients' orders

UBP is entitled to presume that a client who has engaged in a course of dealings involving a specific type of product or service beginning before the date of application of the MiFID has the necessary experience and knowledge in order to understand the risks involved in relation to that product or investment service.

16.4 Order Execution Policy clause

Please note that after 1 November 2007, sending an order after having received information about the Order Execution Policy will be interpreted by UBP as an expression of consent.

ANNEX I

GLOSSARY

“Ancillary service” these are considered ancillary services within the scope of the MiFID directive:

- Safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management;
- Granting credits or loans to an investor to allow him to carry out a transaction in one or more financial instruments, where the firm granting the credit or loan is involved in the transaction;
- Advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings;
- Foreign exchange services where these are connected to the provision of investment services;
- Investment research and financial analysis or other forms of general recommendation relating to transactions in financial instruments;
- Services related to underwriting.
- Investment services and activities as well as ancillary services of the type included under Section A or B of Annex 1 related to the underlying of the derivatives where these are connected to the provision of investment or ancillary services.

“Branch” means a place of business other than the head office which is a part of an investment firm, which has no legal personality and which provides investment services and/or activities and which may also perform ancillary services for which the investment firm has been authorised; all the places of business set up in the same Member State by an investment firm with headquarters in another Member State shall be regarded as a single branch;

“Client” means any natural or legal person to whom an investment firm provides investment and/or ancillary services;

“Commodity” means any goods of a fungible nature that are capable of being delivered, including metals and their ores and alloys, agricultural products, and energy such as electricity;

“Complex products” :

- Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash.
- Options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event).
- Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market and/or an MTF.
- Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in C.6 and not being for commercial purposes, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are cleared and settled through recognised clearing houses or are subject to regular margin calls.

- Derivative instruments for the transfer of credit risk.
- Financial contracts for differences.
- Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, emission allowances or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event), as well as any other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Section, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market or an MTF, are cleared and settled through recognised clearing houses or are subject to regular margin calls.

“Credit institutions” means credit institutions as defined under Directive 2000/12/EC;

“Dealing on own account” means trading against proprietary capital resulting in the conclusion of transactions in one or more financial instruments;

“Durable medium” means any instrument which enables a client to store information addressed personally to that client in a way accessible for future reference for a period of time adequate for the purposes of the information and which allows the unchanged reproduction of the information stored;

“Execution of orders on behalf of clients” means acting to conclude agreements to buy or sell one or more financial instruments on behalf of clients;

“Group”, in relation to an investment firm, means the group of which that firm forms a part, consisting of a parent undertaking, its subsidiaries and the entities in which the parent undertaking or its subsidiaries hold a participation, as well as undertakings linked to each other by a relationship within the meaning of Article 12(1) of Council Directive 83/349/EEC on consolidated accounts;

“Financial analyst” means a relevant person who produces the substance of investment research;

“Financial instrument” means those instruments specified in Section C of Annex I;

“Investment advice” means the provision of personal recommendations to a client, either upon its request or at the initiative of the investment firm, in respect of one or more transactions relating to financial instruments; For the purposes of the definition of ‘investment advice’ in Article 4(1)(4) of MiFID, a personal recommendation is a recommendation that is made to a person in his capacity as an investor or potential investor, or in his capacity as an agent for an investor or potential investor.

That recommendation must be presented as suitable for that person, or must be based on a consideration of the circumstances of that person, and must constitute a recommendation to take one of the following sets of steps:

- a) to buy, sell, subscribe for, exchange, redeem, hold or underwrite a particular financial instrument;
- b) to exercise or not to exercise any right conferred by a particular financial instrument to buy, sell, subscribe for, exchange, or redeem a financial instrument.

A recommendation is not a personal recommendation if it is issued exclusively through distribution channels or to the public.

“Investment firm” means any legal person whose regular occupation or business is the provision of one or more investment services to third parties and/or the performance of one or more investment activities on a professional basis;

Member States may include in the definition of investment firms undertakings which are not legal persons, provided that:

- a) their legal status ensures a level of protection for third parties' interests equivalent to that afforded by legal persons, and
- b) they are subject to equivalent prudential supervision appropriate to their legal form.
However, where a natural person provides services involving the holding of third parties' funds or transferable securities, he may be considered as an investment firm for the purposes of this Directive only if, without prejudice to the other requirements imposed in this Directive and in Directive 93/6/EEC, he complies with the following conditions:
 - a) the ownership rights of third parties in instruments and funds must be safeguarded, especially in the event of the insolvency of the firm or of its proprietors, seizure, set off or any other action by creditors of the firm or of its proprietors;
 - b) the firm must be subject to rules designed to monitor the firm's solvency and that of its proprietors;
 - c) the firm's annual accounts must be audited by one or more persons empowered, under national law, to audit accounts;
 - d) where the firm has only one proprietor, he must make provision for the protection of investors in the event of the firm's cessation of business following his death, his incapacity or any other such event;

“Limit order” means an order to buy or sell a financial instrument at its specified price limit or better and for a specified size;

“Market maker” means a person who holds himself out on the financial markets on a continuous basis as being willing to deal on own account by buying and selling financial instruments against his proprietary capital at prices defined by him;

“Market operator” means a person or persons who manages and/or operates the business of a regulated market. The market operator may be the regulated market itself;

“Money-market instruments” means those classes of instruments which are normally dealt in on the money market, such as treasury bills, certificates of deposit and commercial papers and excluding instruments of payment;

“Multilateral trading facility (MTF)” means a multilateral system, operated by an investment firm or a market operator, which brings together multiple third-party buying and selling interests in financial instruments – in the system and in accordance with non-discretionary rules – in a way that results in a contract in accordance with the provisions of Title II of MiFID;

« Non-complex products » :

- Shares admitted to trading on a regulated market or in an equivalent third country market;
- Money-market instruments,
- Bonds or other forms of securitised debt (excluding those bonds or securitised debts that embed a derivative);
- UCITS within the meaning of Directive 85/611/EEC of 20 December 1985;
- Other non-complex financial instruments fulfilling the following conditions:
 - They are easily tradable;
 - Their value or price is available to the public;
 - They do not entail any actual or potential debt that would exceed their acquisition cost;
 - There is sufficient public information regarding their characteristics.

“Normal trading hours” for as establishes in advance and makes public as its trading hours;

“Outsourcing” means an arrangement of any form between an investment firm and a service provider by which that service provider performs a process, a service or an activity which would otherwise be undertaken by the investment firm itself;

“Parent undertaking” means a parent undertaking as defined in Articles 1 and 2 of Seventh Council Directive 83/349/EEC of 13 June 1983 on consolidated accounts (2);

“Portfolio management” means managing portfolios in accordance with mandates given by clients on a discretionary client-by-client basis where such portfolios include one or more financial instruments;

“Portfolio trade” means a transaction in more than one security where those securities are grouped and traded as a single lot against a specific reference price;

“Professional client” means a client meeting the criteria laid down in Annex II;

“Qualifying holding” means any direct or indirect holding in an investment firm which represents 10% or more of the capital or of the voting rights, as set out in Article 92 of Directive 2001/34/EC, or which makes it possible to exercise a significant influence over the management of the investment firm in which that holding subsists;

“Regulated market” means a multilateral system operated and/or managed by a market operator, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments – in the system and in accordance with its nondiscretionary rules – in a way that results in a contract, in respect of the financial instruments admitted to trading under its rules and/or systems, and which is authorised and functions regularly and in accordance with the provisions of Title III;

“Retail client” means a client who is not a professional client;

“Subsidiary” means a subsidiary undertaking as defined in Articles 1 and 2 of Directive 83/349/EEC, including any subsidiary of a subsidiary undertaking of an ultimate parent undertaking;

“Systematic internaliser” means an investment firm which, on an organised, frequent and systematic basis, deals on own account by executing client orders outside a regulated market or an MTF;

“Tied agent” means a natural or legal person who, under the full and unconditional responsibility of only one investment firm on whose behalf it acts, promotes investment and/or ancillary services to clients or prospective clients, receives and transmits instructions or orders from the client in respect of investment services or financial instruments, places financial instruments and/or provides advice to clients or prospective clients in respect of those financial instruments or services;

“Trading venue” means a regulated market, MTF or systematic internaliser acting in its capacity as such, and, where appropriate, a system outside the Community with similar functions to a regulated market or MTF;

“Transferable securities” means those classes of securities which are negotiable on the capital market, with the exception of instruments of payment, such as:

- a) shares in companies and other securities equivalent to shares in companies, partnerships or other entities, and depositary receipts in respect of shares;

- b) bonds or other forms of securitised debt, including depositary receipts in respect of such securities;
- c) any other securities giving the right to acquire or sell any such transferable securities or giving rise to a cash settlement determined by reference to transferable securities, currencies, interest rates or yields, commodities or other indices or measures;

“Turnover”, in relation to a financial instrument, means the sum of the results of multiplying the number of units of that instrument exchanged between buyers and sellers in a defined period of time, pursuant to transactions taking place on a trading venue or otherwise, by the unit price applicable to each such transaction;

“UCITS management company” means a management company as defined in Council Directive 85/611/EEC of 20 December 1985, on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) ;

ANNEX II

EXEMPTIONS (SEE ART. 2 MIFID)

1. The MiFID does not apply to:

- a) insurance undertakings as defined in Article 1 of Directive 73/239/EEC or assurance undertakings as defined in Article 1 of Directive 2002/83/EC or undertakings carrying on the reinsurance and retrocession activities referred to in Directive 64/225/EEC;
- b) persons which provide investment services exclusively for their parent undertakings, for their subsidiaries or for other subsidiaries of their parent undertakings;
- c) persons providing an investment service where that service is provided in an incidental manner in the course of a professional activity and that activity is regulated by legal or regulatory provisions or a code of ethics governing the profession which do not exclude the provision of that service;
- d) persons who do not provide any investment services or activities other than dealing on own account unless they are market makers or deal on own account outside a regulated market or an MTF on an organised, frequent and systematic basis by providing a system accessible to third parties in order to engage in dealings with them;
- e) persons which provide investment services consisting exclusively in the administration of employee-participation schemes;
- f) persons which provide investment services which only involve both administration of employee-participation schemes and the provision of investment services exclusively for their parent undertakings, for their subsidiaries or for other subsidiaries of their parent undertakings;
- g) the members of the European System of Central Banks and other national bodies performing similar functions and other public bodies charged with or intervening in the management of the public debt;
- h) collective investment undertakings and pension funds whether coordinated at Community level or not and the depositaries and managers of such undertakings;
- i) persons dealing on own account in financial instruments, or providing investment services in commodity derivatives or derivative contracts included in Annex I, Section C 10 to the clients of their main business, provided this is an ancillary activity to their main business, when considered on a group basis, and that main business is not the provision of investment services within the meaning of this Directive or banking services under Directive 2000/12/EC;
- j) persons providing investment advice in the course of providing another professional activity not covered by this Directive provided that the provision of such advice is not specifically remunerated;
- k) persons whose main business consists of dealing on own account in commodities and/or commodity derivatives. This exception shall not apply where the persons that deal on own account in commodities and/or commodity derivatives are part of a group the main business of which is the provision of other investment services within the meaning of this Directive or banking services under Directive 2000/12/EC;
- l) firms which provide investment services and/or perform investment activities consisting exclusively in dealing on own account on markets in financial futures or options or other derivatives and on cash markets for the sole purpose of hedging positions on derivatives markets or which deal for the accounts of other members of those markets or make prices for them and which are guaranteed by clearing members of the same markets, where responsibility for ensuring the performance of contracts entered into by such firms is assumed by clearing members of the same markets;

- m) associations set up by Danish and Finnish pension funds with the sole aim of managing the assets of pension funds that are members of those associations;
 - n) “agenti di cambio” whose activities and functions are governed by Article 201 of Italian Legislative Decree No 58 of 24 February 1998.
2. The rights conferred by this Directive shall not extend to the provision of services as counterparty in transactions carried out by public bodies dealing with public debt or by members of the European System of Central Banks performing their tasks as provided for by the Treaty and the Statute of the European System of Central Banks and of the European Central Bank or performing equivalent functions under national provisions.
3. In order to take account of developments on financial markets, and to ensure the uniform application of this Directive, the Commission, acting in accordance with the procedure referred to in Article 64(2), may, in respect of exemptions (c), (i), and (k) define the criteria for determining when an activity is to be considered as ancillary to the main business on a group level as well as for determining when an activity is provided in an incidental manner.

