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IN FINANCIAL
INSTRUMENTS
DIRECTIVE

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moving money for better

WHAT IS MIFID II?

The Markets in Financial Instruments Directive is a law that was introduced in 2008 with the aim of increasing transparency across the European Union's financial markets and for all EU members to share a common, robust regulatory framework that protects investors.

Shortly after the roll out of MiFID I, the financial crisis struck, highlighting additional areas where investor protection could be further enhanced.

MiFID II is the EU regulatory response to these challenges designed to offer greater protection for investors and inject more transparency into all asset classes: from equities to fixed income, exchange traded funds and, importantly, foreign exchange.

WHAT DOES THIS MEAN FOR YOU?

MiFID II touches on many aspects of individual investing, including investment advice, how products are sold and regulated, information and costs.

INVESTMENT ADVICE

Western Union International Bank GmbH (WUIB) currently operates both an advised and non- advised service for its hedging products. Where it is provided, our advice relates to how we think you should manage your currency risk and is based on a suitability assessment which takes into account your knowledge and experience, hedging objectives and financial situation. The outcome of this assessment will determine which products we will recommend to you. We do not provide independent advice, insofar as we only advise on products that we sell rather than any and all products on the market. The MiFID II regulations specifically require us to notify you how we provide our advice.

PRODUCTS

Under MiFID II, and other EU laws, we are now subject to extended transparency rules around product selection. Essentially, where we recommend a specific hedging product to you, the regulations require us to explain why we selected that structure over others and how it meets your needs. We already meet this requirement in the Statement of Advice documents that are sent to you post trade; however, in order to further enhance our compliance, we have also now developed a Key Information Document for each of our hedging structures. Our Key Information Documents, which are available on request from your usual Western Union contact, explain the type of product and its features, the hedging objectives that it suits, the advantages and disadvantages/risks, costs of buying and of selling prior to expiry and the possible outcomes under a range of market scenarios.

COSTS

An important change under MiFID II is a requirement for firms to disclose costs and charges that are included within a price offered to customers, being more transparent about ongoing costs incurred such as performance fees and, where relevant, to explain how these costs and charges will affect the expected return of an investment.

As WUIB only sells hedging products and specifically forbids transacting for speculative or investment purposes, we do not claim any 'return' or yield on our products. There are also no _____ ongoing costs involved with buying and holding a hedging product until maturity/expiry. However, when offering you a rate of exchange on a forward contract, or specific terms for an option contract, we generate gross revenue from which various costs and charges are deducted, rather than asking you to pay these up-front. We will now disclose the relevant costs relating to your transaction both as an estimate in advance of transacting via our quote sheets or the Key Information Document and again post trade showing the exact amounts on your trade confirmation. This disclosure will not change the rate or terms that you receive, nor are there additional costs that you pay, we are simply being more transparent about what has gone into determining the rate/terms ___ we are offering you.

As well as disclosing the maximum percentage charges that will be incurred before transacting, we will also quantify the charges on your trade confirmations and provide you with a periodic statement of the costs and charges incurred over time.

In addition to the above transaction specific charges, we will further enhance our disclosure of other transaction costs to include exit costs – i.e. how the maximum amount you could be charged to close out of a position early either in addition to any out of the money amount, or deducted from any in the money value. This will also be disclosed in advance of entering into the trade via our quote sheets or other documentation.

TRANSACTIONS

Western Union will continue to observe its best execution requirements when it comes to executing your transactions with us. Our Order Execution Policy is outlined in our Financial Services Guide (available on our website <http://en.business.westernunion.de/About/Compliance-Legal> or on request from your WU representative). You should take specific note that all orders will be executed by WUIB dealing as principal. WUIB does not execute any Client Orders on a regulated market or multilateral trading system and all transactions are Over The Counter (OTC).

RECORD KEEPING

We already notify you that calls will be recorded for quality and training purposes. This will continue following the implementation of MiFID II, with all calls and emails leading up to and including a transaction will be recorded and archived for a minimum period of 5 years.

WHAT HAS NOT CHANGED

CLIENT CLASSIFICATION

MiFID II has, in many cases, enhanced existing regulations already in place, particularly when these were already deemed to be working well. One such example is the classification of customers into one of three categories:

- Retail
- Professional
- Eligible Counterparty

Western Union will continue to classify its clients as Retail or Professional based on the MiFID criteria. As our client, you have the right to request to be classified differently. If you are classified as Professional, you always have the right to request to be treated as a Retail client. As a Retail client you may choose to be treated as an Elective Professional provided you meet certain criteria based on your Knowledge and Experience.

MiFID II increases the amount of protection and transparency that must be provided to Professional clients, bringing it more in line with that required for Retail customers; however, Western Union has not differentiated its documentation or communications between the two classifications, so you should not experience any material change.

YOUR RIGHT TO COMPLAIN

Our primary goal is to provide superior customer service. To help us achieve this, we would like to hear from you if you are dissatisfied with any products you have purchased from us or any service you have received from us.

Your right to complain and the process for lodging a complaint has not changed under MiFID II. Details can be found in our Financial Services Guide or on our website <http://en.business.westernunion.de/About/File-a-Complaint>

Costs and Charges

Although this is a zero-cost structure, there are, nonetheless, costs and charges that are covered within the terms that we are offering you. Essentially, were these costs not here, the terms you could achieve would be more favourable. It is important, therefore, that we disclose what has been taken into account when creating this quote for you.

Cost	Percentage	Amount
Credit Charge	0.30%	150
Operating Cost	0.05%	25
Total	GBP	175

Sample from a quote sheet showing how costs and charges will be disclosed

FREQUENTLY ASKED QUESTIONS

Q: To whom does MiFID II apply?

A: MiFID II applies to those financial services businesses undertaking MiFID business anywhere in the EU as well as those providing services cross-border. This includes banks, investment firms, trading venues, data reporting service providers and third-country firms providing investment services or performing investment activities into the EU (either on a services basis or via a branch).

Q: Will the MiFID II rules make much difference to me?

A: In terms of your day to day dealing with Western Union, no. Aside from the transparency around costs and charges that will lead to changes on your quote sheets and confirmations, you will probably not experience a great deal of change. Although these are very far reaching regulations, much of the impact is behind the scenes in ensuring investor/consumer protection and the smooth, compliant, operation of the financial markets.

Q: It seems that not all FX providers consider MiFID II to be applicable. Is this right?

A: The applicability of MiFID II depends on the scope of services being offered. Financial instruments include forward and option contracts, but not spot transactions or payment services. The latter are covered by separate legislation. Advice on financial instruments is also considered to be MiFID business.

In certain circumstances, where a deliverable FX Forward Contract is entered into in order to facilitate payment for identifiable goods or services, such forward contracts can be sold without the selling firm being subject to MiFID II; however, there are restrictions on this and the flexibility of the product will be curtailed. As Western Union already offered UK customers advice and FX options under our Austrian banking licence and therefore largely already met the MiFID II criteria in these respects, it made sense for us to bring all operations under that umbrella, despite the additional regulatory burden. This allows us to offer you the widest, and most flexible range of hedging products, but also affords you the greatest amount of security and protection.

Q: What does Brexit mean for MiFID II?

A: The UK financial regulator, The Financial Conduct Authority (FCA) stated, "Firms must continue to abide by their obligations under UK law, including those derived from EU law, and continue with implementation plans for legislation that is still to come into effect". Brexit has not affected the implementation of MiFID II, and it is now in force in the UK.



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