

## PROCEDURE AND POLICY FOR CLIENTS' CLASSIFICATION

This document shall define the criteria, procedure and policy of EURO-FINANCE AD, on the basis of which the investment intermediary's clients shall be classified in accordance with Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments amending Directives 85/611/EEC and 03/6/EEC of the Council and Directive 2000/12/EC of the European Parliament and of the Council, and repealing Directive 93/22/EEC of the Council, and the Markets in Financial Instruments Act.

Acting in accordance with the current regulations, EURO-FINANCE AD shall classify its clients as **professional** or **non-professional** or as **an eligible counterparty** as follows:

### I. PROFESSIONAL CLIENTS

1. Except as otherwise expressly requested, EURO-FINANCE AD shall always classify and treat as professional clients any entities which are required to be authorized to operate in the financial markets or whose operations in these markets is otherwise regulated by the national legislation of a Member State, irrespective of whether it is in compliance with Directive 2004/39/EC of the European Parliament and of the Council, as well as entities already authorized to conduct such activities or which are otherwise regulated by a third country legislation, and which can be defined as:
  - a) credit institutions;
  - b) investment intermediaries;
  - c) other authorized or otherwise regulated institutions;
  - d) insurance companies;
  - e) collective investment undertakings and their managing companies;
  - f) pension funds and pension insurance companies;
  - g) persons whose main business is dealing on own account in commodities or commodity derivatives;
  - h) legal entities which provide investment services or perform investment activities exclusively on own account in financial futures or options markets or trade on own account other derivative financial instruments in the money market for the sole purpose of hedging positions on derivative markets, or which deal for the account of other participants on those markets or make prices for them and which are guaranteed by clearing members of the same markets, where responsibility for ensuring the performance of contracts entered into by such entities is assumed by clearing members of the same markets;
  - i) other institutional investors.
2. Except as otherwise expressly requested, EURO-FINANCE AD shall always classify and treat as professional clients such large undertakings which meet at least two of the following requirements:
  - a) balance sheet total – the BGN equivalent of at least EUR 20,000,000;
  - b) net turnover – the BGN equivalent of at least EUR 40,000,000;
  - c) own funds – the BGN equivalent of at least EUR 2,000,000.
3. EURO-FINANCE AD shall also treat as professional clients the national and regional governments, public bodies that participate in the management of the public 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.
4. EURO-FINANCE AD shall treat as professional clients any other institutional investors whose main business is investing in financial instruments, including persons performing securitization of assets or other financial transactions.
5. Besides the entities mentioned above, EURO-FINANCE AD shall classify and treat as a professional client for all types of services or for specific services any other person who has the experience, knowledge and skills necessary to take independent investment decisions and to assess accurately the risks related to the investment, and which satisfies as a minimum two of the following criteria:
  - a) the person has executed transactions, in significant size, in the relevant market at an average frequency of 10 per quarter over the previous year;
  - b) the size of the person's investment portfolio, including financial instruments and cash exceeds the BGN equivalent of EUR 500,000;
  - c) the person works or has worked in the financial sector for at least one year in a position, which requires knowledge of the relevant transactions or services.

6. The decision of EURO-FINANCE AD to treat the clients under clauses 1 through 4 as professional clients shall be based on the publicly available information (including on the Internet) and well-known facts, and on the available financial statements with respect to the clients under the above clause 2. Where the publicly available information is not sufficient, EURO-FINANCE AD may request additional information from the client, at the discretion and on the initiative of the manager of the Internal Control Department. Such client shall be treated as a non-professional client unless and until the requested information is obtained.
7. Clients under clause 5 must request in writing that EURO-FINANCE AD treat them as professional clients, either generally or in respect of particular investment services or transactions, or type of transactions or investment product, and must represent and warrant that they meet the relevant criteria. EURO-FINANCE AD shall give a written warning to the client that it shall not have the relevant protection in the provision of services and performance of activities by the investment intermediary and that it shall not be entitled to compensation from the Fund for compensation of investors in financial instruments while the client must represent and warrant that the client has been notified of the resulting consequences.
8. In pursuance of the provisions contained in the above clause, the parties shall draw up a document, a form of which is attached as an Appendix hereto.
9. Notwithstanding the representations made by a client who wishes to be treated as a professional client, EURO-FINANCE AD shall take the actions deemed to be necessary to ensure that the client meets the requirements under clause 5. EURO-FINANCE AD may refuse to classify and treat as professional any client who meets formally the criteria under clause 5 but, at the sole discretion of the manager of the Internal Control Department, does not possess enough experience, knowledge and skills to take independent investment decisions.
10. The manager of the Internal Control Department or a person authorized by him shall make the entry in the information system of EURO-FINANCE AD, whereby it is stated that the client has the status of a professional client.
11. Any professional client may request a change in the provisions of the contract entered into between the client and the investment intermediary in order to ensure a higher level of client's protection at its request if the client decides that it is not able to assess and manage properly the risks related to the investment in financial instruments. The higher level of protection shall be granted on the basis of a written agreement between the investment intermediary and the client, which shall specify expressly the particular services, activities, transactions, financial instruments or other financial products in relation to which the client shall be provided with a higher level of protection. The higher level of protection ensures that the client shall not be treated as a professional client for the purposes of the regime applicable to the investment intermediary's business.
12. EURO-FINANCE AD shall not assess whether a service is appropriate for the professional clients in all cases where Ordinance No. 38 on the requirements to the business of investment intermediaries allows so.

## II. NON-PROFESSIONAL CLIENTS

1. EURO-FINANCE AD shall classify and treat as non-professional all clients who do not meet the requirements on professional client as set out in the above clause I.
2. EURO-FINANCE AD shall assess whether a service is appropriate for the non-professional clients in any case unless Ordinance No. 38 on the requirements to the business of investment intermediaries relieves expressly the investment intermediary of that obligation.

## III. ELIGIBLE COUNTERPARTY

1. EURO-FINANCE AD shall regard and treat as an eligible counterparty any investment intermediary, credit institution, collective investment scheme, managing company, pension fund, pension insurance company, other financial institutions, the persons under Art. 4 Para 1, items 11 and 12 of the Markets in Financial Instruments Act, national governments, public bodies that manage public debt, central banks and international institutions, as well as such subjects in third countries provided that they have expressly requested to be treated as such.
2. Any subject specified as an eligible counterparty may expressly request not to be considered such a party in whole, or for a particular transaction.
3. Where a person specified as an eligible counterparty requests not to be treated as such and the investment intermediary agrees to it, such person shall be treated as a professional client unless it has requested expressly to be treated as a non-professional client.
4. Where a person specified as an eligible counterparty requests not to be treated as such, the parties shall draw up a document, a form of which is attached as an Appendix hereto.
5. The manager of the Internal Control Department or a person authorized by him shall make the entry in the information system of EURO-FINANCE AD, whereby it is stated that a particular client who should be defined as an eligible counterparty under this procedure has been re-classified as a professional or non-professional client.



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