



**CLIENT CATEGORISATION RULES OF
DELTASTOCK**
(consolidated version)

I. GENERAL PROVISIONS

1. These Client Categorisation Rules of Deltastock (The Rules) have been developed on the basis and in accordance with the provisions of § 1, Item 9, Item 10 and Item 11, the Annex to § 1, Item 10, Art. 89, in relation to Art. 68 and Art. 69, Para. 1 of the Markets in Financial Instruments Act (MiFIA), and Art. 45 of Delegated Regulation of the Commission (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and for defined terms for the purposes of that Directive (Delegated Regulation (EU) 2017/565) and comply with the requirements of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EU and Directive 2011/61 /EU (MiFID II), in particular Art. 4, Para. 1, Item 9, Item 10 and Item 11, Annex II and Art. 30.
2. The Rules regulate the categorisation of clients of Deltastock and the procedure for its change.

The categorisation is carried out with regard to protecting and exercising the rights of the clients provided for in MiFIA, Delegated Regulation (EU) 2017/565 and other applicable national and Community regulations and internal company acts, as well as the contractual relations between the parties

3. The Rules, in their up-to-date version, are available and freely accessible on Deltastock's website (www.deltastock.com) as well as at the office of the investment intermediary.

The Rules are not part of the agreement between the client and Deltastock or the applicable general terms of business, but is a stand-alone document. Deltastock provides the client with the Rules, together with the other documents, which they have to acquaint themselves with before signing the agreement.

II. CLIENTS CATEGORIES

4. Within the meaning of the Rules and the applicable law, a client is any natural or legal person to whom Deltastock provides investment or ancillary services.
5. Within the meaning of the Rules and the applicable law, a professional client is a client who possesses the experience, knowledge and expertise to make their own investment decisions and properly assess the risks associated with investments, and complies with the following criteria:
 - a) Entities which are required to be authorised in the conduct of business on the financial markets, or whose activities on those markets are otherwise regulated by the national law of a Member State, regardless of whether it is compliant with a Union directive, as well as entities that have been authorised to carry out such activities or are otherwise regulated by the legislation of a third country, as follows:

- credit institutions;
 - investment intermediaries;
 - other financial institutions subject to licensing or otherwise regulated;
 - insurance companies;
 - collective investment undertakings and their management companies;
 - pension funds and pension insurance companies;
 - entities trading on own account in commodities or commodity derivatives;
 - local companies;
 - other institutional investors.
- b)** large undertakings meeting at least two of the following conditions:
- balance sheet total: at least 20,000,000 EUR;
 - net turnover: at least 40,000,000 EUR
 - own funds: at least 2,000,000 EUR.
- c)** National and 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 main activity is to invest in financial instruments, including entities dedicated to the securitisation of assets or other financial transactions.
- 6.** Within the meaning of the Rules and applicable law, an eligible counterparty is an investment intermediary, a credit institution, an insurance company, a collective investment scheme, a management company, a pension insurance company, a pension fund, other financial institutions authorised or regulated by the legislation of the European Union and of the Member States, national governments, public bodies that manage sovereign debt, central banks and international institutions, as well as such third country entities to which requirements equivalent to the requirements of European Union law apply.

Other eligible entities may also be considered as eligible counterparties: who meet the requirements set out in Art. 71 of Delegated Regulation 2017/565, including third country entities, as follows: enterprises falling within the category of clients who are to be considered professional clients in accordance with Art. 5, letter "a", "b" and "c" of the Rules.

In the case of an order by a client who is a person of another jurisdiction, Deltastock takes into account whether the client has been defined as an eligible counterparty under the law of the country where the client is established.

7. Within the meaning of the Rules and the applicable law, a retail client is a client who is not defined as a professional client or as an eligible counterparty.
8. Notwithstanding the provisions of [Art. 5](#), [Art. 6](#) and [Art. 7](#):
 - a) each retail client may explicitly request to be considered as a professional client provided they meet the criteria set out in [Art. 12](#);
 - b) each retail client - an enterprise may explicitly request that it be treated as an eligible counterparty;
 - c) each professional client may explicitly ask to be considered a retail client;
 - d) each professional client - an enterprise may explicitly request to be treated as an eligible counterparty;
 - e) each eligible counterparty may explicitly request to be treated as a professional or a retail client in whole or for a particular transaction;
 - f) Deltastock may, on its own initiative, consider a professional client as a retail client, or consider an eligible counterparty as a professional or retail client.

III. RIGHTS OF THE DIFFERENT CLIENT CATEGORIES AND RESTRICTIONS ON THE PROTECTION LEVEL OF THE DIFFERENT CLIENT CATEGORIES

9. Where in the national or Community regulations the contract, the applicable general terms of business, and the rules, policies, procedures and other internal acts of Deltastock:
 - a) regulate client rights and obligations, without explicitly stating that, they concern a particular category of clients (for example, professional, retail or eligible counterparts), these rights and obligations equally concern each of the three client categories;
 - b) regulate rights and obligations by explicitly stating that they concern a particular category of clients (for example, retail clients), these rights and obligations shall not apply to the other two categories (professional clients and eligible counterparts) but only to those explicitly mentioned;
 - c) explicitly provide that certain provisions, respectively the rights and obligations regulated by them, shall not apply to a particular category of clients (for example, the eligible counterparts), these rights and obligations shall concern the other two categories (retail and professional clients) but not the category explicitly excluded from them.
10. *(Amd. Feb. 2020)* The legally defined level of protection for different client categories is different.

The level of protection is highest for retail clients. With regard to them, besides the general provisions concerning all clients, there also apply specific provisions explicitly provided for in MiFIA (such as [Art. 73](#), [Para. 2](#), [Art. 74](#), [Para. 2](#), [Art. 78](#), [Para. 5](#), [Art. 78](#),

Para. 7, Art. 82, Para. 3, Art. 84, Para. 2, Art. 95, Para. 1, etc.), in Delegated Regulation 2017/565 (Art. 44, Para. 4, letter "e", Art. 48, Para. 3, Art. 54, Para. 2, Art. 57, letter "f", Art. 62, Para. 2, Art. 65, Para. 4, Art. 66, Para. 9, Art. 67, Para. 1, letter "c", etc.) and also in other national or Community legislation.

The level of protection is average for professional clients. With regard to them, the general provisions concerning all clients apply, with virtually no specific provisions concerning only them. The biggest limitation of the level of protection for professional clients is that, according to Art. 77d, Para. 2 of the Public Offering of Securities Act (POSA), the Investor Compensation Fund shall not pay compensation to them.

The level of protection is lowest for the eligible counterparties. The provision of Art. 89, Para. 1 of MiFIA explicitly provides that an investment intermediary that performs investment services under Art. 6, Para. 2, item 1, 2 and 3 of MiFIA, such as Deltastock, may execute or conclude transactions with an eligible counterparty without complying with the requirements under Art. 71, Para. 1, Art. 72, 73, 74, 77, 78, 82, 84, 85, 86, and 87 of MiFIA with regard to the specific orders or the related ancillary service directly related to these orders. Apart from this, when the eligible counterparty falls within the scope of Art. 77d, Para. 2 of the POSA, the Investor Compensation Fund shall not pay compensation to it.

11. Each client, regardless of their category, is entitled to request a different categorisation. This right is not limited to any of the stages in which the contractual relationship between the client and Deltastock exists.

If a client with a higher level of protection wishes to be treated as another category of client, with a lower level of protection (for example, a retail client wishes to be treated as a professional client), they must waive some of the protections afforded under the legally defined rules for conduct of business. Any such waiver of protection under the Rules shall be considered to be valid only if an adequate assessment of the expertise, experience and knowledge of the client, undertaken by Deltastock, gives reasonable assurance, in light of the nature of the transactions or services envisaged, that the client is capable of making investment decisions and bear the risks associated with specific transactions and services. With regard to a client who is not a natural person, an assessment shall be made of the persons who manage and represent the client or who are entitled to carry out the relevant transactions on behalf and on own account of the client.

If a retail client requests to be treated as a professional client, Deltastock may agree to the change of categorisation only if the relevant criteria and procedure mentioned below are fulfilled. However, it should not be considered that these clients possess market knowledge and experience comparable to those of the persons under Art. 5.

12. Retail clients, including public sector bodies, local public authorities, municipalities and private individual investors, other than those referred to in Art. 5, are entitled to request to be treated as professional clients if they have fulfilled at least two of the following identification criteria:
 - a) over the previous four quarters, the person has carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter;

- b) the value of the person's investment portfolio, defined as including financial instruments and cash deposits, exceeds 500,000 EUR;
 - c) the person works or has worked in the financial sector for at least one year in a professional position, which requires knowledge of the relevant transactions or services.
- 13. Each person defined as an eligible counterparty may explicitly request not to be treated as such in whole or for a particular transaction.
 - 14. Professional clients should inform Deltastock of each change that may lead to a change of their categorisation.

Eligible counterparts, defined as such pursuant to Art. 71 of Delegated Regulation 2017/565, should inform Deltastock of any change that may lead to a change of their categorisation.

In the case where the investment intermediary establishes that a client no longer fulfills the conditions that categorise them as a professional client or eligible counterparty, the investment intermediary shall take the necessary measures to reflect the change and change the categorisation.

- 15. Deltastock warns the client with a higher level of protection who wishes to be treated as another category of client, with a lower level of protection (for example, a retail client wishes to be treated as a professional client) that after the change of categorisation, the client will not be entitled to benefit from the higher level of protection they have benefited from prior to the change.

IV. INITIAL CLIENT CATEGORISATION PROCEDURE

- 16. Deltastock is under the obligation, prior to entering into an agreement with a new client, or otherwise starting a business relationship with a client, to categorise the client by applying the criteria set out in MiFIA, Delegated Regulation 2017/565, and the Rules.
- 17. Client categorisation is done in the following three categories: retail client, professional client, and eligible counterparty.
- 18. Deltastock performs client categorisation on the basis of the information gathered upon the submission of the application for opening a trading account and the criteria set out in the Rules.

The categorisation takes place during the submission and processing of the application for opening of a trading account and prior to the conclusion of the contract.

The client is informed on a durable medium about the categorization as well as about their right to request a change in the category and that this will lead to a change in the level of protection they have been provided under the statutory and contractual provisions and in particular its limitation on a change from a higher category to a lower level of protection.

- 19. Deltastock determines the client category in the following order:

- a) checks whether the client fulfills the criteria for an eligible counterparty, and if they fulfill the criteria, the client is defined as such;
 - b) if the client does not meet the criteria for an eligible counterparty, it is verified whether they fulfill the criteria for a professional client, and if they fulfill the criteria, the client is defined as such;
 - c) if the client does not fulfill the criteria for a professional client, they are defined as a retail client.
20. Deltastock may, on its own initiative at the initial categorisation or at a later stage, treat the client as follows:
- a) to consider a client, who would otherwise be categorised as an eligible counterparty, as a professional or retail client;
 - b) to consider a client, who would otherwise be categorised as a professional client, as a retail client.
21. The client is entitled, after seeing their initial official categorisation, upon submitting their request, prior to signing the agreement for trading in financial instruments, to explicitly ask for a change of their category, in accordance with the admissible options provided in [Art. 8](#) of the Rules.
22. Deltastock assesses whether, in view of the collected information, the client fulfills the statutory criteria, and:
- a) if the client fulfills the criteria, the investment intermediary approves their request;
 - b) if the client does not fulfill the criteria, the investment intermediary, based on reasonable grounds, refuses to change their categorisation.
- Deltastock has the right to disagree with the proposed change of categorisation, even if the client fulfills the criteria.
23. The client's category is determined on the basis of the initially performed official categorisation if the client has not requested such a change, or on the basis of the client's explicit request for a change of the categorisation accepted by Deltastock.

V. TERMS AND PROCEDURE FOR CHANGING CLIENT CATEGORISATION

24. The categorisation of a client who is defined as an eligible counterparty may be changed on the basis of an explicit written request by the client and a respective consent by Deltastock.

If in this case the client has not explicitly requested to be treated as a retail client, they shall be treated by Deltastock as a professional client.

According to the client's request, the change of categorisation may refer to one or more investment services or transactions or to one or more types of transactions or products.

Deltastock has the right to disagree with the proposed change of categorisation.

25. In the event that a client who is defined as a professional client determines that they cannot properly assess and manage the risks associated with investing in financial instruments and wishes that the rules ensuring a higher level of protection that is provided for retail clients, the client may, at any time during the term of the agreement, expressly request in writing to be treated as a retail client for any or all services provided by Deltastock that fall within the scope of MiFIA.
26. In the cases under [Art. 24](#) and [Art. 25](#) above, Deltastock warns the client that a change of categorisation may result in the loss of special contractual advantages granted only to professional clients and/or eligible counterparties (if such benefits are stipulated in the contract).
27. In the cases under [Art. 24](#) and [Art. 25](#) above, Deltastock and the client enter into a written agreement or formalise their consent in another appropriate manner. The agreement regulates the higher level of protection that is provided to the client with the new categorisation, and also determines whether the new categorisation will apply to one or more specific services or transactions or to one or more types of products or transactions.
28. In the event that a client who has been categorised as a retail client determines that they wish that the rules providing a higher level of protection to retail clients shall not apply to them, and wishes to be treated by Deltastock as a professional client, the below procedure is followed:
 - a) the client must request in writing that Deltastock treats them as a professional client, in general or in connection with certain investment services or transactions, or a certain type of transaction or investment product;
 - b) Deltastock is obliged to warn the client in writing that they will not benefit from the relevant protection in the provision of services and performance of the activities by the investment intermediary, as well as from the right to be compensated by the Investor Compensation Fund;
 - c) the client must declare, in a separate document, that they have been informed of the consequences under [letter \(b\)](#);
 - d) prior to making a decision to treat the client as a professional client, Deltastock should take the necessary action to ensure that the client fulfills the criteria under [Art. 12](#) and the conditions under [Art. 29](#).
29. Prior to agreeing to treat the retail client as a professional client, Deltastock performs an assessment of the client to determine whether they fulfill at least two of the criteria under [Art. 12](#), and whether they have knowledge and experience to make investment decisions and bear the risks associated with specific transactions and services. In performing the assessment, Deltastock shall take into account the following circumstances:

- a) the presence of one or more years of experience of the client in banks or companies in the non-banking financial sector, provided that the client's professional duties have been related to the core business of those enterprises;
- b) the presence of three or more years of experience in state institutions or other public sector entities whose principal functions include management and control of public financial assets or management, control and cash investment in funds created by a legislative act; or
- c) the presence of qualification and professional experience similar to the persons who manage the activity of credit or insurance institutions under European Community law, including the experience of auditors, accountants, lawyers, lecturers in higher education institutions and others whose professional experience is directly and predominantly linked to the financial sector.

In the cases where the client is not a natural person, the assessment shall be performed with respect to the individuals who manage and represent the client or who are entitled to carry out the relevant transactions on the client's behalf and on their own account.

Deltastock has the right to disagree with the proposed change of categorisation, even if the client fulfills the respective criteria and conditions.

- 30. In cases where a retail client, according to the assessment under Art. 29, fulfills the criteria and conditions for change of categorisation to a professional client, Deltastock and the client enter into a written agreement or formalise their consent in another appropriate manner. The agreement regulates the lower level of protection that is provided to the client under the new categorisation, and also determines whether the new categorisation will apply to one or more specific services or transactions or to one or more types of products or transactions.

The agreement must contain a clause governing the right of Deltastock to terminate it unilaterally, without prior notice, in the case of dropping of one or more of the circumstances on the basis of which the client categorisation has been changed.

- 31. In the event that a client who has been categorised as a professional client determines that they wish that the rules providing a higher level of protection, which the current legislation and the agreements and internal acts of Deltastock give to professional clients, and wishes to be treated by Deltastock as an eligible counterparty, the below procedure is followed:
 - a) the client must request in writing to be treated by Deltastock as an eligible counterparty in general or with regard to certain investment services or transactions or a particular type of transaction or investment product;
 - b) Deltastock is under obligation to warn the client in writing that they will not benefit from the relevant protection in the provision of services and the performance of activities by the investment intermediary, from which they would benefit as a professional client;

- c) the client must declare, in a separate document, that they have been informed of the consequences under **letter "b"**.

Deltastock has the right to disagree with the proposed change of categorisation.

- 32. In the cases under **Art. 31**, Deltastock and the client enter into a written agreement or formalise their consent in another appropriate manner. The agreement regulates the lower level of protection that is provided to the client under the new categorisation, and also determines whether the new categorisation will apply to one or more specific services or transactions or to one or more types of products or transactions.
- 33. In order to protect the interests of retail clients who are natural persons, Deltastock will not approve requests by such clients to be treated as eligible counterparties.
- 34. Except from the cases above cases, Deltastock is entitled at any time to take on its own initiative a change of the categorisation of the client, which leads to the application of a higher level of protection. In this case, Deltastock sends a written official notice to the client, informing them that it changes their categorisation, and will apply the rules providing a higher level of protection, provided for the new category of clients. In a written notice under this article, Deltastock also informs the client that it unilaterally terminates, without prior notice, the agreement between them for change of categorisation, if there is such an agreement in place.

In the above mentioned order, Deltastock may undertake a change of the client's category if it establishes that one or more of the circumstances on the basis of which they have been categorised at the initial categorisation or the subsequent change of the same has been dropped.

- 35. Deltastock notifies all of its clients about the terms and criteria under which it defines them as professional or retail clients, as well as the circumstances under which they can be defined as an eligible counterparty, by publishing these Rules on their website and distributing them by other appropriate means, in accordance with the requirements of the General Terms of Business and the applicable legislation.

VI. FINAL PROVISIONS

- 36. The employees of Deltastock are under obligation to re-categorise the investment intermediary's existing clients, in compliance with the requirements of MiFID II and to inform the clients of the new categorisation.
- 37. The Rules are available in Bulgarian and English. In case of discrepancies in the texts of the provisions between the two languages, the text of the respective provision in the Bulgarian language version shall prevail. By signing the agreement, the client declares that they agree to use the Rules in one of the two available languages and will not require translation into a language other than those specified in this provision.
- 38. Deltastock regularly performs a periodic review of the Rules at least once a year, as well as in case of any significant change. Deltastock monitors the effectiveness of the Rules and, in case of identified flaws, removes them, including by updating the Rules.

39. *(Suppl. Feb. 2020)* This document was adopted by the Management Board of Deltastock at a meeting held on 16 May 2018 and entered into force on the same date. The document has been amended by the Management Board of Deltastock at a meeting held on 3 February, 2020 and the amendments are effective from 17 February, 2020.





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