



CLIENT CLASSIFICATION POLICY

I. GENERAL PROVISIONS

- 1.1. The purpose of this Policy for Classification of Clients of DELTASTOCK is to establish internal rules for classification of clients pursuant to the criteria and requirements of the Markets in Financial Instruments Act (MiFIA) and Regulation No 38 on the requirements to the activities of investment firms (Regulation No 38) which transpose into Bulgarian law the provisions of MiFID.
- 1.2. This Policy is mandatory for all DELTASTOCK employees when providing services to clients in relation to financial instruments as per the MiFIA.

II. PROCEDURE FOR CLIENT CLASSIFICATION

- 2.1. All employees of DELTASTOCK are required, before entering into an agreement with a new client or before entering otherwise into commercial dealings with a client, to classify the client in accordance with the criteria set out in MiFIA and this Policy with a view to the protection and execution of his/her rights granted by MiFIA, Regulation N° 38 and other applicable statutory and internal company instruments.

- 2.2. Clients are classified in the following three groups:

2.2.1. Retail clients

Retail clients are:

- (i) clients who do not meet the requirements for eligible counterparty or professional client; or
- (ii) clients who are classified by DELTASTOCK as retail , including those who meet the criteria for professional clients in accordance with [Art. 2.2.2](#) below; or
- (iii) clients who have expressly requested to be treated as retail in compliance with the provisions of this Policy, MiFIA and Regulation No 38, as such treatment has been accepted by DELTASTOCK.

2.2.2. Professional clients

DELTASTOCK classifies clients as Professional if the following criteria have been met:

- (i) They possess the experience, knowledge and expertise to make their own investment decisions and properly assess the risks they incur with the respective investment and fall within at least one of the groups listed below:
 - a) entities which are required to be authorised or otherwise regulated to operate in the financial markets by the national law of EU Member State, regardless of whether such law is compliant with Directive 2004/39/EC of the European Parliament and of the Council, as well as entities authorised to perform such activities or otherwise regulated by the law of a non-Member State, as follows:
 - credit institutions;
 - investment firms;
 - other authorised or regulated institutions;
 - insurance companies;
 - collective investment schemes and management companies of such schemes;
 - pension funds and companies;
 - commodity and commodity derivatives dealers which trade on a professional basis and for their own account;
 - legal entities which provide investment services or perform investment activities consisting exclusively of dealing on their own account on markets in financial futures or options as well as other derivatives on the money market for the sole purpose of hedging positions on derivatives markets or/and legal entities which deal for the account of other participants in those markets or quote prices for them and which are guaranteed by the clearing members of those same markets, where the responsibility for ensuring fulfilment of the

contracts entered into by such persons is assumed by the clearing members of those markets;

- other institutional investors.
 - b) large enterprises which meet at least two of the following conditions:
 - balance sheet total is at least EUR 20,000,000 or their equivalent in other currency;
 - net turnover is at least EUR 40,000,000 or their equivalent in other currency;
 - own/proprietary funds are at least EUR 2,000,000 or their equivalent in other currency;
 - c) national or regional authorities, state authorities participating 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 organisations;
 - d) other institutional investors whose primary business is investment in financial instruments, including persons performing securitisation of assets or other financial transactions.
- (ii) They have not requested amendments in their agreement with DELTASTOCK in order to be provided with higher degree of protection according to the respective procedure set out in this Policy and their will is accepted by DELTASTOCK.
- (iii) They have not been categorised as retail clients by DELTASTOCK.

2.2.3. Eligible counterparty

DELTASTOCK classifies as eligible counterparty every client who has requested such classification and:

- (i) is an investment firm, credit institution, insurance company, collective investment scheme, management company, pension fund, pension company, other financial institution, a person under Art. 4, paragraph 1, items 11 and 12 of MiFIA, national governments, state authorities managing public debts, central banks and international organisations, as well as any entities from third countries which have expressly requested such treatment.
- (ii) has not requested and DELTASTOCK has not agreed this client to be treated as professional or retail client;
- (iii) has not been classified as professional or retail client by DELTASTOCK.

2.3. When classifying a client, DELTASTOCK employees will comply with the following procedure:

2.3.1. Before entering into an agreement, DELTASTOCK employee collects information on the experience, knowledge and expertise of the client in trading in financial instruments, his/her investment objectives and financial circumstances, his/her risk willingness, etc., and classifies the client following the criteria set out in this Policy upon collection of the aforementioned information. The collection of the necessary information is accomplished through filling in the registration form by the client, that is available on DELTASTOCK Website; filing in an annex to the agreement between DELTASTOCK and the client and/or other relevant document; or/and any other means of communication between DELTASTOCK and the client. The collected information must be sufficient for the purposes of general classification and also relevant to the specific service requested by the client.

2.3.2. Clients are classified in the following order:

- (i) If the assessment during the classification implies valid reasons for the client to be considered *an eligible counterparty* in compliance with the criteria specified in this Policy and the client has requested explicitly to be treated as such, the client shall be classified by DELTASTOCK as eligible counterparty.
- (ii) If the assessment ascertains that the client does not meet the criteria for classification as eligible counterparty under this Policy, but he/she meets the requirements for being classified as *professional client* and can be classified as such in conformity with the criteria specified herein, the client shall be classified by DELTASTOCK as professional client. Special attention will be paid to the

classification of clients who meet only the requirements set in [Art. 2.2.2. \(ii\)](#) above and [Art. 3.5.](#) below.

(iii) If the assessment ascertains that the client does not fall within the definition and criteria for classification neither as eligible counterparty, nor as professional client or if, according to DELTASTOCK the client should be classified as *retail client* in view of providing him/her with a higher degree of protection, the client shall be classified by DELTASTOCK as retail client.

2.3.3. DELTASTOCK notifies the client on his/her classification and how he/she will be treated in his/her relationship with DELTASTOCK – as eligible counterparty, professional or retail client. DELTASTOCK also informs the client about the criteria on which his/her classification has been based. DELTASTOCK will indicate, within its notification to the client, his/her right to request change of his/her classification, by advising him/her that the conditions and procedure for such a change are contained in this Policy. The notification under this article is performed by recording it on a durable medium in compliance with the requirements of MFIA, Regulation No 38 and the other provisions of the applicable law.

III. CONDITIONS AND PROCEDURE FOR CHANGE OF CLIENT CLASSIFICATION

3.1. The classification of a client who has been classified as eligible counterparty may be changed upon a written request by the client and provided that DELTASTOCK agrees with such change. In this case, if the client has not explicitly requested to be treated as retail client, the latter will be treated by DELTASTOCK as professional client.

3.2. If a client who has been classified as professional client considers that he/she is unable to properly assess and manage the risks associated with investment in financial instruments, and he/she requests the rules, which secure a higher degree of protection to retail clients, to apply, he/she may at any time during the term of the agreement request explicitly and in writing to be treated as retail client for all or part of the services covered by MFIA and provided by DELTASTOCK.

3.3. In the cases under [Art. 3.1.](#) and [3.2.](#) above DELTASTOCK will notify the client if the change in his/her classification results in the suspension of certain special contractual provisions provided only to large clients of DELTASTOCK.

3.4. In the cases under [Art. 3.1.](#) and [3.2.](#) above, DELTASTOCK and the client will enter into an additional written agreement to the existing agreement between them or will make their formal consent by other appropriate means. Such additional agreement or other means will set out explicitly the specific services, activities, trades, financial instruments or other financial products in respect of which the client will be provided with a higher degree of protection.

3.5. When a client who has been classified as retail client does not wish the rules, which secure a higher degree of protection to retail clients as set out in the applicable law and the internal policies of DELTASTOCK, to apply for him/her and requests to be treated by DELTASTOCK as professional client, the procedure below shall be followed:

3.5.1. The client shall submit an explicit written request for amendment to the agreement with DELTASTOCK;

3.5.2. DELTASTOCK notifies the client in writing that after his/her classification has been changed, he/she will not be able to take advantage of the specific rights securing protection of retail clients according to DELTASTOCK internal policies and the applicable law.

3.5.3. After the written request for amendment to the agreement between the client and DELTASTOCK has been received, DELTASTOCK verifies whether the conditions for the change of classification from retail to professional client are fulfilled, i.e. whether the client meets at least two of the following criteria:

(i) during the last year the client has entered into an average of 10 transactions of a significant size per quarter on a relevant market;

- (ii) the size of the investment portfolio of the client, which consists of financial instruments and money deposits, exceeds EUR 500,000 or their equivalent in other currency;
- (iii) the client has been or had been working in the financial sector for at least one year at a professional position which requires knowledge of the relevant trades or services.

3.5.4. According to DELTASTOCK's assessment of the experience, knowledge and expertise of the client, a conclusion may be drawn, by taking into account the nature of the trades or services, which the client intends to use or enter into, that the latter is capable of making his/her own investment decisions and understanding the risks involved. In the process of assessment, DELTASTOCK takes into consideration the following factors:

- (i) the client has one or more years of experience in banking or non-banking financial institutions and his/her duties have been related to the main business of those entities;
- (ii) the client has three or more years of experience in government institutions or other public legal entities whose main functions include management and control of public financial assets or management, control and investment of money in funds established by a statutory instrument; or
- (iii) the client has professional experience and qualification similar to the ones provided for the persons who manage the activities of credit and insurance institutions in conformity with the European Community law, including experience as auditor, accountant, lawyer, university lecturer, etc. whose professional experience is directly or predominantly linked to the financial sector.

All binding interpretations of the requirement specified in Art. 3.5.3. (iii) above will be followed when this Art. 3.5.4. is applied.

3.5.5. When the client is a legal entity with no independent management body, the person empowered to enter independently into deals on behalf of such entity will be subject to the assessment under Art. 3.5.4.

3.5.6. If the client fulfils the conditions for change of his/her classification and according to DELTASTOCK a conclusion may be drawn by taking into account the nature of the trades or services which the client intends to use/enter into, and that the client is capable of making his/her own investment decisions and understands the risks involved, DELTASTOCK and the client will enter into an additional written agreement to the agreement entered into between them or will otherwise make their consent formal. The additional agreement will provide explicitly the specific services, activities, trades, financial instruments or other financial products in relation to which the client will not be provided with a higher degree of protection. The additional agreement must contain the right of DELTASTOCK to terminate the same unilaterally and without notice if the reasons for which the change of classification has been made are no longer present.

3.5.7. If in the course of offering and providing investment services, DELTASTOCK ascertains that for a client classified as professional under this Article the reasons for which the change of his/her classification has taken place are no longer present, DELTASTOCK will send a written notification to the client informing him/her that the rules, which secure a higher degree of protection provided for retail clients will apply for him/her.

By sending a written notification under this Article DELTASTOCK will exercise its right to terminate the additional agreement unilaterally and without notice according to Article 3.5.6. above.

3.6. At any time DELTASTOCK may at its own discretion change the classification of its client from professional client or eligible counterparty to retail client, or from eligible counterparty to professional client. In that case DELTASTOCK will send a written notification to the client informing him/her that the rules, which secure a higher degree of protection provided for retail clients, or professional clients accordingly, will apply for him/her.

- 3.7. All requirements for the written form of any additional agreements, consents and notifications which Art. 3 makes provision for, are deemed fulfilled when such agreements, consents and notifications are sent as scanned document, recorded on CD or DVD, etc. in accordance with the provisions of the General Terms of Business of DELTASTOCK and the applicable law.
- 3.8. DELTASTOCK informs all its clients on the conditions and criteria according to which they are classified as professional clients, retail clients or eligible counterparties, by making available this Policy on the Website and by disclosing it by other appropriate means in compliance with the requirements of the General Terms of Business and the applicable law.

IV. FINAL PROVISIONS

- 4.1. This Policy is adopted on 12.05.2010 by Corporate Minutes of company's Board of Directors. It represents an update of the policy applied before and takes effect on 20.05.2010. This Policy is available on company's Website (www.deltastock.com), as well as at DELTASTOCK offices.



www.deltastock.com

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