*Translation from Bulgarian*



CLIENT ORDER EXECUTION POLICY

OF INVESTBANK JSC

UNDER

THE MARKETS IN FINANCIAL INSTRUMENTS ACT

**Purpose and legal basis**

Art. **1.** This Policy was drawn up in compliance with the Markets in Financial Instruments Act (MFIA) and Commission Delegation Regulation 2017/565 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive (Delegated Regulation (EU) 2017/565) in relation to the obligation of INVESTBANK JSC (hereinafter referred to as "the Bank" or "the Investment Firm") in its capacity of an investment firm to accept and keep updated its policy for executing clients’ orders, as well as for timely notifying its clients of the basic policy requirements and the amendments made thereto, respectively.

Art. **2.** The purpose of this Policy is to set out the basic principles and actions applied by the Bank to ensure that clients’ orders are executed in the best interests of the client when the Bank:

**2.1** Executes orders for the clients' account;

**2.2** Receives and transmits orders relating to one or more financial instruments, including in the case of intermediation for transacting in financial instruments for the clients' account;

**2.3** Gives orders to execute transactions for the clients' account in relation to any client's portfolio managed by the Bank, and in all three cases the Bank shall act in its capacity as an investment firm.

**Provision of information to clients**

Art. **3.** The Bank shall provide information to its clients about its clients’ order execution policy under the MFIA and may apply it to them if it has received their written consent to the policy applied by the Bank.

**3.1.** The Bank also provides information on its Order Execution Policy on its website at [www.ibank.bg.](http://www.ibank.bg/)

**3.2.** The Bank may periodically modify this Policy notifying its clients in the manner specified herein.

**Application**

Art. **4.** **(1)** This Policy shall apply to the retail and professional clients of INVESTBANK JSC, if the applicable law refers to the respective client and/or its transaction. This Policy shall apply to all financial instruments traded on or off a regulated market or multilateral trading facility (MTF) and to which INVESTBANK JSC has access and insofar as not stated otherwise herein. INVESTBANK JSC shall apply this Policy and in particular the best execution criteria in the cases referred to in Art. 2 (2.1 to 2.3).

**(2)** This Policy shall not apply in the following cases:

**1.** eligible counterparties – if the client is classified by the Bank as an eligible counterparty, it shall not enjoy the best execution protection under this Policy. Any client identified as an eligible counterparty may expressly request not to be treated as such either in general, or for a particular transaction.

**2.** For transactions with structured products, including those traded on an over-the-counter (OTC) market or structured products tailored to the specific needs of the individual client which have no comparable alternative available on the market.

**3.** For transactions that can only take place in one execution venue, including if the order submitted by the client refers to one execution venue only.

**4.** In the case of client's orders to buy or sell back shares of collective investment schemes as they are executed in the bank offices.

**4.1.** When there is a client's request to execute the order to buy or sell shares on a regulated market or multilateral trading facility, the client must give a specific explicit instruction for doing so.

**5.** In the case of orders submitted by a client through a system for electronic access to a specific regulated market.

**6.** When there are specific instructions given by the client.

**7.** When managing client portfolios.

**Priority of specific client's instructions**

Art. **5.** (1) Where a client has given the Bank specific instructions regarding the execution of an order, the Bank shall execute the order according to these specific instructions. If executing the order in compliance with specific client instructions, the Bank shall be deemed to have met its obligation to act to achieve the best result for its client (best execution).

(2) In the cases where the instructions relate to a part of the order only, the Bank shall apply this Policy to those aspects of the order that are outside of the scope of the specific client's instructions.

(3) When giving specific instructions to the Bank to execute a particular order, the client should take into account the fact that these instructions may prevent the Bank from taking the necessary action to achieve the best execution of the client's order in accordance with this Policy in respect of that part of the order to which the special instructions refer.

**Basic conditions and principles when executing client orders**

Art. **6.** **(1)** The Bank shall execute the client's order in the best interests of the client and in compliance with the policy it has adopted.

**(2)** The Bank shall make reasonable efforts to establish the best price for the client according to the terms of the order, the amount of the expenses, the probability of execution, as well as all other circumstances related to the execution of the order and laid down herein in Art. 7.

**Factors considered and assessed by the Bank when executing client orders**

Art. **7.** **(1)** The Bank shall achieve the best execution for the client based on the assessment of the following factors:

**(i).** Price: The price of the financial instruments is an important factor considered by the Bank when executing client orders. This factor assessed together with the expenses incurred when executing the client's order is considered by the Bank as the most important factor with respect to the intermediary's retail clients. This factor, along with the expenses, is also considered the most important in choosing the execution venue of the client orders.

**(ii).** Expenses: The expenses on executing client orders is the second most important factor considered by the Bank alongside the financial instrument price. The execution costs shall include all costs directly related to the execution of the order, including performance location fees, clearing and settlement fees, and other fees and charges payable to third parties bound by the execution of the order. The expenses are also decisive for choosing the execution for the client orders.

**(iii).** Volume / number of financial instruments: The volume or number of financial instruments as per 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, different venues for the execution of the client's order can also be selected.

**(iv).** Execution speed: The price of the financial instruments also depends on the speed of execution of the client orders. The Bank takes this factor into account when selecting the venues for executing client orders

**(v).** Likelihood of execution and settlement: The Bank assesses, on a case-by-case basis, the likelihood of executing the client's order and chooses the relevant execution venue accordingly.

**(vi).** Order type and nature: The Bank assesses the best outcome for the client and considers all the above factors according to the nature and type of the latter's order: sale, purchase, exchange, etc.; limited, market, etc.

**(vii).** Any other factors that are relevant to executing the client's order and achieving the best execution outcome.

**(2)** When executing client orders, the Bank shall take into account the relative significance of the execution factors referred to in para. 1 above according to the following criteria:

**(i).** client's characteristics, including whether it is identified as a retail or professional client;

**(ii).** characteristics of the client's order;

**(iii).** description of the financial instruments covered by the transaction;

**(iv).** characteristics of the execution venues to which the order may be directed.

**Assessment of the factors with regard to client categorization**

Art. **8.** **(1)** Retail clients:

**(i)** When executing an order submitted by a retail 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 associated with the execution;

**(ii)** to achieve best execution where there are more than one competing execution venues in relation to financial instruments, and when assessing and comparing the results that can be achieved for a retail client in the execution of the order at each execution venue outlined in the Policy that is appropriate for its execution, the Bank's commission and the costs of executing the order at each of the possible venues shall be taken into account.

**(2)** Professional clients – when executing orders submitted by professional clients, the price and transaction costs will, in most cases, also be decisive for achieving the best execution result for the client. However, the Bank will assess the significance of the factors on a case-by-case basis (for example, for a hedge fund, the execution and settlement speeds may be much more significant than the other factors, etc.).

**Client order execution venues and financial instruments**

Art. **9.** **(1)** Client order execution venues may include: regulated market, multilateral trading facility, systematic internaliser, market maker or a person with similar functions in a third country or other non-EU system functioning as a regulated market or a multilateral trading facility.

**(2)** At the time of the preparation and adoption of this Policy, the Bank executes client orders at the execution venues according to Appendix 1, which allows the Bank to achieve the best possible results for the execution of the orders of its clients on a continuous basis.

**(3)** The list of execution venues in Appendix 1 is not exhaustive. The Bank may also use other execution venues that it deems appropriate in compliance of this Policy. The Bank shall assess and analyze the possible new execution venues on a regular basis and update the information in Appendix 1 accordingly. In this regard, the client should periodically check the list of execution venues at the Bank's website.

**(4)** In order to achieve the best result for the client, the client orders may be executed off the regulated market or multilateral trading facility, provided that the clients are informed in advance and have given their explicit consent.

**(5)** It is possible with respect to some financial instruments to execute the transaction in one execution venue only. When executing a client's order in such circumstances, the Bank shall be deemed to have achieved the best execution result for the client.

**Submission and execution of client orders**

Art. **10.** After signing a contract with the Bank, the clients shall submit orders containing at least the following information:

**(i)** name(s) and unique client number (for legal entities – LEI code, for individuals - IN) of the client and the client's representative, together with the relevant identification data;

**(ii)** type, issuer, unique issue code or instrument name, respectively characteristics of the derivative financial instrument and number of financial instruments to which the order relates;

**(iii)** type of the order (limited, market, etc.);

**(iv)** nature of the order (purchase, sale, exchange, etc.);

**(v)** unit price and total order value;

**(vi)** order validity period;

**(vii)** execution venue where the order is to be executed if the client has determined such;

**(viii)** quantitative execution of the order (partially, wholly);

**(ix)** method of payment;

**(x)** date, time and place of submitting the order;

**(xi)** other specific instructions given by the client.

The order should also be assigned a unique consecutive number.

**(2)** The orders may be submitted through an attorney only if a notarized power of attorney is presented by the attorney, expressly indicating the representative power for operating financial instruments and a statement signed by attorney stating that the attorney does not professionally engage in transactions in financial instruments and has not performed such transactions for one year before the submission of the order. A copy of the identity document of the client or respectively the client's representative validated by the client and by the signatory of the Bank. The validation shall be made by affixing the inscription "True Copy", dated and signed by the validating person.

**(3)** The Bank shall accept orders for transactions in financial instruments submitted by telephone or by another remote means of communication by clients already identified by the firm and having concluded a contract with it only through a broker or an authorized person from the Client Department to Liquidity and Investment Services Division at the Bank’s Central Office. In accordance with the procedure provided for in the Bank's internal rules for its operation as an investment firm, before accepting the order, the Bank shall ask questions on the client data in order to verify the identification of the latter, with the relevant telephone conversations, e-mails or other communications being recorded/retained by the investment firm. In this case, the Bank shall, by the end of the business day, draw up a document containing the data in accordance with Ordinance 8, certifying the content of the remotely submitted order.

**(4)** Para. 4 shall not apply to an order submitted by a representative who has failed to certify to the Bank their representative powers or by an attorney who has not submitted in advance to the Bank the documents required under Ordinance 38.

**(5)** Para. 4 shall not apply to the transfer of dematerialized financial instruments from a personal account to a client's sub-account with the Bank to the Central Depository.

**(6)** The Bank may accept client orders under para. 1 by using an electronic trading system which ensures the compliance with the requirements of Ordinance 38 and provides access to the client to the designated execution venue. The access to the system referred to in the preceding sentence and the entry of the client's orders shall be effected through an electronic certificate issued in the client's name.

**(7)** Upon receiving an order, the person receiving the order shall verify the identity of the client or the client's representative, respectively.

**(8)** The Bank shall provide the client with a signed copy of the accepted order under para. 1, unless it has been submitted under para. 4 and 7.

**(9)** The Bank shall refuse to accept an order that does not meet the requirements of para. 1 or has been submitted by an attorney without complying with the requirements of para 3.

Art. **11.** **(1)** When receiving an order, the Bank shall require the client or his/her representative, respectively, to declare whether:

**(i).** they hold inside information on the financial instruments to which the order relates and on their issuer, provided that the financial instruments to which the order relates or on the basis of which the financial instruments covered by the order are traded on a regulated market;

**(ii).** The financial instruments covered by the sell or exchange order are blocked by the depositary institution where they are kept, whether a pledge has been established or a distraint has been imposed thereon;

**(iii).** The transaction covered by the order is not a concealed purchase or sale of financial instruments.

**(2)** The Bank shall check with the depository institution whether the financial instruments to which the sell order refers are available on the client's sub-account, whether they are blocked and whether a pledge has been established or a distraint has been imposed on them.

**(3)** If the order has been submitted through an electronic trading system, the verification under para. 2 shall not be performed if the electronic system does not allow the conclusion of transactions with blocked, apportioned or pledged financial instruments or with financial instruments not available on the relevant account.

Art. **12.** The Bank shall execute client orders under the following conditions:

**(i).** Immediate and accurate registration and distribution of orders to be executed;

**(ii).** Immediate execution of the client orders in the chronological consequence of their receipt, except when the characteristics of the order or the prevailing market conditions make this impossible or the interests of the client require otherwise;

**(iii).** The Bank shall notify the retail client of the objective difficulties occurred that prevent the correct execution of the orders immediately after having become aware of their existence.

**(2)** Where, in the case of a sell or exchange order, the client's respective financial instruments are located with a custodian who delays the provision of the information referred to in Art. 11(2) above and after that order another order with the same parameters is received submitted by another a client, the verification of whose financial instruments under Art. 11(2) can be carried out more expedient, the Bank shall not classify the two orders as identical and shall execute the order for which the information under Art. 11(2) is received earlier.

Art. **13.** **(1)** The Bank shall be entitled to execute a client order or a transaction for own account in aggregation with other client orders if the following conditions are met:

**(i).** It is unlikely that the aggregation of orders and transactions will work to the disadvantage of any client whose order is to be aggregated;

**(ii).** The bank has disclosed to each client whose order is to be aggregated that the effect of aggregation may work to its disadvantage in relation to a particular order;

**(iii).** the Bank effectively implements the order segregation policy of referred to in para. 2 below.

**(2)** The Bank shall aggregate client orders in the following cases:

**(i)** In the event that there are client orders at the same price and with the same execution venue, the best counter offer is for a larger quantity and price that satisfies the orders. The two orders shall be executed at the same price, but the first accepted order shall be processed first.

**(ii)** Where the client orders are at different prices and the best counter offer at the execution venue is for a larger quantity and price that satisfies both orders. Similarly, the two orders shall be executed at the same price, but the first accepted order shall be processed first.

**(iii)** If the counter offer is amended when entering the aggregated offer and the latter is executed in several parts and at different prices or even partially executed, priority shall be given to the order submitted earlier.

**(3)** In the event that the Bank has aggregated an own-account transaction with one or more client orders, the Bank shall not be entitled to allocate the concluded transactions in a way that is detrimental to the client. The Bank shall aggregate client orders as well as client orders with own-account orders in the following cases and under the following conditions:

**(i)** For orders to subscribe shares of the increased company capital (in case of IPO) or for admission to trading in financial instruments at an execution venue for the first time. The Bank shall adhere to the terms and conditions for the submission of applications using the procedure referred to in the document for the proposed financial instruments. If the document of the proposed financial instruments provides that, in case of partial satisfaction of the orders, the financial instruments should be allocated proportionally, the Bank shall aggregate own-account orders with client orders.

**(ii)** The Bank shall aggregate client orders with own-account orders if the aggregation results in conditions more favourable for the client.

**(4)** In case of partial execution of an aggregated order, the allocation of the related transactions resulting from the execution of the order shall be as follows:

**(i).** The client orders shall be satisfied with priority at the time of acceptance;

**(ii).** Orders accepted at the same time shall be allocated proportionally depending on the size of each order and the size of the concluded transaction;

**(iii).** When aggregating an own-account transaction with one or more client orders – priority will be given to the orders submitted by clients to the own-account order;

**(iv).** Where the Bank is able to demonstrate on reasonable grounds that without the aggregation of client orders and own-account orders it would not be able to execute the client order on such advantageous terms, or at all, it may allocate the concluded own-account transaction proportionally between itself and the client.

**(5)** The Bank shall not re-allocate own-account transactions executed jointly with client orders when this is to the detriment of the client.

Art. **14.** The Bank shall refuse a client order if the client or the client's attorney, respectively, refuses to file the statement under Art. 11(1) above, or has declared to possess inside information or has declared that the transaction covered by the order represents a concealed purchase or sale of financial instruments. The refusal under the preceding sentence shall be certified by a separate document signed by the client.

**(2)** The Bank shall not execute an order if it is declared or established that the financial instruments covered by the sell order are not available on the client's account or are blocked by a depositary institution, and if there is a pledge established or a distraint imposed thereon.

**(3)** The prohibition under para. 2 with regard to pledged financial instruments shall not apply in the following cases:

**(i).** The transferee has been informed about the established pledge and has explicitly agreed to acquire the financial instruments pledged, there is an explicit consent of the pledgee in the cases provided for by the Registered Pledge Act;

**(ii).** The pledge has been established on an aggregate within the meaning of the Registered Pledge Act.

**Policy check and update**

Art. **15.** **(1)** The Bank shall constantly monitor the effectiveness of this Policy and the quality of the order execution when submitting and transferring them to another firm and, where necessary, shall take measures to remedy any irregularities detected.

**(2)** Once a year the Bank shall carry out a check of the Client Order Execution Policy and the order execution agreements.

**(3)** The check referred to in para. 2 shall also be carried out in case of any substantial change which may affect the ability of the Bank to continuously provide the best execution results for the execution of client orders when using the execution venues specified in the order execution policy.

**(4)** The Bank shall notify its clients of any change in the Policy by releasing a message and updating the Policy on the firm's website.

**Supplementary Provisions**

§1. Throughout this Policy, the definitions below shall have the meaning indicated herein, unless it contradicts to their legal definition, in which case the latter will prevail:

**1.** „Client“ means a natural person or a legal entity who benefits from investment and/or ancillary services provided by the Bank.

**2.** “Professional client” is a client who possesses the experience, knowledge and skills to make its own investment decisions and properly assess the risks associated with investing and meets the criteria laid down in Appendix 1 to the Client Categorization Rules.

**3.** "Retail client" is a client who does not qualify as a professional client.

**4.** "Eligible counterparty" means an investment firm, credit institution, insurance company, collective investment scheme, management company, pension insurance company, pension fund, other financial institutions licensed or regulated by the European Union and Member-State legislation, national governments, governmental bodies that manage sovereign debt, central banks and international institutions, as well as third-country nationals subject to requirements equivalent to the requirements of the EU legislation. Other entities who meet the criteria established by the requirements set out under Art. 71 of Delegated Regulation (EU) 2017/565.

**5.** "Execution venue" means a regulated market, multilateral trading facility, a systematic internaliser or market maker or other liquidity provider, or a person performing similar functions in a third country.

**3. Financial instruments include:**

1. Securities;

2. Instruments other than securities

1. Money market instruments;
2. Shares in collective investment undertakings;
3. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates, yields or other derivative instruments, financial indices or financial measures which may be settled physically or in cash;
4. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (other than by reason of default or other termination event);
5. Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market and/or a multilateral trading facility;
6. Options, futures, swaps, forward contracts and other derivative contracts relating to commodities that can be physically settled not otherwise mentioned in para (e) and not being for commercial purposes, which, according to Art. 38(1) of Commission Regulation (EC) 1287/2006, have the characteristics of other derivative financial instruments having regard to whether they are subject to clearing or settlement, including through recognized clearing houses, or are used as collateral for margin purchases or short sales;
7. Derivative instruments for the transfer of credit risk;
8. Financial contracts for differences;
9. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, emission allowances, inflation rates and other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties (other than by reason of default or other termination event), as well as any other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Article, which have the characteristics of other derivative financial instruments, having regard to whether they are traded on a regulated market, subject to clearing and settlement, including through recognized clearing houses, or are used as collateral for margin purchases or short sales, as well as derivative contracts under Art. 38(3) of Commission Regulation (EC) 1287/2006.

**6.** "Regulated market" means a multilateral system operated and/or managed by a market operator, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments – in the system and in accordance with its non-discretionary rules – in a way that results in a contract, in respect of the financial instruments admitted to trading under its rules and/or systems, and which is authorised and functions regularly and in accordance with the provisions of this act and its implementing regulations.

**7.** "Multilateral trading facility" means a multilateral system, operated by an investment firm or a market operator, which brings together multiple third-party buying and selling interests in financial instruments – in the system and in accordance with rules not allowing assessment when combining counter orders – in a way that results in a contract in accordance with the provisions of MFIA.

**8.** "Order" means an instruction to buy or sell one or more types of financial instruments accepted by INVESTBANK JSC for execution or transfer to a third party.

**Final Provisions**

§2. When problems are identified in practice that require the amendment or supplementation of this Policy, the Management Board may adopt changes in due course, subject to the legal requirements.

§3. The executive managers may issue orders and instructions on the application of this Policy.

§4. This Policy shall be provided for information and execution to the investment consultant(s) working under a contract for the Bank, brokers and other employees whose function is related to the Bank's activity as an investment firm upon taking up their position and they shall submit a statement that they are familiar with them, which is to be attached to the other documents relating to the performance of their duties in the Bank.

§5. This Policy shall be provided to any client for whom it is relevant for the purpose of familiarisation with it. The Policy shall also be published on the Bank's website.

§6. This Policy was approved by a decision of the Asset and Liability Management Committee (ALMC) No. 257 of 4 July 2018 and adopted by the Management Board with Minutes No. 35 of 11 July 2018, amending the Policy approved by a decision of ALMC with Minutes No. 37 of 6 June 2014, adopted by Decision of the Management Board of INVESTBANK JSC with Minutes No. 49 of 10 June 2014 and approved by the Supervisory Board of INVESTBANK JSC with Minutes No. 27 of 16 June 2014.

**Appendix 1**

To Client Order Execution Policy of Investbank JSC applicable to transactions in financial instruments

**List of execution venues for client orders**

**1.** Regulated market in the republic of Bulgaria – INVESTBANK JSC is a member of the Bulgarian Stock Exchange - Sofia AD

**2.** Over the counter market

**3.** For regulated markets to which the Bank is not a member or MTF – through another broker or investment firm, on the basis of a concluded contract/agreement.

**CFP Trading Limited** – when trading in emission allowances consisting of any units recognized as complying with the requirements of Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC (Emissions Trading Scheme) (Directive 2003/87/EC).

The Bank reserves the right to amend and supplement the list and to inform clients about agreements concluded with third parties for the execution of client orders on regulated markets to which INVESTBANK JSC is not a member.

###### *I, the undersigned Svetlana Velikova Milenkova certify the true translation from Bulgarian into English of the document attached. The translation consists of 11 pages.*

###### *Translator: ……………………..… Svetlana Velikova Milenkova*