



**I N F O R M A T I O N**  
regarding safeguarding of the  
financial instruments and funds  
of Deltastock's clients  
trading in fixed income securities

## **I. GENERAL PROVISIONS**

- Art. 1.** This Information regarding safeguarding of the financial instruments and funds of Deltastock's clients trading in fixed income securities (hereinafter referred to as "the Information") has been developed on the basis and in accordance with the provisions of Art. 49 and Art. 63 of Commission Delegated Regulation (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 defined terms for the purposes of that Directive (Delegated Regulation 2017/565), Art. 92 - 95 from the Markets in Financial Instruments Act (MiFIA), Ordinance № 58 of 28 February 2018 with regard to safeguarding of financial instruments and funds belonging to clients, product governance obligations and the rules applicable to the provision or reception of fees, commissions or any monetary or non-monetary benefits (Ordinance 58), as well as in accordance with the provisions in 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/EC and Directive 2011/61/EU (MiFID II) and particularly to Art. 16, Para. 8 - 11.
- Art. 2.** The Information is prepared in accordance with the nature, scale and complexity of the business activities performed by Deltastock.
- Art. 3.** The Information is applicable to the Agreements between Deltastock and its clients, which regulate trading in fixed income securities.
- Art. 4.** Deltastock offers its clients the following types of fixed income securities:
- a)** Government bonds issued by the Republic of Bulgaria or other countries;
  - b)** Corporate bonds of Bulgarian and foreign legal persons;
- Art. 5.** Deltastock offers trading in fixed income securities only to professional clients and eligible counterparties. The investment intermediary does not offer trading in fixed income securities to retail clients.

## **II. GENERAL REQUIREMENTS ON THE SAFEGUARDING OF FINANCIAL INSTRUMENTS AND FUNDS OF CLIENTS**

**Art. 6.** Deltastock, in its capacity of an investment intermediary, which holds financial instrument and funds that belong to clients, take adequate measures to protect clients' ownership rights on these assets.

**Art. 7.** Deltastock segregates its financial instruments and funds from those of its clients.

**Art. 8.** Deltastock maintains accountability and keeps accounts of the financial instruments and funds of its clients, which:

a) ensure that at any time the investment intermediary can segregate clients' assets among the different clients and its own assets;

b) accurately reflects the financial instruments and funds, held on behalf of clients;

c) can be used for documentary traceability (audit trail).

**Art. 9.** Deltastock keeps analytical accounts of all the financial instruments and funds of its clients. Deltastock takes the necessary measures to ensure that all client financial instruments can be, at any time, clearly distinguished from the financial instruments of the investment intermediary, through accounts held in different names in the accounting of the investment intermediary or through other equivalent measures that achieve the same level of protection.

**Art. 10.** If a counterparty holds their own financial instruments, Deltastock does not keep analytical accounts for them.

**Art. 11.** Deltastock undertakes the necessary measures to ensure that all client financial instruments deposited with a person under Art. 94, Para. 1 from MiFIA, can be at any time and clearly distinguished from the financial instruments of the investment intermediary, as well as from the financial instruments of the person under Art. 94, Para. 1 from MiFIA, through accounts held in different names in

the accounting of the person under Art. 94, Para. 1 from MiFIA or through equivalent measures that achieve the same level of protection.

- Art. 12.** Deltastock does not keep the client's financial instruments in a third country.
- Art. 13.** The client's financial instruments may be held in an omnibus account of Deltastock or a third party.
- Art. 14.** Deltastock cannot use the client instruments on own account, on account of other clients on account of any other person, except with the explicit agreement of the client.
- Art. 15.** Deltastock will not enter into contract arrangements for securities financing, within the meaning of Art. 3, item 11 from Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012, in relation to the financial instruments held on clients' behalf, or to dispose with these instruments on own account or for the account of another person or client of the investment intermediary.
- Art. 16.** The limitation set forth in **Art. 15** is not applied if the following conditions are simultaneously present:
- a)** The client has given in advance, in writing, their explicit consent for using their financial instruments;
  - b)** The use of the financial instruments of this client is limited to the given conditions, with which the client has agreed beforehand.
- Art. 17.** In the cases set forth in **Art. 16** Deltastock shall store on a durable medium the document with which the client has given their consent for the use of their financial instruments under the given conditions.
- Art. 18.** Deltastock will not enter into contract arrangements for securities financing with regard to financial instruments held on behalf of the client in an omnibus

account held by a person under Art. 94, Para. 1 from MiFIA or to use the financial instruments held in such account in other manners.

**Art. 19.** The limitation set forth in Art. 18 shall not apply, unless besides the conditions in Art. 16, is met at least one of the following conditions:

- a) Each client whose financial instruments are held in an omnibus account has given their explicit prior consent, in accordance with Art. 16, letter “a”;
- b) Deltastock has introduced control systems and mechanisms which guarantee that only the financial instruments of clients who have given their prior explicit consent, in correspondence with Art. 16, letter “a”, are being used.

**Art. 20.** Deltastock maintains records containing details of the client whose financial instruments it uses, the number and type of the used financial instruments of each client who has given its consent and the data in the records must allow for the correct distribution of any potential loss.

**Art. 21.** Deltastock shall set up mechanisms against the unauthorised use of the client financial instruments on own account or on account of another person by:

- a) concluding an agreement on the actions to be taken by the investment intermediary if the client does not have sufficient funds in the account at the settlement date, among the agreed actions may be borrowing the relevant financial instruments on behalf of the client or closing down the position;
- b) monitoring and forecasting by the investment intermediary of the ability of the client to meet their obligations at the settlement date and the introduction of remedies if this cannot be done;
- c) monitoring and promptly requiring the client to provide financial instruments that were not delivered at the settlement date and after that date.

**Art. 22.** (Amd. Feb. 2020) Deltastock does not and cannot use client funds on own account.

**Art. 23.** Deltastock will not be liable to its creditors with the financial instruments of funds of its clients. It does not allow any forced execution on the financial instruments and funds of client in order to covering obligations of Deltastock.

**Art. 24.** Void to the client is rights of set-off, establishing a compensation over client funds, or other actions related to client financial instruments and funds, enabling a third party to dispose of client's financial instruments or funds in order to recover debts that do not relate to the client or provision of services to the client are not permitted except where this is required by applicable law in a third country jurisdiction in which the client financial instrument and/or funds are held.

**Art. 25.** Deltastock sets out in the Agreement and the applicable General Terms, whether it holds client funds in a third country jurisdiction, in the applicable legislation of which grants the right of set-off, establish a compensation as well as other related actions over client financial instruments and/or funds, enabling a third party to dispose of client's funds in order to cover debts that do not relate to the client or the services provided by the investment intermediary to the client.

If Deltastock holds client funds in such a third country, it will disclose to the Client in the agreement all the applicable information related to the rights and actions concerning the client assets.

**Art. 26.** When Deltastock is informed about established compensations or set-off rights over client funds, or other actions related to client funds, as a result of which a third party acquires the right to dispose of client's financial instruments or funds in order to recover liabilities that do not relate to the client or the services provided to him/her, when these actions arise in accordance with the applicable law in a third country jurisdiction in which the client funds are held, then the investment intermediary informs the client on the durable medium, which the client has declared, or through the website by providing all details related to the right and obligations concerning the clients' assets.

Deltastock immediately records in the client's Agreement and its own accounts, when established compensation or set-off rights or other actions related to the funds of the client in the accounts, in order to ensure clarity over the status of the client's funds including in the event of insolvency.

**Art. 27.** Deltastock informs clients or potential clients through the durable medium, stated by them or through its website, about the cases when that client's fund can be held by a third party on behalf of the investment intermediary, and the responsibilities of the Investment Intermediary under the applicable national legislation regarding all actions or inactions of the third party, as well as about the consequences for the client that may result from an eventual insolvency of the third party.

**Art. 28.** Deltastock informs the client or the potential client through the durable medium, stated by them or through its website, when the accounts, which hold the funds of that client, are subjected to or will be the subjected to the legislation of a country which is not a EU member state and will state that the rights of the client or the potential client related to those funds may respectively be different.

**Art. 29.** When Deltastock has the right to set-off, take collateral, as well as other actions (including liens) regarding the financial instruments and/or funds of the clients, the investment intermediary states in the Agreement and in the applicable General Terms of Deltastock the whole applicable information in regard to the rights and actions concerning the clients' assets.

**Art. 30.** Deltastock may conclude title transfer financial collateral arrangements with its clients (professional clients and eligible counterparties) for the purpose of securing or covering present or future, actual or contingent or prospective obligations of the client – professional or eligible counterparty.

**Art. 31.** Deltastock has the right to conclude title transfer financial collateral agreements in the case of obligations of the client to the intermediary when the collateral are the client's assets.

**Art. 32.** Before concluding a title transfer financial collateral arrangement when the collateral are the client's assets, Deltastocks performs a written analysis of the expedience of the conclusion of such agreement. The investment intermediary may sign such agreement only after the analysis concludes that it is suitable for the client and after receiving prior and explicit consent of the client for using their assets.

**Art. 33.** Deltastock shall inform its professional clients and eligible counterparties of the risks and the effect of the transfer financial collateral agreement on their financial instruments and funds.

**Art. 34.** Deltastock establishes adequate organisational arrangements to minimise the risk of the loss or diminution of client financial instruments and funds, or of rights in connection with those assets, as a result of misuse of the assets, fraud, poor administration, inadequate record-keeping or negligence.

**Art. 35.** Deltastock appoints an employee to fulfil its obligations in relation to the safeguarding of client financial instruments and funds.

### **III. DEPOSITING CLIENTS FINANCIAL INSTRUMENT AND FUNDS**

**Art. 36.** Deltastock does not keep the financial instruments of its clients.

**Art. 37.** Deltastock deposits the financial instruments of its professional clients in a depository institution under Art. 94, para. 1 of MiFIA, in client accounts to the account of the investment intermediary or in accounts to the account of a third party.

**Art. 38.** Deltastock deposits the financial instruments of its eligible counterparties in a depository institution under Art. 94, para. 1 of MiFIA, in client accounts to the account of the investment intermediary or in accounts to the account of a third party, if the eligible counterparty has explicitly expressed its wish that Deltastock stores the fixed income securities. If the eligible party has not explicitly wished that Deltastock stores the fixed income securities, then the

responsibility for storing them is borne by the eligible counterparty and does not concern the financial intermediary.

**Art. 39.** Deltastock stores the financial instruments of its clients in the depository institutions specified on its website ([www.deltastock.com](http://www.deltastock.com)).

**Art. 40.** Deltastock shall exercise all due care and in the selection and periodic review of the person under Art. 94, para. 1 of MiFIA, where it deposits the financial instruments of its clients, and when setting contract arrangement takes into account the market reputation of the credit institution in order to ensure the protection of clients' rights, as well as any legal or regulatory requirements or market practices related to the holding of client funds, that could adversely affect clients' rights.

**Art. 41.** Deltastock shall deposit the client financial instruments only with persons under Art. 94, para. 1 of MiFIA in jurisdictions in which the persons under Art. 94, para. 1 of MiFIA and the safekeeping of financial instruments on account of a third person are subject to special regulation and supervision.

**Art. 42.** Deltastock cannot deposit the client financial instruments with persons under Art. 94, para. 1 of MiFIA in a third country that does not regulate the holding and safekeeping of financial instruments on account of a third party. The requirement in the previous sentence may not be applied only if either of the following conditions is met:

- a) The nature of the financial instruments or the related investment service require that they are deposited with this person in the respective third country;
- b) The financial instruments are held on behalf of a professional client and this client demands in written that the investment intermediary deposits them with a person under Art. 94, para. 1 of MiFIA in the indicated third country.

**Art. 43.** The requirements of **Art. 41** and **Art. 42** are also applied when the person under Art. 94, para. 1 of MiFIA has delegated important operative functions, related to the holding and safekeeping of financial instruments, to a third party.

- Art. 44.** Deltastock does not keep the funds of its clients.
- Art. 45.** Deltastock deposits client funds in an account or accounts, identified separately from any accounts used to hold funds belonging to the investment intermediary, in any of the persons listed below.
- Art. 46.** Deltastock can deposit the client funds at in accounts opened in any of the following:
- a)** central bank;
  - b)** credit institution authorised in accordance with the Law on Credit Institutions, respectively Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC;
  - c)** credit institution authorised in a third country;
  - d)** qualifying money market fund.
- Art. 47.** Deltastock does not deposit client funds in a qualifying money market fund.
- Art. 48.** Deltastock does not deposit client funds with a credit institution or a qualifying money market fund which are part of the same group as the investment intermediary.
- Art. 49.** Deltastock deposits funds of eligible counterparties under **Art. 46** in an account or accounts, identified separately from any accounts used to hold funds belonging to the investment intermediary, if the eligible counterparty has explicitly wished that Deltastock stores their funds. If the eligible counterparty has not explicitly wished that Deltastock stores their funds, then the responsibility for storing these funds is borne by the eligible counterparty and does not concern the investment intermediary.
- Art. 50.** Deltastock deposits its client funds in the commercial banks (credit institutions) specified on its website ([www.deltastock.com](http://www.deltastock.com)).

**Art. 51.** Deltastock exercises all due care and in the selection /periodic review of the credit institution where it deposits the funds of its clients, and when setting contract arrangement takes into account the market reputation of the credit institution in order to ensure the protection of clients' rights, as well as any legal or regulatory requirements or market practices related to the holding of client funds, that could adversely affect clients' rights.

**Art. 52.** In connection to the actions or inactions of the persons, where clients funds are deposited, and the consequences for the client resulting from an insolvency of those persons, the responsibilities of these persons and of Deltastock are set out in the national legislation.

**Art. 53.** Deltastock reconciles its accounts and records its accounts with those in the persons under Art. 93, para.1 from MiFIA and Art. 94, para.1 ofr MIFIA, at which the assets of the investment intermediary and its clients are being held. The reconciliation of the client funds is performed on a daily basis, and that of the financial instruments is performed frequently, but not less than once a week.

#### **IV. STATEMENTS OF CLIENT FINANCIAL INSTRUMENTS AND FUNDS**

**Art. 54.** Deltastock will send to each client, whose funds or financial instruments it holds, a statement on a durable medium at least every quarter unless the content of this statement is reflected in other statements sent previously to the client.

**Art. 55.** Upon client request, Deltastock provides such statement more frequently at a commercial cost.

**Art. 56.** The statement of client assets includes the following information:

**a)** details of all the financial instruments or funds held by the investment intermediary for the client at the end of the period covered by the statement;

- b) the extent to which any client financial instruments or client funds have been the subject of securities financing transactions;
- c) the extent amount of any benefit that has accrued to the client by virtue of participation in any securities financing transactions, and the basis on which that benefit has accrued;
- d) a clear indication of the assets or funds which are subject to the rules of Directive 2014/65/EU (MiFID II) and its implementing measures and those that are not, such as those that are subject to title transfer collateral agreement;
- e) a clear indication of which assets are affected by some peculiarities in their ownership status, for instance due to a security interest;
- f) the market or estimated value, when the market value is not available, of the financial instruments included in the statement with a clear indication of the fact that the absence of a market price is likely to be indicative of a lack of liquidity. The evaluation of the estimated value shall be performed by the firm on a best effort basis.

**Art. 57.** In cases when the portfolio of a client includes the proceeds of one or more unsettled transactions, the information referred to in **Art. 56, letter "a"** may be based either on the trade date or the settlement date, provided that the same basis is applied consistently to all such information in the statement.

## **V. FINAL PROVISIONS**

**Art. 58.** The information is not a part of the Agreement for Trading in Fixed Income Securities between the client and Deltastock nor it is applicable to the General Terms of Business Applicable to the Agreements for Trading in Fixed Income Securities of Deltastock, but an independent document. Deltastock provides the client with Information, along with other documents which he/she must review before signing his/her agreement.

**Art. 59.** A review of this Information is done at least annually, as well as during each substantial change.

**Art. 60.** The latest version of this Information is available in the office and on the website of Deltastock. ([www.deltastock.com](http://www.deltastock.com)). Deltastock informs its clients through the website for any substantial changes in the Information or for the adoption of a new one.

**Art. 61. (Suppl. Feb. 2020)** This document has been adopted by the Management Board of Deltastock at a meeting held on 14 June, 2019 and is effective from 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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