

**POLICY**

For execution of client orders  
For transactions in financial instruments

**Prepared on the grounds of art.30, par.2 and art. 36 and seq. under the Law on Markets in Financial Instruments and art.3, par.3, item 2 and art.12 of Regulation No 38 of the Financial Supervision Commission on the Requirements to the Activity of the Investment Intermediaries**

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## CONTENTS

1.1 Introduction. Scope of the policy for implementation of client orders.....	4
1.2 Relations with clients. Care for the interests of the clients.....	4
1.2.1. Factors for evaluation of the execution of an order in the best interest of the client.....	5
1.2.1.1 Price .....	5
1.2.1.2 Costs .....	5
1.2.1.2.1 Direct execution of orders on stock exchange (regulated market) .....	5
1.2.1.2.2 Indirect execution via intermediary.....	5
1.2.1.2.3 Specificities of fixed price transactions with the bank.....	6
1.2.1.3 Other aspects related to the execution of client orders.....	6
1.2.1.3.1 Speed of execution .....	6
1.2.1.3.2 Probability for execution and settlement .....	6
1.2.1.3.3 Type and size of the order.....	6
1.2.2. 1.2.2. Criteria for determining the relative importance of the factors for execution of a client order .....	6
1.2.2.1 Client classification. Determining a risk profile of the client and performing an assessment for suitable service.....	6
1.2.2.2 Classes of financial instruments .....	8
1.2.2.3 Venue for execution of client orders.....	8
1.3 Trading hours.....	9
1.4 Distribution of the shares .....	9
<b>2. TYPES OF FINANCIAL INSTRUMENTS Execution of client orders with financial instruments constituting the subject thereof.....</b>	<b>9</b>
The Bank concludes transactions for its own or someone else's account and in the specified manners with the following classes of financial instruments: .....	9
2.1 SHARES AND OTHER SECURITIES EQUIVALENT TO SHARES, AS WELL AS DEPOSITORY RECEIPTS FOR SHARES.....	9
2.2. Foreign shares and other securities .....	9
2.3 Registered rights .....	9
2.4 Bonds and similar securities .....	10
2.4.1 Bonds issued on a local market .....	10
2.4.2 Bonds in foreign currencies issued abroad .....	10
2.5 Investment securities.....	10
2.6 Certificates of participation .....	11
2.7 Warrants .....	11
2.8 Certificates .....	11
2.9 Derivatives .....	11
2.9.1 Derivatives traded on the stock exchange .....	12
2.9.2. Derivatives that are not traded on regulated market .....	12
3. AGGREGATION OF CLIENT ORDERS .....	12
<b>4. CONCLUSIVE CLAUSES.....</b>	<b>12</b>
<b>5. Glossary of the used terms.....</b>	<b>13</b>
5.1 Central counterparty .....	13
5.2 Certificate .....	13
5.3 Clearing. Settlement.....	13

5.4 Derivative contracts .....	13
5.5 Funds traded on the stock exchange.....	13
5.6 Systematic internalisers .....	13
5.7 Market makers.....	13
5.8 Venues for execution.....	13
5.9 Financial futures .....	13
5.10 Investment intermediary .....	14
5.11 Fixed rate securities .....	14
5.12 Forwards and futures .....	14
5.13 Funds.....	14
5.14 Public offering. Initial public offering.....	14
5.15 Special Purpose Vehicles.....	14
5.16 Options .....	14
5.17 Shares .....	14
5.18 Share market indices .....	15
5.19 Subscription rights .....	15
5.20 Swaps .....	15
5.21 Warrants.....	15
5.22. Investment consultation .....	15
5.23 Portfolio management.....	16
5.24 Contracts for differences .....	16

## 1. GENERAL DISPOSITIONS

### 1.1 INTRODUCTION. SCOPE OF THE POLICY FOR IMPLEMENTATION OF CLIENT ORDERS

This Policy for execution of client orders for transactions in financial instruments (hereinafter referred to as the „Policy”) has been prepared in accordance with the requirements of the Law on Markets in Financial Instruments /LMFI/ and Regulation № 38 dated 25 July 2007 on the requirements to the activity of the investment intermediaries /Regulation № 38/.

The Policy for execution is applied to all orders submitted by the clients to the Bank for purchase, sale and exchange of securities or other financial instruments within the meaning of Art.3 of the LMFI.

The transactions in financial instruments are carried out according to the rules and requirements applicable to the respective venue of their execution and the legislation applicable for that venue and those financial instruments.

### 1.2 RELATIONS WITH CLIENTS. CARE FOR THE INTERESTS OF THE CLIENTS

The relations between UniCredit Bulbank („the Bank”), acting as an investment intermediary and its clients are built on the basis of mutual trust, confidentiality of the information and bilateral financial benefit in compliance with the statutory provisions of LMFI and the by-laws for its implementation.

While executing a client order UniCredit Bulbank, acting as investment intermediary, observes the restrictions, bans, requirements and conditions of the applicable legislation, its General Terms and Conditions, applicable to the contracts with clients as an investment intermediary and the specific contract, including by applying measures for execution of client orders in objectively possible best conditions for its clients.

The assessment for the best execution of the client orders is not bound only to the establishment of the best price for the client but also to all factors listed below. If for a specific transaction in financial instruments it is established that the price at which it has been concluded is not the best price possible, offered on the market at the time of its conclusion, this does not mean that the condition for best execution of the client order has been breached.

The assessment by the Bank of the execution of the client order under the best conditions for the Client takes into account the overall impact of the following factors:

- Price of the financial instruments
- Costs, related to the execution of the order
- Probability for execution and processing of the order
- Size of the order
- Type of the order
- Other factors that are important for the execution of the order

Relative importance of the above factors is determined by the Bank individually for each separate order based on the following criteria:

- Client category and its risk portfolio;
- Type of the client order;
- The characteristics of the financial instruments, subject to the order;
- The characteristics of the venues for execution to which the order may be directed for execution.

The Bank carries out client orders taking into account their specific parameters, as specified by the client in the order or provided otherwise. The Bank always carries out a client order, strictly observing the specific instructions of the Client, specified in the order or provided otherwise. In certain cases, the parameters of the individual order may not allow the Bank to apply this Policy and to conclude a transaction which does not comply to its criteria for achieving the best execution of an order for a transaction in financial instruments. All special instructions of the Client derogate the rules of this Policy, about which the Client is considered informed by signing a contract with the Bank and accepting this Policy. When executing an order according to the explicit instructions of the client, the

parties accept and unconditionally agree that the Bank has fulfilled its obligation for achieving the best result. The Bank is not responsible if it has accurately and in good will executed a client order, following the parameters of the transaction stipulated therein. The risk and the consequences of the execution of such orders remain fully at the expense, at the risk and responsibility of the Client.

Where a third country market is chosen for execution, with his/her explicit instructions for market the client confirms that he/she is acquainted with the market specificity, as well as with the specific conditions for safekeeping, settlement, registration and exercising of rights over the financial instruments which may differ from those regulated in the EU, if any.

Upon the explicit instruction of the client it is assumed that the client is informed and hence aware of the fact that his/her rights related to the financial instruments or cash, may differ due to the applicability of the law of a third country, which also includes the conditions under which the following events might arise:

- The availability of possessory lien or retention right over the client cash or financial instruments for the investment intermediary;
- The availability of right to set-off over the client cash or financial instruments for the investment intermediary;
- The availability and the conditions on which the investment intermediary has or may have right to set-off in relation to client financial instruments or cash;
- The possibility the depository institution to have possessory lien, right to retention or of set-off over the client financial instruments or cash, wherever applicable.

## **1.2.1. FACTORS FOR EVALUATION OF THE EXECUTION OF AN ORDER IN THE BEST INTEREST OF THE CLIENT**

### **1.2.1.1 PRICE**

The Bank evaluates the price-formation mechanisms at the venues for execution of orders the subject of which are the financial instruments that are included in the client order, in order to decide which is the most favourable venue in terms of price.

The price normally depends on the number of the participants on the market, the behaviour of the market makers (if any) and the organization of the stock exchange (reference market principle), where the respective financial instruments are traded,

### **1.2.1.2 COSTS**

For the provided investment services the Bank may collect fees and commissions defined on the grounds and in the amount specified in its Tariff.

All costs, related to the execution of a client order, including, but not only, the fees for the venue of execution of the order, fees for clearing and settlement, as well as other fees and remunerations, payable to the Bank and/or third persons related directly to execution of the order, are reflected in the commission of the Bank, that is collected after execution of the client order.

#### **1.2.1.2.1 DIRECT EXECUTION OF ORDERS ON STOCK EXCHANGE (REGULATED MARKET)**

In addition to the commissions of the Bank the costs include any costs incurred by third parties (for example stock exchanges, leading brokers/market makers active on the stock exchanges – including costs for central co-contracting parties – as well as participants related to the settlement of the orders), as well as costs for access to the respective market.

#### **1.2.1.2.2 INDIRECT EXECUTION VIA INTERMEDIARY**

If the Bank does not have a direct access to a given venue for execution of the order, it will not execute the order on its own at that venue, but will use the services of an intermediary. In that case, the costs for execution include both those under Item 1.2.1.2.1, and the ones of the intermediary.

**1.2.1.2.3 SPECIFICITIES OF FIXED PRICE TRANSACTIONS WITH THE BANK**

For fixed price transactions with the Bank, usually the fees are included in the value of the financial instruments.

**1.2.1.3 OTHER ASPECTS RELATED TO THE EXECUTION OF CLIENT ORDERS**

According to the regulation, the Bank has also taken into account the following aspects related to the execution of client orders:

**1.2.1.3.1 SPEED OF EXECUTION**

The speed of execution on a specific regulated market or multilateral trading facility is determined to a large extent by the type of the market model (i.e. the organization of the trade on the respective market, determined in its rules and the applicable legislation).

**1.2.1.3.2 PROBABILITY FOR EXECUTION AND SETTLEMENT**

The probability for a specific order to be executed on a specific regulated market or a multilateral trading facility is determined to a large extent by the liquidity of the financial instruments, subject to the client order on the specific venue.

As probability for settlement the Bank considers the risk from a problematic settlement in the transfer of the financial instruments, which for its part may have a negative effect on the supply or payment.

**1.2.1.3.3 TYPE AND SIZE OF THE ORDER**

The Bank makes a distinction according to the size of the order if it affects the choice of the venue for its execution in terms of price and costs.

Moreover, the Bank takes into account whether it is possible to execute a specific type of orders on a specific market.

In certain cases it is possible to submit various types of orders on the specific venue for execution with subject the same financial instruments (limited and additional types of orders (for example "all or nothing"). When they submit an order Clients may specify the type of the order in the contract/order, despite the fact that some types of orders may be exceptional criteria for specific stock exchanges.

**1.2.2. 1.2.2. CRITERIA FOR DETERMINING THE RELATIVE IMPORTANCE OF THE FACTORS FOR EXECUTION OF A CLIENT ORDER****1.2.2.1 CLIENT CLASSIFICATION. DETERMINING A RISK PROFILE OF THE CLIENT AND PERFORMING AN ASSESSMENT FOR SUITABLE SERVICE**

**1.2.2.1.1.** In accordance with the established provisions of the legislation, the Bank classifies its clients as professional clients, retail clients and eligible counterparties. The classification of clients does not affect the execution of the client order in terms of the venue of its execution.

The Bank classifies each client by applying the following criteria and rules:

Eligible counterparty is any client that is:

- a) investment intermediary
- b) lending institution
- c) insurance company
- d) collective investment schemes
- e) pension fund
- f) pension-insurance company
- g) governments
- h) state bodies managing the state debt
- i) central banks and international institutions

Professional clients are the following ones:

- a) persons/entities trading as per their subject of activity for their own account in commodities or derivative financial instruments on commodities;
- b) juridical persons providing investment services or performing investment activities which are expressed solely in trading for their own account on the markets of financial futures, or options, or other derivative financial instruments on the money market solely with the purpose of hedging positions on the markets of derivative financial instruments, or trading for the account of other participants in those markets, or determining prices for them and which are guaranteed by clearing members of the same markets when the responsibility for the execution of the contracts concluded by such persons is assumed by clearing members of the same markets;
- c) other institutional investors;
- d) Big companies which meet at least one of the following requirements:
  - Net book value – equal at least to the equivalent in leva of EUR 20 000 000;
  - Net turnover amount – equal at least to the equivalent in leva of EUR 40 000 000;
  - Own funds amount – equal at least to the equivalent in leva of EUR 2 000 000
- e) national and regional bodies of the state power, state bodies which are involved in the management of the state debt, central banks, international and supranational institutions such as the World Bank, the International Monetary Fund, the European Central Bank, the European Investment Bank and other similar international organizations.
- f) Other institutional investors, the main subject of activity of which is investing in financial instruments, including entities performing securitization of assets or other financial transactions.
- g) Non-professional client on the part of UniCredit Bulbank AD requesting change of category into a professional class. This is possible in case this Client satisfies at least two of the criteria listed below:

- During the last year this person has concluded in average per a quarter 10 transactions of a significant volume on the respective market;
- The value of this person's investment portfolio, including financial instruments and money deposits exceeds the equivalent in leva to EUR 500 000;
- The person works or has worked in the financial sector for not less than one year occupying a job position that requires knowledge of these transactions or services.

All customers who do not meet the requirements applicable to a professional client, respectively an eligible counterpart, are classified by the Bank as non-professional clients.

The Bank ensures the possibility for its clients, upon request on these latter's part and in the existence and observance of the lawful prerequisites, to change the class determined also as per the rules of the present Policy, as in this way they will take the advantage of the respective level of protection specified for this class

The highest protection of investment rights and interests, and property is ensured for the non-professional clients, followed by the professional clients and the eligible counterparts.

**1.2.2.1.2.** While providing investment services, the Bank determines the risk profile of each and every bank client on the basis of presented by the latter information on the latter's investment objectives (including information about the period of time during which the client is willing to hold the investment, the client's preferences as regards the assumed risk, the client's risk profile, and the objectives of the investment), the financial conditions of the client (including, on discretion of the Bank, information about the sources and amount of the constant revenues, assets, including liquid assets, investments and real estate, as well as regular financial obligations), experience and risk appetite. The mentioned information is necessary for the Bank to ascertain the important facts with respect to the client and it provides reasonable grounds for the latter to consider, taking into account the nature and scope of the offered service, that the transaction which is going to be recommended or concluded satisfies the following criteria:

1. corresponds to the investment objectives of the client;
2. the client has the financial capability to assume all the related investment risks, compatible with the client's investment objectives;

3. the client possesses the necessary experience and knowledge in order to understand the risks related with the transaction or with the management of the client's portfolio.

The Bank assumes that, as regards the products, transactions and services offered to a professional client, the latter possesses the needed experience and knowledge, in order to understand the risks related to the transaction or with the management of the client's portfolio and has the financial capacity to assume all the related investment risks which are compatible with the client's investment objectives;

In case the Bank has not collected the required information while providing investment advice or portfolio management and/or the client rejected to provide fully or partially the requested information, the Bank has not the right to recommend investment services or financial instruments to the client.

The Bank explicitly notifies its client if the transactions in financial instruments ordered by the latter do not correspond to the latter's risk profile. The Bank fulfills such orders on the prerequisite condition that the client has explicitly stated in writing to be acquainted with the circumstance that the transaction ordered by the latter does not correspond to the latter's risk profile, but despite this, the client is willing to have the transaction concluded.

#### **1.2.2.2 CLASSES OF FINANCIAL INSTRUMENTS**

The classes of financial instruments (financial instruments having a similar structure) are specified by the regulations in Article 3 of the Law on Markets in Financial Instruments. Financial instruments included in one and the same class are treated equally in the context of the present Policy.

#### **1.2.2.3 VENUE FOR EXECUTION OF CLIENT ORDERS**

In conformity with the present Policy, the Bank differentiates between a non-regulated market (over the counter – OTC market) and a regulated market. Regulated markets which are covered by the Bank and on which the Bank executes the client orders are shown in an Appendix to the present Policy and they constitute an integral part of this Policy. The Appendix containing the markets which the Bank has selected and included in the Bank's Policy are reviewed on a regular basis (once in a year) or in case of need.

Venue for execution of a client order is a regulated market, a multilateral trading facility, a non-regulated market in financial instruments, systematic internaliser or market maker, or other organizations through which such transactions are performed, as well as similar public or private juridical institutions operating outside the territory of the Republic of Bulgaria whereby the law of a foreign country or the rules of a foreign institution are applicable.

In the course of the preparation of the present Policy the Bank has taken into consideration and has performed an assessment predominantly of the organized markets, multilateral trading facilities, and on the counter trading.

While choosing the venue for the execution of an individual order, the Bank takes into consideration these venues where the respective financial instruments, constituting the subject of the order, are traded in significant volumes, and it also takes into consideration whether it has direct access to these markets or has to make use of the services of an investment intermediary. The Bank uses investment intermediaries in the cases where it has no direct access to a particular market. The Bank acts in cooperation with different investment intermediaries on the basis of contracts concluded with these latter, as, with a view to ensuring execution terms and conditions which are in the best interests of the clients, the Bank performs on a regular basis reviewing of the currently selected investment intermediaries.

An integral part of the present Policy is [Appendix 1](#) – List of venues for execution of client orders for transactions in financial instruments (regulated markets) to which the Bank has access and which it uses in its activities as investment intermediary („List") and which ensure the best execution of the client orders. Upon the performance of any amendment to this List (inclusion or exclusion of a venue for execution) the Appendix shall be duly updated on the part of the Bank. The Bank performs a periodical basis reviewing of the List, at least once a year. A List updated as at any moment is available on the Internet site of UniCredit Bulbank AD.

In case the client is willing to have the order executed on a venue which is different from those included in [Appendix 1](#) the client is required to specify in the order explicitly the venue where the order should be executed.

### **1.3 TRADING HOURS**

Orders that are received beyond the normal trading hours of the Bank, or beyond the normal trading hours of the venue for execution, are executed upon the renewal of trading.

### **1.4 DISTRIBUTION OF THE SHARES**

In the case of shares subject to initial public offering and/or capital increase (without issuing of the subscription rights), the distribution of the requested shares for subscription is performed by the issuer in cooperation with the entity organizing the issue placement (the Lead Manager) or the institutions represented in the consortium (in the cases where the entities organizing the issue placement are more than one).

The common market practice presumes the distribution of the shares to be performed among the investors in conformity with these latter's investment classes.

## **2. TYPES OF FINANCIAL INSTRUMENTS EXECUTION OF CLIENT ORDERS WITH FINANCIAL INSTRUMENTS CONSTITUTING THE SUBJECT THEREOF.**

The Bank concludes transactions for its own or someone else's account and in the specified manners with the following classes of financial instruments:

### **2.1 SHARES AND OTHER SECURITIES EQUIVALENT TO SHARES, AS WELL AS DEPOSITORY RECEIPTS FOR SHARES**

Bulgarian shares are traded on the Bulgarian Stock Exchange – Sofia, as a local market presuming a good price and lower costs related to the execution of the order.

All orders for shares and other local securities listed on the Bulgarian Stock Exchange – Sofia are executed in conformity with the official trading hours on the stock exchange.

In the case of securities falling in this class of assets the Bank pays especially great attention to such factors as probability for execution. Details may be provided to the clients upon request.

The Bank does not guarantee that an accepted order will be executed on the chosen trading venue during the same working day. Orders that have not been fulfilled in the same working day will remain at the venue for execution unless the client has not specified the prescription term of the order (for example in case of one-day orders), or the type of the order necessitates the annulment thereof.

### **2.2. FOREIGN SHARES AND OTHER SECURITIES**

Considering the fact that the local market offers usually the greater liquidity and respectively, higher price, as well as the circumstance that the price differences are to be felt usually in the cases of orders of big volumes, the related costs usually render more effective the following:

- a) the execution of orders having for a subject foreign securities which can be listed for trading also in Bulgaria, on the Bulgarian Stock Exchange – Sofia when the order involves small volumes.

In all other cases of transactions with foreign securities in addition to the specified in item 2.2., letter „a”, namely orders for great volumes, or for foreign securities which are not listed on the Bulgarian market, the orders will be executed on the respective markets in application of the respective foreign law and the rules of the execution venue. Additional information can be provided to the clients upon request.

### **2.3 REGISTERED RIGHTS**

This class of assets includes both tradable registered rights and redemption rights.

Taking into account the limited term of registration, the aspects connected with the probability for execution and speed for execution acquire greater weight for rights which are registered and deposited abroad.

Orders for rights registered in the country (with the Central Depository AD or another local depository institution) are executed on the respective local regulated market (the Bulgarian Stock Exchange – Sofia AD). The orders for rights registered abroad are executed directly through a transaction on OTC or on the place in the respective country where these rights have been registered for trading in application of the respective foreign law and the rules of the execution venue. Detailed information is to be provided to the client upon request.

#### **2.4 BONDS AND SIMILAR SECURITIES**

This class includes fixed rate securities and securities on the money market, as well as other securities which are similar to bonds.

For this class of instruments the Bank offers prices upon request on the part of the client. The purchase is performed at fixed price. In the case where the Bank does not offer a fixed price transaction the Bank concludes the transaction under commission conditions on the regulated or over the counter market.

##### **2.4.1 BONDS ISSUED ON A LOCAL MARKET**

The Bank executes orders for bonds issued by the Bulgarian Ministry of Finance through the Bulgarian National Bank by the means of trading on the over the counter market or upon request on the part of the client – on the Bulgarian Stock Exchange – Sofia AD. In the case of non-existence of alternative market, this type of securities are executed as fixed price transactions or as commission transactions on the over the counter market.

For all types of securities of this asset class which are other than the above mentioned the Bank usually offers a possibility for their purchase from or sale to the Bank directly at current prices. The purchase or sale afterwards is performed at fixed price negotiated with the Bank (known as fixed price transaction). The Bank has no obligation to conclude such transactions. Upon conclusion of a fixed price transaction the Bank assumes price engagement for the respective securities, taking into account the market situation and the knowledge about all costs related to the execution of the transaction.

If no fixed price transaction is concluded, the Bank will fulfill orders for the purchase or sale of the securities listed at national level on the Bulgarian Stock Exchange – Sofia AD. For orders for securities that are not listed at national level the Bank requires instructions from the client as regards the venue for execution.

##### **2.4.2 BONDS IN FOREIGN CURRENCIES ISSUED ABROAD**

The trade in bonds in foreign currencies is usually carried out on the over the counter market. For this reason the Bank usually offers a possibility for purchase and sale of these securities from or to the Bank directly at current prices. The transaction is performed at fixed prices agreed with the Bank (known as fixed price transactions). The Bank has no obligation to conclude such transactions. At the conclusion of a fixed price transaction the Bank assumes price engagement for the respective securities, taking into account the market situation and the knowledge about all costs related to the execution of the transaction.

If no fixed price transaction is performed, the Bank has to receive instructions from the client as regards the execution venue. This same is applicable also when the client requires that the order is fulfilled as a commission transaction on the OTC market.

#### **2.5 INVESTMENT SECURITIES**

Shares/participating interests in funds of local public investment companies, and foreign investment companies, and foreign investment funds licensed for local trading may be traded by the means of a

transaction on the OTC market or on the Bulgarian Stock Exchange – Sofia AD, if these are registered for trading on this venue.

Funds that are traded on the Stock Exchange have to meet the conditions for common shares and similar securities (to be equally treated and freely traded).

## **2.6 CERTIFICATES OF PARTICIPATION**

The Bank executes all orders for registered on an organized market certificates on shares and bonds on the respective local market.

If there is no market with relatively high liquidity, the Bank may carry out an over the counter transaction at a fixed price or, respectively on a commission principle.

## **2.7 WARRANTS**

The orders for warrants are executed as commission transactions if traded on an appropriate stock exchange, respectively if the warrants are not traded on a regulated market or are traded on the over the counter market, the Bank can offer fixed price transactions. The bank will execute orders for purchase or sale of warrants, traded on the Bulgarian market on the respective local market. The orders for the purchase and sale of warrants which are not listed at national level are executed on the respective local stock exchange where these latter are registered/deposited.

## **2.8 CERTIFICATES**

The purchase and sale of own issues of Certificates (structured investment products) to third parties is carried out at fixed price agreed with the Bank. The Bank has no obligation to conclude transactions in such instruments. During the normal trading hours the Bank constantly offers binding prices taking into account the market situation, and has information on all costs related to the execution of the transaction.

For the purchase and sale of structured investment products by third parties – issuers, the Bank usually offers to the client a possibility to buy from or sell directly to the Bank at current prices. The purchase or sale is performed as fixed price transaction concluded with the Bank. The Bank has no obligation to perform such transactions.

If no fixed price transaction is performed, the Bank will fulfill orders for structured investment products listed on a Bulgarian regulated market respectively on this market. The orders for the purchase of structured investment products which are not listed at national level are executed on an appropriate local (foreign) stock exchange. Orders for the sale of similar securities are executed on a trading venue in the country where they are deposited, which can be other than the local stock exchange. Detailed information is to be provided to the client upon request.

If no respective regulated market (stock exchange) is determined, the Bank will accept the order for execution on the over the counter market.

Orders for subscription of structured investment products are executed outside the stock exchange with the issuer as a counterpart. Detailed information is to be provided to the client upon request.

## **2.9 DERIVATIVES**

This asset class includes options, futures, swaps, and other derivative contracts on securities, currencies, interest rates or yields, or other derivative instruments, financial indices or financial indicators, the obligations under which can be settled through delivery or cash payment. In addition, it includes the above mentioned instruments, related to a commodity that has to be settled in cash, or for which one of the negotiating parties can enact cash settlement, derivative instruments for credit risk transferring and financial margins business. This class includes, as well, all above mentioned instruments related to climate variables, transportation expenses, issuing rights, inflation rates, and other official economic statistics which has to be settled in cash, or for which one of the negotiating parties can enact cash settlement, as well as all other derivative contracts related to assets, rights, obligations, indices and indicators, which have similar attributes to other derivative financial

instruments taking into account, for example, whether these are traded on regulated market or on multilateral trading facility, irrespective whether clearing or settlement is performed through acknowledged clearing centers or whether these are subject to a margin requirement.

### **2.9.1 DERIVATIVES TRADED ON THE STOCK EXCHANGE**

The existence of many and diverse forms of derivative instruments regulated in a different manner necessitates that the Bank require from the client explicit instructions as regards the venue for the execution of the particular derivative contract.

The markets which the Bank covers are specified in Appendix 1 of the present Policy constituting an integral part thereof.

### **2.9.2. DERIVATIVES THAT ARE NOT TRADED ON REGULATED MARKET**

For this type of instruments the Bank provides prices upon request of the client, as the transactions in this case are treated as fixed price transactions. The Bank has no engagement to conclude similar types of transactions.

## **3. AGGREGATION OF CLIENT ORDERS**

The investment intermediary UniCredit Bulbank AD executes a client's order or a transaction for its own account by aggregating it with other client orders only when the aggregation of the orders and transactions is not to the detriment of any whatsoever of the clients and if it has clarified to each and every client whose order is being aggregated, that the aggregation can be unprofitable for the client in connection with the specific order.

In the cases where the investment intermediary aggregates a client order with one or more other client orders and the thus aggregated orders are executed partially the distribution is performed as the Bank satisfies entirely or partially the client orders observing as a priority the time of the submitting of the order subject to execution. Other than the mentioned distribution is admissible only upon the explicit consent of each and every one of the customers whose orders have been aggregated.

In case of aggregation of a client order with a transaction for own account the distribution is performed in a manner which is not to the detriment of the customer. In the cases where the investment intermediary aggregates a client order with a transaction for own account and thus aggregated order is executed partially, the investment intermediary distributes the transactions at the expense of the customer who has priority. The proportional distribution between oneself and the customer is admissible only if the investment intermediary can substantiate that the latter could not have executed the client order under such lucrative for the customer conditions without the aggregation, or that could not have executed the client order at all.

Repeated distribution of the transactions is not admissible when it is to the detriment of the customer.

## **4. CONCLUSIVE CLAUSES**

For individual financial instruments which cannot be included in a definite class of assets, the Bank needs to obtain instructions from the customer as regards their execution venue.

If, due to an official holiday, trading events or technical limitations as at the moment of the order's placement the Bank is not able to execute the order on the trading venue corresponding to the execution policy, the order can be fulfilled on another venue under the condition that the interests of the customer will be protected. If the execution venues chosen by the Bank as alternative ones cannot be used, the Bank needs to receive additional instructions from the customer as regards the execution venue.

If an order is received after the trading hours of the envisaged execution venue, the order will be re-directed only to the envisaged execution venue on the following trading day. If the customer is willing to have the order re-directed on the same day, the Bank needs to receive instructions from the customer as regards the particular execution venue. The bank will not change the venue for the execution of the order, even if the order has not been fulfilled or cannot be fulfilled on the chosen execution venue for a continuous period of time.

The present Policy is subject to reviewing on a regular basis at least once per year. The last effective applicable version of the present Policy is accessible for the clients of the bank on the latter's web site ([www.unicreditbulbank.bg](http://www.unicreditbulbank.bg)).

## **5. GLOSSARY OF THE USED TERMS**

For the purposes of the present Policy the used therein terms and concepts have the meaning given below:

### **5.1 CENTRAL COUNTERPARTY**

Central counterparty is a juridical person performing the function of intermediary between the seller and the buyer on the stock exchange. In this quality the Central counterparty acts as a seller for any buyer and as a buyer for any seller.

### **5.2 CERTIFICATE**

The Certificate gives right to the investor to participate directly in the respective instrument. In order to acquire the right to participation in the respective investment instrument by the means of a Certificate, the investor pays the whole value of the instrument through this Certificate. Usually this value is calculated in the basis of a subscription co-efficient, multiplied by the price of the Certificate.

In case the price of the instrument rises up, the investor will receive back only the amount of the respective instrument. In case the price of the instrument decreases, the Investor will receive back only his/her deposit

### **5.3 CLEARING. SETTLEMENT.**

Clearing means the mutual set off of counter receivables of the counterparts under the transactions in securities.

Settlement means the fulfillment of the obligations under a transaction in securities for these latter's registration on security account of the acquirer with a depository institution, and for these latter's payment.

### **5.4 DERIVATIVE CONTRACTS**

A large scope term for financial instruments the price of which is formed on the basis of the price of other securities or financial products (the so called underlying instruments, or underlyings). For example, derivatives are options, futures, and swaps.

### **5.5 FUNDS TRADED ON THE STOCK EXCHANGE**

Funds traded on the stock exchange (known as indice shares, indice funds traded on a stock exchange) are investment funds traded on a stock exchange and usually operating as indice funds.

### **5.6 SYSTEMATIC INTERNALISERS**

These are investment intermediaries trading in financial instruments on an organized, periodical, and systematic basis, for their own account, by executing client orders outside regulated market or multilateral trading facility.

### **5.7 MARKET MAKERS**

Entities being continuously present on the financial markets with the purpose of trading for their own account through purchasing and selling of financial instruments against own funds at prices determined by themselves.

### **5.8 VENUES FOR EXECUTION**

The venues for execution include regulated markets, multilateral trading facilities, systematic internalisers, market makers, other liquidity providing institutions, or other entities performing similar functions in third countries.

### **5.9 FINANCIAL FUTURES**

Financial futures are contracts for future delivery of shares, fixed rate securities, foreign exchange, indices, and precious metals.

They differentiate from the traditional futures by the circumstance that in principle the financial futures are not purposed for execution of the contract. In most of the cases the annulment of the contract is performed before the latter's maturity.

#### **5.10 INVESTMENT INTERMEDIARY**

Local or foreign persons entitled to the right under their national legislation to perform transactions and activities as per Article 5, paragraph (2) and (3), of the Law on Markets in Financial Instruments.

#### **5.11 FIXED RATE SECURITIES**

Fixed rate securities are medium-term or long-term bonds, issued by public institutions, definite banks, states, and large scale industrial organizations.

The Fixed rate securities entitle investors with the right to receive a certain income and/or eventual compensation.

Fixed rate securities can be denominated in different kinds of currencies and can be subject to different payment and compensation conditions, as well as different maturing.

#### **5.12 FORWARDS AND FUTURES**

Forwards and Futures are derivative financial instruments, predominantly traded on stock exchanges for which the execution of the contract, for example – purchase and delivery of commodities, foreign exchange, securities, etc., is performed in installments on a specified date under conditions which were specified in advance on the date of the purchase of the instrument.

#### **5.13 FUNDS**

Funds are capital assets, administered by investment trusts or investment companies and funds invested in shares, real estate and others. The investors in such funds receive certificates for the assets of the fund. If the investment fund earns income on the basis of price rises on the stock exchange, dividends, interest rates and others, the usual practice is the income to be distributed among the owners of the above mentioned certificates. In case of increasing funds, these financial resources are re-invested which results in increasing the value of the fund's shares.

#### **5.14 PUBLIC OFFERING. INITIAL PUBLIC OFFERING.**

Public offering of securities means the provision of information about the offering of securities, addressed to 100 and more persons, or to an indefinite circle of persons, in any whatsoever form and through any whatsoever means, containing sufficient data on the terms and conditions of the offering and the offered securities, so that the investors are able to take a decision for subscription or purchase of these securities. The offering of securities through an investment intermediary is also considered public offering, provided it meets the conditions as per the first sentence above. Public offering becomes a fact also when in the public offering of securities takes part an entity/person which is not an investment intermediary or the owner of the securities.

Public offering is not a fact when the securities are offered in the cases of liquidation, forced execution procedures or insolvency procedures as per the law.

Initial public offering means offering under the conditions of public offering of:

1. securities on subscription offered by the issuer thereof or by an authorized by the latter investment intermediary (subscription) or
2. securities for initial sale by an investment intermediary in conformity with a concluded with the issuer thereof agreement for undertaking.

#### **5.15 SPECIAL PURPOSE VEHICLES**

Investment companies are companies which raise capital from investors with the view of investing the capital, usually in very diverse forms and operating like funds on certain markets.

#### **5.16 OPTIONS**

Derivative financial instrument which expresses the right to the purchase or sale of a specified number of securities or other financial instruments at preliminarily fixed price until the expiry of a specified time term or on a specified date.

The option provides to the buyer the possibility to accept or reject a given negotiated offer during the period of maturing (American options) or on the very maturity date (European options).

#### **5.17 SHARES**

Share means a security certifying that its owner (shareholder) participates with the shown on the share nominal value in the capital of the shareholding company. Shares can be materialized (on a material bearer) and de-materialized (rights registered with a respective depository institution); shares can be nominal or bearer shares; shares can be common or privileged (bearing additional rights as compared to the ones incorporated in the common shares). Shares materialize defined property and non-property rights of their owners in these latter's quality of shareholders, for example the right to dividend, to liquidation share, voting right at the general meeting of the company, as well as other rights defined by a law or in the Articles of Constitution of the shareholding company.

#### **5.18 SHARE MARKET INDICES**

Share market indices reflect the price fluctuation of the capital market covered by the index.

Indices are calculated in conformity with a defined in advance mechanism (as weight of the individual shares included in the index, market capitalization and others).

#### **5.19 SUBSCRIPTION RIGHTS**

Subscription rights are negotiable securities which are issued by the issuer at the increase of the capital of the public company to its shareholders as to prior defined date, determined pursuant to the applicable legislation. The subscription rights in the meaning of the preceding sentence provide grounds to the shareholders to participate in the capital increase by subscribing for shares at a specified in advance issuing value.

#### **5.20 SWAPS**

In the case of Swaps two counterparts under a given contract perform a swap of their conditions of financing and earn profit from the price advantages over the respective other counterparts. The swap transactions are used mainly in the form of currency swaps and interest rate swaps. The interest rate swap is a swap of a defined amount plus the calculated amount from interests in one currency as compared to the calculated amount from interests in another currency. The swap can be beneficial for both the contractual parties under the following conditions:

- Two companies in different countries have equal financial interests as regards the volume, maturing, and base for interest calculation, but have different currency needs.  
Due to their locality each of the two companies can receive borrowed money under better conditions on the local market in comparison with the other company. In a similar case the currency swap may be performed in the following way: a Bulgarian and an American company assume debts on their respective local markets; a swap of the borrowed money is performed at the spot rate.

#### **5.21 WARRANTS**

Warrant means a security which materializes the right to purchase of a defined number of securities at fixed price during a defined period of time. The warrant may be issued together with a bond, as a bond warrant, but it is traded independently and apart from the bond on the stock exchange.

#### **5.22. INVESTMENT CONSULTATION**

Providing personal recommendation to a client upon the latter's request or on the initiative of the investment intermediary in connection with one or more transactions related with financial instruments. The recommendation is personal if it is provided to a person in the latter's quality of an investor or a potential investor. The recommendation is not personal if it is provided exclusively through distributor channels in the meaning of the Law against Market Abuse with Financial Instruments, or it is provided to the public.

The personal recommendation must be appropriate for the person it is provided to, or to be prepared taking into consideration the circumstances related to the knowledge, skills, and experience of the person in the area of investments in financial instruments. The personal recommendation represents a recommendation for the undertaking one of the following actions:

- a) purchase, sale, subscription, exchange, redemption, holding, or undertaking defined financial instruments;
- b) to exert or not exert a right under certain financial instruments for the purchase, sale, subscription, exchange, or redemption thereof.

**5.23 PORTFOLIO MANAGEMENT**

Investment portfolio management, assigned by clients, which is performed at the discretion of the investment intermediary, for every individual customer and for the investment portfolios which include one or more financial instruments.

**5.24 CONTRACTS FOR DIFFERENCES**

A derivative financial instrument which expresses the right to receiving, respectively the obligation for paying of the difference between the market value of a defined number of securities or other financial instruments and their preliminarily fixed price in the contract.

**LIST OF THE APPENDICES:**

**Appendix 1 - [List of the venues for execution of client orders for transactions with financial instruments](#)**

**Appendix 2 - [Risk categorization of the investment products](#)**