

## **Client Classification for MiFID**

### **Market Situation**

MiFID (Markets in Financial Instruments Directive) is a European directive that is expected to become part of domestic law in the European countries by November 2007. It is geared towards more transparency for Retail and Professional Investors in the European Union in liquid financial instruments.

As part of these new transparency requirements, pre- and post-trade reporting has to be made available to the broad public. At the same time an auditable best-execution policy has to be put into place to ensure that Investors will be granted the highest level of trading efficiency combined with price-effectiveness in the available markets on a trade by trade basis.

### **Client Classification**

As knowledge varies between Retail and Professional Investors, different reporting requirements apply. Therefore all financial institutions that are affected by MiFID regulations have to classify their clients into one of the following categories:

- § Retail Clients
- § Professional Clients
- § Eligible Counterparties (mostly other financial institutions)

Although clients can request to be treated according to a specific classification even per type of service, in general the directive suggests the following criteria for classification:

- § balance sheet total
- § net turnover
- § own funds

To get access to this information, financial institutions will typically go to official sources and annual reports to collect this data. An internal process will then need to derive the classification from that.

As this process has to be completed latest by November 2007 and given the number of clients and counterparties most financial institutions deal with, most banks look for external support to be able to meet the regulatory deadlines.

Here, because of its service portfolio, Avox Ltd. becomes the natural partner of choice.

### **Avox - The auditable MiFID Client Classification Service**

In January 2007 Avox introduced a focused MiFID client classification service to supplement its existing offering. Participating financial institutions submit their list of entities to the Avox Community that they want to classify. Avox validates the client/counterparty records and enriches them with the MiFID data elements required for the classification. Data is transmitted in the format of the client's choosing so there is minimal integration effort required. Avox' economies of scale and scope help maximize efficiency and achieve the shortest turnaround times allowing clients to meet regulators' qualitative expectations and deadlines without having to assign internal or temporary resources unfamiliar with the task.

Clients of the Avox MiFID service will also be provided with a universal Avox Identifier (AVID) for each entity. This code can be distributed internally or externally with no license restrictions or additional cost virtually eliminating the need for expensive company identifier license management processes and technology.

In addition to this one-off service, clients can subscribe to the Avox maintenance service that ensures the client record stays up-to-date, including parental ownership information or industry classification.

Avox has currently a team of 120 data analysts based near Manchester (UK). This team is servicing a community of Tier 1 investment banks and manages hundreds of thousands of fully documented and auditable Business entity records.

The result is an efficient and comprehensive business entity data maintenance program where participants leverage a consolidated pool of data, expertise and knowledge of corporate activity to generate time and cost savings as well as measurable data quality improvement.

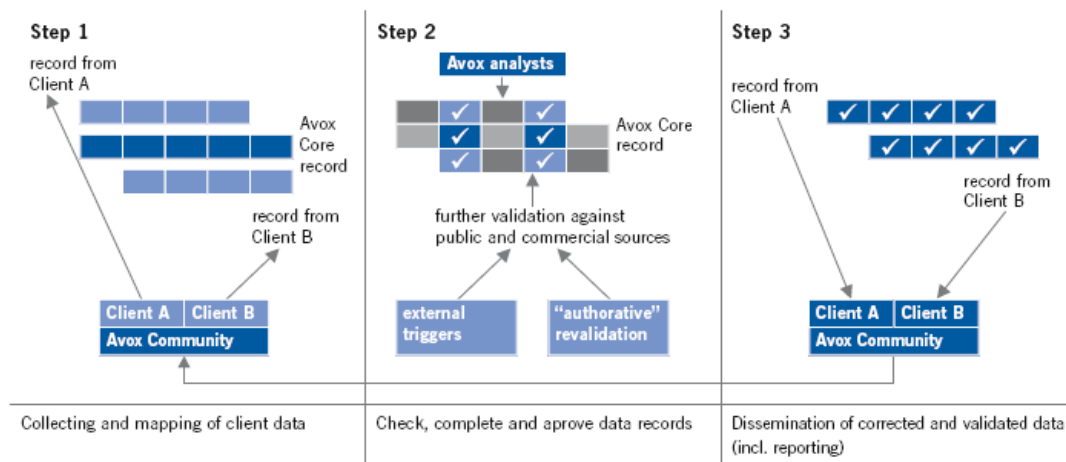
## Avox – The Company

Avox, a majority-owned subsidiary of Deutsche Börse Group, validates, corrects, enriches and maintains business entity reference data. This includes data such as corporate hierarchies, registered address information, industry sector codes and company identifiers.

The company was founded several years ago in cooperation with several financial institutions that required a more efficient mechanism for improving data quality and timeliness. The Avox operational model is unique in the industry. Its success stems from the continuous enhancement and customization programs in place for each client.

Financial institutions participating in Avox form a Community that collectively addresses poor client, issuer and counterparty data quality. The Community participants, which include some of the largest banks and asset managers in the world, both contribute and subscribe to a shared pool of data, processes and resources.

The Avox-Service – Process of Cleansing Data



To find out more, contact us at the closest Avox office, the details of which are on our website at <http://www.avox.info/>.