

## POLICY FOR EXECUTION OF CLIENTS' ORDERS FOR TRANSACTIONS IN FINANCIAL INSTRUMENTS

### I. GENERAL

1. This Policy defines the rules and procedures to be followed by EURO-FINANCE AD and the persons employed with the company under a contract in order to ensure the best execution of clients' orders, in the client's best interest, according to the provisions of the Markets in Financial Instruments Act and Ordinance No. 38 of the FSC on the requirements to the activities of investment intermediaries (the Ordinance), with due care and maintaining fair trade practices in all cases where:

- a) orders are being executed on behalf of clients;
- b) orders are being accepted and transmitted in relation to one or more financial instruments, including through an intermediary for transactions in financial instruments on behalf of clients;
- c) orders are being placed for execution of transactions on behalf of clients in relation to a client's investment portfolio managed by EURO-FINANCE AD.

2. EURO-FINANCE AD and the persons employed with the company under a contract shall pursue this policy in all cases where they execute clients' orders unless the client has been defined as an eligible counterparty according to the Rules and Criteria for Clients' Classification or the client has requested to be treated otherwise, or has given special instructions with respect to the whole order or to a certain aspect of the order, including request for execution of the order at a particular venue, or has submitted the order via EFOCS or another electronic trading platform. If the electronic trading system allows some parameters of the order to be omitted, the investment intermediary shall use its best efforts for the best performance in relation thereto, in accordance with this Policy.

3. If the client has given specific instructions, EURO-FINANCE AD shall execute the order following these instructions. With respect to the factors that determine the best execution in the client's best interest and if not instructed by the client, EURO-FINANCE AD shall make the relevant assessment as the client's special instructions may prevent EURO-FINANCE AD from taking the necessary actions for achieving the best execution in accordance with this Policy, for that part of the order, to which the special instructions refer.

4. EURO-FINANCE AD may not execute orders for account of clients unless they have given their preliminary consent to this Policy.

5. EURO-FINANCE AD shall use all reasonable efforts to achieve the best price for the client according to the order's terms, amount of expenses, likeliness of execution, as well as any other circumstances related to the execution of the order and specified in clause 6 below.

### II. FACTORS FOR EXECUTION OF CLIENTS' ORDERS IN THE CLIENT'S BEST INTEREST

6. To achieve the best execution of clients' orders, EURO-FINANCE AD shall assess the relevant significance of the following factors:

**a) Price:** The price to be received or paid by the client in pursuance of its order is a paramount factor for meeting the best execution criteria. When assessing this factor, EURO-FINANCE AD shall take into consideration the total amount to be received or paid by the client, which includes both the price of the financial instrument and all expenses related to the execution of the client's order, including fees at the execution venue, clearing and settlement fees, as well as other fees and remuneration payable to third parties involved in the execution of the order. Usually, expenses are crucial to the selection of a venue for the execution of clients' orders.

**b) Volume:** Usually, The volume (number) of financial instruments in the client's order is directly related to the price of the financial instruments and the transaction costs. Depending on the volume of the order, EURO-FINANCE AD shall choose the most appropriate execution venue.

**c) Promptness of execution:** EURO-FINANCE AD shall make all reasonable efforts to execute any client's order at its earliest convenience which generally can be achieved on the most representative

market for the particular financial instrument. Taking this factor into consideration enables the client to achieve maximum benefit from the market movement, which is in its best interest as well.

**d) Secured settlement:** Timing of settlement date, without delay, may be an important factor, especially with orders of large volume, as well as in the cases of orders submitted by a professional client. Depending on this and as far as EURO-FINANCE AD is aware of the future intentions and objectives of the client concerned, this factor may be given a significant relative weight in fulfillment of the best execution criteria.

**e) Type and nature of the order:** These characteristics of the client's order may have a considerable influence on the selection of an execution venue, with a view of obtaining the optimal price and promptness.

**f) Other factors:** Including but not limited to possible future expenses related to the safe-keeping of the financial instruments subject of the order concerned, tax liabilities, etc. EURO-FINANCE AD shall assess the relevance of these factors only to the extent to which EURO-FINANCE AD is aware of them at the time of the execution of the order.

7. EURO-FINANCE AD shall assess the relative importance of the **factors** for execution under the above clause in compliance with the following criteria:

**a) client's characteristics:** in this case, depending on the available information, EURO-FINANCE AD may give priority to the promptness of execution, for example, over the expenses. It will be of special importance whether the client has been defined as a non-professional or professional client;

**b) characteristics of the client's order:** in this case, depending on its specifics (for example, client's specific instructions), the different factors may have different relative weight;

**c) characteristics of the financial instruments** subject of the order;

**d) characteristics of the execution venues** to which the order may be directed for execution.

8. When executing an order submitted by a non-professional client, the best execution of the order shall be determined by the total value of the transaction, including the price of the financial instrument and the expenses related to the execution. The expenses incurred in connection with the execution of the order at any possible execution venue shall be taken into consideration in the cases where there is more than one competitive venue for execution of the order related to financial instruments and in making assessment and comparison of the results which can be achieved for the non-professional client in the execution of the order at any of the execution venues specified herein and which are suitable for its execution.

9. The price and transaction costs shall be crucial to achieving best execution in most of the occasions where orders are submitted by professional clients. However, the investment intermediary shall assess the importance of the factors in any particular case.

### III. VENUES FOR EXECUTION OF CLIENTS' ORDERS

10. Clients' orders shall be executed mainly on a regulated market or multilateral trading facility, or outside a regulated market. Where the infrastructure of the financial instruments' market allows so, clients' orders may also be executed against a regular participant or market maker.

11. At the time of preparation and approval of this Policy, EURO-FINANCE AD executes clients' orders at the following execution venues which enable the investment intermediary to achieve the best execution of its clients' orders:

**a) for financial instruments admitted to trading on a regulated market in Bulgaria,**

- **"Bulgarian Stock Exchange Sofia" AD** – directly, if there is adequate liquidity for execution of the order according to this Policy;
- **Outside a regulated market in the country** – directly with another investment intermediary, a client of EURO-FINANCE AD, or directly with EURO-FINANCE AD acting on its own account, at its discretion, if there is no adequate liquidity on the regulated market; provided that the client has been notified in advance and has given its express consent to this effect and best execution for the client will be achieved.

Within the meaning of this clause 11.a), “**adequate liquidity**” means that there is such demand or supply (depending on the type of the order) of the financial instrument, to which the client’s order refers, so that the relevant order can be executed immediately and its possible execution would not lead, in the judgement of EURO-FINANCE AD, to distortion of the demand or supply respectively. Depending on the execution venue, the expenses related to the execution are specified in the Tariff of fees and commissions of EURO-FINANCE AD.

**b) for financial instruments admitted to trading on a regulated market abroad,**

- **On the relevant regulated market – not directly:** in this case, EURO-FINANCE AD transfers the order to be executed by its foreign contractors who are members of this market either directly, or through a broker and **directly** : as a certified broker on the Frankfurt Stock Exchange with Deutsche Börse.
- **Through multilateral trading facility – not directly:** in this case, EURO-FINANCE AD transfers the order to be executed by its foreign contractors who are members of such a system either directly, or through a broker. Where the financial instrument to which the particular client’s order relates is being traded simultaneously on a regulated market and on a multilateral trading facility, and if the client has not given any specific instructions with respect to the execution venue, EURO-FINANCE AD shall determine it according to this Policy.

Within the meaning of this clause 11.b), “**the relevant regulated market**” means the stock exchange or another regulated market which is typical of the particular financial instrument, depending on the issuer, currency and other factors. As an example, a typical regulated market for the shares of MICROSOFT traded in US dollars is the New York Stock Exchange and NASDAQ. These same shares but in euro are typically traded on the Frankfurt-am-Main Exchange and XETRA. Therefore, EURO-FINANCE AD may transfer clients’ orders for execution to the following stock exchanges and multilateral trading facilities: NEW YORK, NASDAQ, LONDON, PARIS, FRANKFURT/MAIN, XETRA, other stock exchanges in a Member State, OSLO, ZURICH, TOKYO, SYDNEY. This list of execution venues is not comprehensive. EURO-FINANCE AD can use other execution venues which it deems to be conforming to this Policy. The client should check regularly the list of execution venues published on the website of EURO-FINANCE AD at [www.euro-fin.com](http://www.euro-fin.com).

**c) for financial instruments that are not admitted to trading on a regulated market:** EURO-FINANCE AD shall execute clients’ orders against itself, outside a regulated market, provided that the client has been notified in advance. EURO-FINANCE AD may also execute a client’s order by entering into a transaction with another of its clients or with another investment intermediary. EURO-FINANCE AD shall notify the client in advance of all essential parameters of the transaction that might be effected in pursuance of the client’s order. Where the client submits an order to enter into a margin FX transaction, or a contract for differences, or for another financial instrument, through the EFOCS system, it shall be deemed that the client has been notified of all essential parameters of the transaction.

**12.** With respect to some financial instruments, the actual execution of the transaction is only possible at a single execution venue. If a client’s order is executed under such circumstances, it shall be deemed that the investment intermediary has achieved the best result for the client.

#### **IV. SUBMISSION AND EXECUTION OF CLIENT’S ORDERS**

**13.** EURO-FINANCE AD shall accept orders for transactions in financial instruments which are submitted by **the client in person** or by its duly authorized proxy, and in cases where clients are legal entities – by a duly authorized representative. Notwithstanding its form, the contents of the order must comply with the requirements of the Ordinance.

**14.** Submission of an order by a proxy shall only be valid if the said proxy has produced a notarized power of attorney that authorizes the proxy to give instructions in respect of financial instruments and a declaration that the proxy does not execute financial instruments’ transactions by occupation and has not executed such transactions within one year prior to the submission of the order. According to the Ordinance, the proxy should produce a copy of the client’s identification document and of its identification document certified by the proxy and by the person who signs the contract on behalf of

EURO-FINANCE AD. The certification shall be made by affixing the words “certified true copy”, date and signature of the persons who make the certification.

**15.** EURO-FINANCE AD shall not accept orders for transactions in financial instruments that are submitted by phone or through another remote means of communications unless the clients, including their proxies, are already identified and registered in the information system, and have signed a contract with it, provided that EURO-FINANCE AD has ascertained their identity. Telephone conversations shall be recorded. EURO-FINANCE AD shall not accept orders submitted by phone or through another remote means if these orders relate to transfer of dematerialized financial instruments from a personal account to client sub-account of the investment intermediary with the Central Depository.

**16.** EURO-FINANCE AD shall accept clients’ orders through an electronic trading system, which guarantees compliance to the Ordinance and provides the client with an access to a particular execution venue. The access to the system under the preceding sentence and the entry of orders by the client shall be secured by an electronic certificate issued to the client’s name.

**17.** EURO-FINANCE AD shall deliver to the client a signed copy of the accepted order unless it has been submitted in the manner set out in the above clauses 15 and 16.

**18.** According to the regulations, EURO-FINANCE AD **may not** execute a client’s order if the client or its representative respectively, refuses to file a declaration stating whether:

**a)** it possesses inside information on the financial instruments subject of the order, and on their issuer if the financial instruments, to which the order relates or on the basis of which the financial instruments subject of the order are issued, are traded on a regulated market;

**b)** the financial instruments which are subject of the order for sale or substitution are blocked in a depository institution, in which they are kept, or pledge has been established over them, or a notice of levy has been served, and

**c)** the transaction subject of the order represents concealed purchase or sale of financial instruments, or

declares that it possesses inside information or that the transaction represents concealed purchase or sale of financial instruments. The refusal to file the declaration shall be certified by the client by affixing its signature to the designated field in the order.

**19.** Also, EURO-FINANCE AD **shall not** execute an order if upon its submission, it has been declared or EURO-FINANCE AD subsequently finds out that the financial instruments subject of the order for sale are not available in the client’s account, except as otherwise provided by a regulation for particular cases (for example, short selling), or are blocked in a depository institution, or pledge has been established over them, or a notice of levy has been served. Notwithstanding the above, EURO-FINANCE AD **shall execute** an order with respect to pledged financial instruments if the acquirer has been notified and has given its express consent to acquire the pledged financial instruments; provided that the creditor on pledge has given its express consent, in the cases as provided for by the Special Pledges Act (SPA), or if the pledge has been established on aggregation within the meaning of the SPA.

**20.** At the time of submission (for written orders) or immediately after the end of the telephone call respectively, or upon receipt (for orders submitted by phone or through another remote means), clients’ orders shall be registered in the system of EURO-FINANCE AD and shall be assigned an unique serial number. Orders received through the EFOCS system shall be automatically registered in the system of EURO-FINANCE AD. Clients’ orders shall be executed after a check of their contents and their compliance with the special requirements of the Ordinance in accordance with this Policy (validation). The validation shall be effected by the sequence of orders’ registration in the system of EURO-FINANCE AD and they shall be executed in the same sequence except in cases when the order’s characteristics or the prevailing market conditions make it impossible or the client’s interests require to act otherwise in accordance with this Policy.

**21.** EURO-FINANCE AD shall inform the non-professional client about objective obstacles to the precise execution of the orders immediately after these obstacles have been identified.

**22.** EURO-FINANCE AD shall enter orders for transactions in financial instruments for its own account in the manner and under the procedure set out for clients' orders. Thus, EURO-FINANCE AD shall pursue an efficient policy for avoidance of conflicts of interests with its clients.

**23.** Where two or more orders for sale or substitution of financial instruments contain identical parameters and the verification of the available financial instruments under any of them is delayed for reasons beyond the control of EURO-FINANCE AD (for example, financial instruments held by a custodian), EURO-FINANCE AD shall not consider such an order as identical to the others and shall execute them in the sequence of their submission and validation, even if these orders are submitted later.

**24.** EURO-FINANCE AD shall execute clients' orders and orders on its own account **individually**. In some cases, EURO-FINANCE AD may aggregate clients' orders and orders executed on its own account with other clients' order provided that:

- a)** the aggregation of orders and transactions will not cause damage to any of the clients whose orders are united;
- b)** EURO-FINANCE AD has explained to each client whose order is being aggregated that the aggregation can be unfavorable for the client in connection with the specific order, and
- c)** EURO-FINANCE AD applies effectively the policy for segregation of orders specified below.

**25.** If at the time of placing the aggregated order at the execution venue, the counter bid is changed and the united order is executed in several parts and at different prices or even is executed partially, the individual client order submitted earlier shall be given priority.

**26.** EURO-FINANCE AD shall not distribute the transactions effected in pursuance of an aggregated order in a manner which damages the clients' interests.

**27.** EURO-FINANCE AD shall aggregate its own orders with clients' orders in order to achieve a maximum reduction of the administrative expenses and time if in the initial subscription of shares or in the initial listing of financial documents at an execution venue, the procedure for distribution in case of re-subscription envisages proportional distribution between all investors.

**28.** EURO-FINANCE AD may aggregate its own orders and clients' orders whenever it can duly and indisputably prove that it would not be able to execute the client's order under the most beneficial conditions for the client or would not be able to execute the client's order at all without the aggregation. In any such case, EURO-FINANCE AD may distribute the effected transaction proportionally between itself and the client.

**29.** In addition to the cases under the above two clauses, whenever EURO-FINANCE AD has aggregated a client's order with a transaction for its own account and the so aggregated order has been executed partially, the investment intermediary shall give priority to the distribution of transactions for account of client. EURO-FINANCE AD may not re-distribute transactions effected for its own account together with clients' order if it might damage the client's interests.

**30.** EURO-FINANCE AD may unite orders for transactions in financial assets which are submitted on behalf and for the account of clients' portfolios managed by EURO-FINANCE AD. Such aggregated order shall be treated as an individual client order and shall be executed, or aggregated with other clients' orders and with orders for the account of EURO-FINANCE AD respectively, in accordance with this Policy and if it is executed partially, the financial assets shall always be distributed proportionally in order to guarantee the equality of the clients whose portfolios are managed by EURO-FINANCE AD.

## **V. ASSESSMENT AND UPDATE OF THE POLICY**

**31.** EURO-FINANCE AD shall monitor the efficiency of this Policy and the quality of orders' execution upon their submission or transfer to another intermediary and whenever necessary, EURO-FINANCE AD shall take measures to eliminate any faults.

**32.** EURO-FINANCE AD shall review this Policy and the agreements for execution of orders once in the year. This review shall also be made upon any material change that might affect the ability of

EURO-FINANCE AD to ensure the best results for the execution of clients' orders using the execution venues included herein.

**33.** EURO-FINANCE AD shall notify its clients of any amendment to this Policy at [www.euro-fin.com](http://www.euro-fin.com).

#### **VI. FINAL PROVISIONS**

**34.** This Policy is produced for the information of and implementation by all persons employed with EURO-FINANCE AD under a contract and they represent and warrant that they are acquainted with its contents. Chief Executive Officers may issue orders and instructions regarding the implementation of this Policy.

**35.** This Policy is produced for the information of any client concerned. It is also published at [www.euro-fin.com](http://www.euro-fin.com).

**36.** This Policy was approved pursuant to Art. 30 Para 2 of the Markets in Financial Instruments Act (MFIA) by the Board of Directors of EURO-FINANCE AD (Minutes No. 199 of 27.01.2010).