

**Information for clients of WOOD & Company Financial Services, a.s. published according to the rules of Directive 2004/39/EC on financial instruments markets (MiFID).**

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This document summarises the most important information for implementing the rules contained in Directive 2004/39/EC (MiFID) on trading in investment instruments. This document also contains information on the investment services of WOOD & Company Financial Services, a.s. (WOOD & Company) and on the investment instruments with which WOOD & Company trades, as well as information about risks that may be linked to the investment services or with the individual investment instruments. It also contains information about categorising clients and the possibilities of shifting between client categories. Instructions on the Securities Brokers Guarantee Fund and information about the regime for protecting a client's assets are also included in the information contained in this document.

Client categories and changing the category of individual clients

A WOOD & Company client can be classified as:

- a retail client,
- a professional client,
- an eligible counterparty,

WOOD & Company provides its services exclusively and without exception only:

- professional clients
- eligible counterparties

The criteria for classifying a client in one of these categories are stipulated by the Financial Instruments Markets Directive – MiFID (implemented to the Act. 256/2004 Coll. on Business Activities on the Capital Market). The classification of clients into the individual categories influences how they are protected. A lower degree of protection is provided to clients classified in the Eligible Counterparty category, WOOD & Company provides a higher degree of protection to Professional Clients and the highest one to those classified as Retail clients. Clients are entitled to request WOOD & Company to reclassify them to another category, just as WOOD & Company is entitled to reclassify a client if it obtains information about this client that changes its standing.

WOOD & Company fully respects the right of its clients to request reclassification for a retail client. According to its business strategy Wood & Company does not provide investment services

to this client category, in such a case Wood & Company is prepared to make any effort to ensure the relationship with the customer would be terminated without affecting the level of client's protection.

#### Client questionnaire

One of the fundamental requirements of the MiFID is to adapt the protection given to clients to their knowledge and experience of the investment area. Because one of the main concerns of WOOD & Company is to provide its clients with a service that corresponds precisely to their individual needs, clients are asked to complete a Client Questionnaire before concluding a contractual relationship. On the basis of the particulars given by the client, which help to ascertain the client's needs, knowledge and property situation, WOOD & Company endeavours to adapt, as far as possible, the scope of the services it provides to its client, so that they are provided in a qualified way and in the client's best interest.

Although the completion of this questionnaire (including the accuracy of the particulars provided in this questionnaire) is fully at the client's volition, WOOD & Company recommends completing it. By doing so, the client will avoid WOOD & Company incorrectly evaluating the client's real needs, and subsequently selecting an inappropriate investment strategy or even the situation where WOOD & Company refuses to provide a requested service. A dealer is not permitted to provide, at its own volition within the framework of a contractual arrangement, the investment service of managing a client's assets, if these assets comprise an investment instrument and investment consultation about investment instruments, without obtaining the corresponding scope of information<sup>1</sup>. It is also advisable for clients to inform WOOD & Company in due time of all changes that may affect the scope of the services provided or the degree of protection given to the client.

#### Investment instruments

The company provides investment services according to the scope of its valid securities broker activities licence. Included in the instruments for which WOOD & Company accepts instructions from its clients are investment securities, collective investment securities and derivative-type investment instruments. The specific investment instruments and the scope of the services provided are regulated in the agreement concluded between the client and WOOD & Company.

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<sup>1</sup> Section 15h(3) of Act No. 256/2004 Coll., on Business Activities on the Capital Market, as amended

Risks connected with investment services

WOOD & Company points out to its clients that an investment in investment instruments must always be evaluated in terms of the individual risks stipulated below. At the same time, clients are alerted to the fact that not only the risks stipulated below must be taken into consideration, but that factors such as the client's financial possibilities, his/her experience and outlined investment objectives must also be taken into account. Investments in investment instruments are relatively risky and it must be acknowledged that envisaged or possible returns are not guaranteed, that past returns are no guarantee of future returns, and that the repayment of the invested amount need not be guaranteed.

The individual specific risks include:

- market risk,
- issuer risk,
- risk of insufficient liquidity,
- currency risk,
- risk of the devaluation of the funds invested,
- risk ensuing from investments in derivative-type investment instruments, and
- risk ensuing from OTC trades.

Market risk ensues from a possible increase or decrease in the price of the given investment instrument due to a change in economic conditions, the manner that the investment instruments are perceived by the market or from a movement in interest rates.

Issuer risk must also include, besides market risk related to the economic situation of the specific issuer, the risk that the issuer of the investment instrument may not be capable of meeting its commitments for a certain period or that the entire amount invested may actually be lost.

The risk of insufficient liquidity is where a specific investment instrument cannot be converted to cash at the requested price or that the investment instrument cannot be purchased or sold at the requested time or in the requested quantity.

Currency risk can arise in the case of investments in investment instruments denominated in a foreign currency. When evaluating these investments, possible fluctuations in currency exchange rates must always be weighed up and included.

The risk of the funds invested devaluating (inflation risk) can affect the potential profit or loss from an investment. An unfavourable inflation development may influence the development of

investments, despite the fact that the development of the price of the investment instruments is positive.

Trades executed outside regulated markets (OTC) are trades that are not guaranteed, but they are considered completely standard manner of trading. There may be several advantages for the investor such as lower transaction and transfer costs, a broader range of investment instruments (some investment instruments are not admitted to trading on regulated markets) and in some cases the possibility of achievement better price.

#### Risks connected with the investment instruments

Deposits, deposit certificates, bills of exchange, are money-market instruments exposing an investor to a very low degree of risk but also bringing lower yields compared, for example, to trading in bonds or shares. These instruments are burdened particularly with credit risks, consisting in the debtor's inability to fulfil his/her liabilities in full or in part. Therefore it is advisable to determine and assess the debtor's solvency.

Bonds are investment instruments obliging the debtor to repay a principal amount and interests on the due amount, the price thereof being much more stable compared to share prices and for an investor bonds mean lower degree of the risk undertaken, however, they are still connected with a certain credit risk, namely the risk of the debtor's inability to pay his/her liabilities. Lower repayment rate of invested funds may be influenced e.g. by an early sale or transaction costs. Other risks result also from the nature of a bond (e.g. with a fixed or variable interest rate), issue volume and other factors, therefore it is advisable to study thoroughly the issue terms applicable to subscriptions of such investment instruments.

In addition to profits or losses from the difference of its selling and purchase price a share provides an investor with a possibility of income from dividends, however, its probability is very hard to anticipate. A share means a high risk of price developments, i.e. of the price being influenced not only by supply and demand, issuer's management and prosperity, but also by other external factors, as the general environment and market climate, public opinion etc. A share brings also a credit risk of the issuer's insolvency, in such case the investment may be totally lost. Upon trading in shares abroad the exchange rate risk must be considered, in case of transfer of shares quoted in more markets additional costs related to conversion or transfer of shares must be anticipated.

Investing in unit certificates of investment funds shall usually mean lower risk for an investor because these funds invest received funds in order to diversify risks, i.e. to invest into a wide range of products to prevent an abrupt drop in prices of all the individual elements of the given

fund's portfolio. There are various types of investment funds and accordingly also various risk rates resulting from unit certificates holding, the lower yields but also the lowest risks are attached to money-market funds, then bond funds, the highest yields and risks refer to shares funds. We may find also mixed funds, combining the above stated types. The yield amount depends on the trend of unit certificate value deriving from the investment policy of the fund and general market trends. Therefore, possible loss of invested funds cannot be excluded. Unit certificates are usually intended for long-term investments.

Derivatives – investments in derivative-type investment instruments may bring various degrees of risk, whether very low for certain types of swaps used to hedge against risks, through to derivative-type instruments connected with a so-called “leverage effect”, where the essence of the leverage effect is the pre-agreed ratio in which the value of the given investment instrument (the price of which is a fraction of the price of the underlying asset) participates in the growth or decline in the value of the underlying asset. The risk of this investment is that even a small change in the value of the underlying asset can result in a significant change in the value of the entire investment. Investments in derivative-type investment instruments with a leverage effect may be markedly risky investments and the investor should take into account the higher probability of losing their entire investment. The company trades namely in the following derivatives:

Futures are investment instruments derived from developments of a certain underlying asset (share, bond, index, commodity, currency, etc.). Similarly as their underlying assets futures are regarded to be risky instruments, however, they are often used as the so-called “hedging instruments” serving to hedge against risks, when an investor in fact “fixes” the price for the underlying asset (concludes a reverse trade in futures and the underlying asset). Future contracts bring an advantage of the so-called “leverage effect”, therefore they may provide multiple profits but also very high losses.

An option is basically an entitlement to a sale or purchase of an underlying asset (just as in case of futures) at a price stipulated upon purchase of the option. And just as futures also options are connected with the “leverage effect” advantage, because an option is derived from a certain amount of the underlying asset. By an option an investor may hedge against a loss from an underlying asset and his/her risk equals to a loss from a change in the option price, in case that the investor refrains to use his/her entitlement resulting from the option or misses the maturity term, after which the option shall expire. Therefore, the investor may incur a loss amounting to the purchase price for the option.

Trades executed outside regulated markets (OTC) are not guaranteed, however they are considered to be standard manner of trading. Among investor's advantages can count lower transaction and transfer costs, wider range of investment instruments (some of which are not admitted to trade on regulated markets) and in cases also the possibility of trading on better prices.

These risks can be partially avoided by diversification, i.e. spreading them, for example by investing in several types of investment instruments, investing in the shares of companies operating in different sectors, investing in so-called "hedged investment funds" etc. An investment can also be hedged using other investment instruments, e.g. the already mentioned derivatives. Investments may also be hedged by other investment instruments, for example the already mentioned derivatives. Currency risks may be hedged by using currency swaps and forwards, with interest rate derivatives applied to the same effect to hedge against interest rate risks. But the investor's subjective knowledge, experience and practice of capital markets must always be taken into consideration. A client with aversion to risks should invest into conservative investment instruments, i.e. namely bonds, money-market instruments or hedged investment funds. A client with a medium risk acceptance should invest in defensive share titles. A client with a positive approach to risks may place his/her investment to investment instruments using the so-called financial leverage.

#### Management of clients' funds

WOOD & Company Financial Services, a.s. always administers the assets entrusted to it by its clients separately from its own assets. Client assets are understood to mean a client's funds or investment instruments. The company does not normally accept a client's assets on its property or current accounts. WOOD & Company clients' mainly make use of the custody services of third parties. If the situation arises where a client sends his financial means or investment instruments to the current or property account of WOOD & Company, then the company will record these assets so that they are kept separate from the assets of the company. The separation of clients' assets from those of the company is a tool used to protect clients' assets from the company's creditors if the company is unable to meet its commitments and also prevents the company, to the maximum possible degree, from using its clients' assets for its own needs or for the needs of other clients.

Clients' funds entrusted to WOOD & Company are passed into the custody of third parties who are entities licensed and regulated by the relevant supervisory authorities and who participate in the guarantee scheme similar to Guarantee Fund (pursuant to Act No. 256/2004 Coll. On capital market) and / or Deposit Insurance Fund (pursuant to Act No. 21/1992 Coll. on banks). WOOD & Company notifies that these third parties may not be able to meet its obligations or may even get into default. In such case, client money may become (depending on the legislation) part of the bankrupt estate, and customers will need to claim them in the insolvency proceedings as unsecured creditors. Customers are therefore directly exposed to the credit risk of these third parties.

WOOD & Company advises its clients that it may associate clients' assets, comprising of a client's book-entered investment instruments, on client (pooled) property accounts. These property accounts are held by third parties authorised to keep records of the investment instruments in this manner in the company's name. The investment instruments of specific clients are then kept on the company's property accounts. Domestic book-entered securities are kept for clients on their own account held in the Securities Centre. Foreign securities traded on a regulated market organised by the Prague Stock Exchange are kept on the independent records of CDCP, a.s. Foreign investment instruments are kept in accordance with the relevant local legislation for keeping records of investment instruments in the records of central depositories or other authorised parties. In particular, draws attention to the fact that if the accounts held in other than EU member states, which are denominated investment instruments or funds, are subject to the law of this State and therefore the right to such investment instruments or funds may vary.

A client's assets will not be included as part of the securities broker's assets if it goes bankrupt. If the company is unable to meet its commitments and is not be able to return assets to clients, clients will be entitled to compensation from the Securities Brokers Guarantee Fund to the extent prescribed by Czech law.

List of client assets bank accounts:

Currency	IBAN (account number)	Bank:
CZK	CZ172600000002038010318 (2038010318/2600)	Citibank Europe plc (SWIFT: CITICZPXXXX)
PLN	PL50249000050000489013401515	ALIOR BANK SPOLKA AKCYJNA (SWIFT: ALBPPLPWXXX)
HUF	HU63108000076000000050286096	Citibank Hungary (SWIFT: CITIHUXXXX)
EUR	BE70301010489825	ING Belgium NV/SA

		(SWIFT: BBRUBEBB010)
RON	RO43CITI0000000675028044	Citibank Romania (SWIFT: CITIROBUXXX)
USD	BE70301010489825	Corr.bank: BANK OF AMERICA, N.A. (SWIFT: BOFAUS3NXXX) ABA: 0260 0959 3 ING Belgium NV/SA (SWIFT: BBRUBEBB010)
GBP	FR0541329000010000778043D43	Corr.bank: BNP Paribas S.A (SWIFT: BNPAGB22XXX) Sort Code: 406384 IBAN: GB32BNPA40638473564023 BNP Paribas Securities Services (SWIFT: PARBFRPPXXX)
CAD	FR0541329000010000778043D43	Corr.bank: Royal Bank of Canada (SWIFT: ROYCCAT2XXX) BNP Paribas Securities Services (SWIFT: PARBFRPPXXX)
NOK	FR0541329000010000778043D43	Corr.bank: NORDEA BANK NORGE ASA (SWIFT: NDEANOKKXXX) BNP Paribas Securities Services (SWIFT: PARBFRPPXXX)
SEK	FR0541329000010000778043D43	Corr.bank: NORDEA BANK AB (SWIFT: NDEASESSXXX) BNP Paribas Securities Services (SWIFT: PARBFRPPXXX)
CHF	FR0541329000010000778043D43	Corr.bank: BNP-PARIBAS SECURITIES SERVICES (SWIFT: PARBCHZZXXX) BNP Paribas Securities Services (SWIFT: PARBFRPPXXX)

Information on the Securities Brokers Guarantee Fund

The Securities Brokers Guarantee Fund (hereinafter the “Guarantee Fund”) is a legal entity entered in the Commercial Register charged with operating the guarantee system and granting compensation to clients of defaulting securities brokers. The Guarantee Fund is not a state fund. The Guarantee Fund is not subject to special insurance legislation.

The Guarantee Fund is managed by a five-member board of management, which is its statutory body. The chairman, vice-chairman and other members of the Guarantee Fund’s board of management are appointed and recalled by the Minister of Finance.

Every securities broker is obliged to pay its contribution to the Guarantee Fund.

The Guarantee Fund’s funds are used for:

- a) compensation arising from the inability of a securities broker to meet its commitments to its clients directly because of the securities broker’s financial situation,
- b) loan repayments or repayable financial aid,

c) paying the costs of operating the Guarantee Fund.

According to the Guarantee Fund, a client's assets are understood to be the funds and investment instruments entrusted to the securities broker for the purpose of providing investment services and the funds and investment instruments obtained for the client by way of a counter value.

The following parties are not entitled to compensation from the Guarantee Fund

- a) a territorial self-governing unit,
- b) a party who:
  - 1. carried out an audit or participated in carrying out an audit of the securities broker whose clients are being compensated from the Guarantee Fund,
  - 2. held a management position at the securities broker whose clients are being compensated from the Guarantee Fund,
  - 3. held a qualified ownership interest in the securities broker whose clients are being compensated from the Guarantee Fund,
  - 4. was a related party according to the definition contained in the Civil Code vis-à-vis the party under points 1 to 3,
  - 5. belonged to the same business grouping as the securities broker whose clients are being compensated from the Guarantee Fund,
  - 6. carried out an audit or participated in carrying out an audit of a party belonging to the same business grouping as the securities broker whose clients are being compensated from the Guarantee Fund,
  - 7. held a management position at the party belonging to the same business grouping as the securities broker whose clients are being compensated from the Guarantee Fund, in the course of three (3) years,
- c) a party in which the securities broker whose clients are being compensated from the Guarantee Fund or a party with a qualified ownership interest in this securities broker holds more than 50% of its registered capital or voting rights,
- d) a party who, in connection with the process of legalising its yields from criminal activities, entrusted the securities broker whose clients are being compensated from the Guarantee Fund with the funds obtained from these criminal activities,
- e) a party whose criminal activities made the securities broker whose clients are being compensated from the Guarantee Fund incapable of meeting its commitments to its clients.

The Guarantee Fund will suspend the payment of compensation:

- a) for the assets of a client, of which it is clear during the course of criminal proceedings, that they may constitute assets as stipulated in paragraph 4 e)<sup>2</sup>, or
- b) to a party suspected of committing a criminal act that resulted in the securities broker being incapable of meeting its commitments to its clients; this suspension will be effective for the duration of the criminal proceedings against this party.

Compensation from the Guarantee Fund is paid for a client's assets that could not be released to the client directly because of the securities broker's financial situation. In order to calculate the amount of this compensation, the values of all components of the client's assets that could not be released to the client directly because of the securities broker's financial situation, including the client's co-ownership share of assets co-owned with other clients, with the exception of the value of funds entrusted to a securities broker, i.e. a bank or a branch of a foreign bank, kept by it on accounts insured according to special legislation regulating the activities of bank, will be added up as at the date on which the Guarantee Fund received the appropriate notice from the Czech National Bank. The value of the client's commitments to the securities broker payable as at the date on which the Guarantee Fund received the notice from the Czech National Bank will be deducted from the resulting amount.

The real values of the investment instruments valid on the date on which the Guarantee Fund receives the notice from the Czech National Bank are the determining values for calculating the compensation. When calculating the amount of compensation, the Guarantee Fund can also take into consideration the contractual arrangements entered into between the securities broker and the client, if they are usual, i.e. the interest or other yields credited, to which the client became entitled as at the date on which the Guarantee Fund received the notice from the Czech National Bank.

The compensation paid to a single client is up to 90 % of the amount of its claims on the securities broker, capped at an amount, in Czech crowns, equal to EUR 20,000 per client at any one securities broker.

The compensation from the Guarantee Fund must be paid within three months of the verification of the registered claim and the calculation of the amount of the compensation. In exceptional cases, the Czech National Bank may, at the Guarantee Fund's request, extend this period by three months, at the most.

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<sup>2</sup> § 4 e) of Act No. 256/2004 Coll., on Business Activities on the Capital Markets

When the Guarantee Fund pays the compensation, the Guarantee Fund becomes the securities broker's creditor for the amount of the compensation paid. If the claim was already registered in the bankruptcy proceedings on the securities broker's assets, the Guarantee Fund will, at the same moment and to the same extent, become the bankrupt securities broker's bankruptcy creditor instead of the client. The bankruptcy trustee will, at the Guarantee Fund's request, record this change in the list of registered claims without undue delay.

A client's right to compensation from the Guarantee Fund will lapse after five years have passed from the maturity date of the client's entitlement to the payment of compensation from the Guarantee Fund.

If the Guarantee Fund's financial resources are insufficient to pay the compensation (including appurtenances) or to pay the costs of the Fund's activities, the Guarantee Fund will try to get the required funds from the financial markets. The Guarantee Fund endeavours to ensure that the conditions under which it is provided the funds are as favourable as possible. If the Guarantee Fund fails to get the funds from the financial markets, it can, at its request, be provided with a subsidy or repayable financial aid for the necessary amount from the state budget.

The client's assets are not part of the securities broker's assets according to special legislation and if a decision on the securities broker's bankruptcy has been handed down, the bankruptcy trustee is obliged to release these assets to the client without undue delay.

If mutually interchangeable investment instruments, of an identical type to that of the client's assets, are sufficient to fully pay all clients entitled to their release, these investment instruments will be released to the clients. The same rule will apply to funds comprising the assets of the clients.

If mutually interchangeable investment instruments, of an identical type to that of the client's assets, are insufficient to fully pay all clients entitled to their release, the appropriate share of the investment instruments, or its monetary value, will be released to the clients. If the funds are not sufficient to pay all clients entitled to their release, the clients' entitlements will be paid on a pro-rata basis.