

EFIC - Enhanced Financial Instruments Classification

Objective classification of financial instruments

1) Reason for the classification

Now more than ever, there is a demand for uniform criteria by which to compare financial instruments. The risk and cash flow structures of securities are not always recognizable at first glance anymore, and no system is currently available for comparing all of the securities in the German market. As the main service provider for the financial industry, we have created just such a system for comparing and classifying financial instruments.

2) The new classification system

The new system is hierarchical. On its highest level—*Product Type*—securities are differentiated by their basic characteristics, including the legal features indicating whether they are equity interests, legal interests, or obligations. Further differentiation is found on the second level, that of the *Product Category*, classification being effected by the object of certification. The third, or *Instrument Type* level, sorts financial instruments by their technical construction. Further description of each instrument type is facilitated through *Addenda 1 to 4*, applicable on a parallel basis to all instruments of one type. There is no ranking or hierarchy within the Addenda. *Addendum 1* describes the degrees of freedom in the fixed financial instrument categories as well as additional contractual terms; *Addendum 2* describes underlying instruments and reference figures; *Addendum 3* contains details of special collateral or redemption terms; while *Addendum 4* may contain particularities not otherwise included in the classification.

The *Product Type*, *Product Category* and *Instrument Type* attributes are only supplied in certain combinations. *Addenda 1 to 4* can be combined with all *Product Type*, *Product Category* and *Instrument Type* combinations.

Each financial instrument is objectively evaluated on the basis of its features and assigned a product category, product type and instrument type, regardless of its name and other issuer information. If more detailed description is possible, the addenda are applied. This classification is effected exclusively by us; issuers and other intermediaries have no influence, thus guaranteeing the objectivity necessary for the identification and comparison of instruments similar in type and/or structure.

3) Implementation

The new system will replace the old *Securities Category* and *Securities Type* classification. From October 2005 until October 2010, classification will be supplied on a parallel basis as per both systems, after which the old classification will be discontinued.

4) Legend

| Field name | Data-Line field identification | IT-Line Class |
|---------------------|--------------------------------|---|
| | | GD198A-G = EFIC |
| Product type | GD198A | <i>InstrumentGroup.schemeSymbol</i> EFICProductType |
| Product category | GD198B | <i>InstrumentGroup.schemeSymbol</i> EFICProductCategory |
| Instrument type | GD198C | <i>InstrumentGroup.schemeSymbol</i> EFICInstrumentType |
| Addendum 1 | GD198D | <i>InstrumentGroup.schemeSymbol</i> EFICInstrumentType_Addendum1 |
| Addendum 2 | GD198E | <i>InstrumentGroup.schemeSymbol</i> EFICInstrumentType_Addendum2 |
| Addendum 3 | GD198F | <i>InstrumentGroup.schemeSymbol</i> EFICInstrumentType_Addendum3 |
| Addendum 4 | GD198G | <i>InstrumentGroup.schemeSymbol</i> EFICInstrumentType_Addendum4 |
| Securities category | GD190 | <i>InstrumentGroup.schemeSymbol</i> Securities Category |
| Securities type | GD195 | <i>InstrumentGroup.schemeSymbol</i> Securities Type |

The current codes and decodes can be found at www.wmdata.com under the *Financial Instrument Classification* heading.