

A large, light gray, stylized sail graphic that serves as a background for the title text. It has a curved, sail-like shape with horizontal lines.

**POLICY FOR EXECUTION OF
CLIENT ORDERS APPLICABLE TO THE
PARTICIPATION ON A PRIMARY MARKET OF
FIXED INCOME SECURITIES**

(consolidated version)

I. GENERAL PROVISIONS

Art. 1. This Policy for Acceptance and Execution of Client Orders, Applicable to the Participation on Primary Market of Fixed Income Securities of Deltastock (hereinafter referred to as "the Policy") has been developed on the basis and in accordance with the provisions of Art. 86 of the Markets in Financial Instruments Act (MiFIA) and Art. 66, in relation to Art. 64, Art. 67, Art. 68, and Art. 69 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) and complies 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/EC and Directive 2011/61/EU (MiFID II), in particular Art. 24, Para. 1, and with Art. 27, Para. 1, 2, 4, 5, and 7.

Art. 2. The policy includes:

- a)** conditions for execution of client orders when participating on a primary market of fixed income securities;
- b)** conditions for grouping together (aggregation) and distribution of orders when participating on a primary market of fixed income securities.

Art.3. The Policy is applicable to the agreements between Deltastock and its clients, which regulate trading in fixed income securities. The Policy is not part of the agreement between the client and Deltastock, or of the applicable General terms, but is an independent document. Deltastock provides to the client the Policy together with the other documents with which they should become familiar before signing the agreement. By signing the agreement the client declares that they are familiar and accepts the application of the present Policy.

Art. 4. Deltastock cannot execute client orders if they have not given their prior agreement with the Policy, respectively with the consequent amendments.

Art. 5. The Policy concerns the execution of client orders in relation to the following class of financial instruments as defined in Annex I of Commission Delegated Regulation (EU) 2017/576 of 8 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to the regulatory technical standards for the annual publication by investment firms of information on the identity of execution venues and on the quality of execution (Delegated Regulation 2017/576): Fixed Income Securities, subclass Bonds.

The Policy is not applicable to other class of financial instruments as defined in Annex I of Commission Delegated Regulation (EU) 2017/576.

Art. 6. Deltastock offers to its clients the following types of fixed income securities on a primary market:

- a) government bonds issued by states other than the Republic Bulgaria;
- b) corporate bonds of foreign legal persons.

Art. 7. The policy is applicable to client orders for fixed income securities on a primary market as follows:

- a) for all professional clients;
- b) *(Amd. Feb. 2020)* for eligible counterparties who have expressed their wish to be exempt from the concessions under Art. 89, para. 1 of MiFIA (respectively Art. 30, para. 1 of MiFID II) as a whole or if they have expressed their wish to be exempt from the concessions under Art. 82, 84, 86 and/or Art. 87 of MiFIA (respectively under Art. 25, Para. 5 and Art. 27 and 28 of MiFID II).

Art. 8. The policy is not applicable to:

- a) *(Amd. Feb. 2020)* orders for fixed income securities on a primary market of eligible counterparties who have expressed their wish that the concessions under Art. 89, para. 1 of MiFIA (respectively Art. 30, para. 1 of MiFID II) are applicable to them as a whole or if they have expressed their wish that the concessions under Art. 82, 84, 86 and/or Art. 87 of MiFIA (respectively under Art. 25, Para. 5 and Art. 27 and 28 of MiFID II) are applicable to them.

b) retail clients, as Deltastock does not offer them the opportunity to conclude agreements with the intermediary and trade in fixed income securities.

Art. 9. In its relations with eligible counterparties to which this Policy is not applied, Deltastock shall act honestly, fairly, professionally and shall transmit information which is clear, correct and not misleading, by taking into account the nature and type of activities of the eligible counterparty.

Art. 10. With the present policy Deltastock informs its clients in advance that their orders related to fixed income securities on a primary market can be executed outside a trading venue (regulated market, multilateral trading facility and organised trading facility).

Art. 11. Information about the costs related to trading in fixed income securities on a primary market is available in the document “Information Regarding the Costs and Charges for the Clients of Deltastock Trading in Fixed Income Securities” and the Tariff of Deltastock for deals with fixed income securities and the related investment services and activities and ancillary services (the Tariff). These documents are freely accessible on the website of the investment intermediary (www.deltastock.com).

Art. 12. The policy, in its up-to-date version is available and freely accessible on the website of Deltastock (www.deltastock.com) and in the office of the investment intermediary.

II. ACCEPTANCE AND EXECUTION OF ORDERS

Art. 13. Deltastock does not organise and conduct auctions for primary offering of fixed income securities, nor does it offer its clients the opportunity for direct participation (on own behalf and on own account) in such auctions.

Art. 14. Deltastock accepts and executes client orders for acquisition of fixed income securities on a primary market in the following order:

a) the client announces their interest for the acquisition of fixed income securities on a primary market by informing the intermediary of their maximum investment interest at limit or market price, if there is a choice;

- b)** the investment intermediary participates on the primary market (the respective auction) in accordance with the conditions of the offering, on own behalf and on own account when submitting the order for acquiring the fixed income securities in which the client has expressed prior interest;
 - c)** after acquiring the respective fixed income securities the investment intermediary provides them to the client through a deal on an OTC market. In this deal Deltastock is the principal (counterparty) in accordance with the approved conditions of the primary offering (the price of the offered fixed income securities) and the respective service fees.
 - d)** if upon submitting its order for participation on a primary market the investment intermediary has grouped together (aggregated) the investment interest of several clients, or has grouped together (aggregated) client interest with own interest, Deltastock allocates the fixed income securities acquired through participation on a primary market to all parties whose interest it has grouped together (aggregated) under the present Policy and after that provides them to the clients under the conditions in the previous point.
- Art. 15.** Deltastock acts fairly, honestly and professionally in correspondence with the client's best interest when executing investment services for clients.
- Art. 16.** Deltastock executes immediately, fairly and accurately the accepted client orders.
- Art. 17.** Deltastock observes the following conditions when executing client orders:
- a)** guarantees that the orders executed on clients' behalf are immediately and correctly registered and distributed;
 - b)** executes client orders, comparable in other aspects, consecutively and immediately, unless this is impossible due to the features of the order or the conditions of the auction;
- Art. 18.** Deltastock does not misuse the information related to pending client orders and takes all reasonable measures to prevent the misuse of such information by either person.

Art. 19. When executing a client order Deltastock takes all sufficient steps to achieve the best possible result for the client, by taking into account the price, costs, speed of order execution, probability of execution and settlement (if such is required by the type of order), size, nature and all other circumstances related to the order execution. Those factors are applied to the extent that they are applicable to the specifics of trading in fixed income securities on a primary market.

Art. 20. When the client has given specific instructions, Deltastock executes the order following these instructions. All special client instructions derogate the rules for achieving best result established in the Policy. When executing an order in accordance with explicit client instructions, the parties unconditionally agree that Deltastock has fulfilled its obligation for achieving the best result. Deltastock is not liable if it has correctly and dutifully executed a client order, following the explicit instructions. The risk and consequences from the execution of such orders remain entirely on account and responsibility of the client. This ordinance is applied to the extent that they are applicable to the specifics of trading in fixed income securities on a primary market.

Art. 21. When executing a client order Deltastock takes into account the following criteria for establishing the relative importance of the factors listed in **Art. 19**:

- a) features of the client order;
- b) features of the financial instruments subject of this order;
- c) client features, including categorization;

Art. 22. When executing client orders Deltastock does not consider the following criteria for establishing the relative importance of the factors listed in **Art. 19** of the Policy:

- a) characteristics of the client order when the order is related to a deal for financing with securities, as Deltastock does not offer such deals to its clients and

- b)** the characteristics of execution venues to which the order can be directed, as this is a primary market and who will conduct the auction does not depend on the choice of the investment intermediary.
- Art. 23.** The price of the fixed income securities is determined in accordance with the rules of the respective auction. Deltastock does not generate independently and does not provide the prices (quotes) at which trading with fixed income securities on a primary market is conducted. After the initial acquisition of the respective fixed income securities, the investment intermediary provides them to the client through a deal on an OTC market to which it is the principal (counterparty) in accordance with the approved conditions and at the determined prices of the initial offering, plus the respective service fees.
- Art. 24.** Since the price (quote) is determined on the basis of an auction with a mark-up (a fee included in the Tariff or explicitly agreed between the parties) made known to the client in advance, it is considered that the client has received the best possible result of the execution of their order.
- Art. 25.** Deltastock has the right to refuse to provide the Client with the opportunity to participate on a primary market (auction), without stating its reasons, including, but not limited to cases when this would breach statutory provisions on countering money laundering, insider dealing, or other legal requirements, or in the presence of other important circumstances, including such arising from the present General Terms and the Agreement. The Client will be notified of the refusal immediately. Deltastock will not be held liable for any damages incurred by the Client.
- Art. 26.** Deltastock is not required to provide the opportunity for participation on a primary market (auction) every time the Client states an interest. Deltastock shall have the right to refuse participation, without stating its reasons, without being liable and without being required to lay out its motives.
- Art. 27.** The Client concludes each deal on own account and at their own risk. Deltastock shall not be liable for any damages and losses suffered by the

client, resulting from the deals and services rendered on account of the respective client.

III. GROUPING (AGGREGATION) AND DISTRIBUTION OF ORDERS

Art. 29. When accepting and submitting orders for a primary market, there is no grouping together (aggregation) and distribution of orders within the meaning of MiFIA and Delegated Regulation 2017/565. In such cases grouped and allocated is the preliminary pronounced client interest for the acquisition of fixed income securities on a primary market through an auction.

Art. 30. Upon defining the parameters and submitting its order for participation in an auction, Deltastock may group together (aggregate) the preliminary pronounced investment interest of several clients, or to group together (aggregate) the preliminary pronounced investment interest of a client with its own interest.

Art. 31. Deltastock does not group together (aggregate) and allocate client orders for trading in fixed income securities on a secondary market.

Art. 32. In order to participate in an auction, Deltastock may submit only one order in its name with a certain parameter (limit price or market order). Hence, the client, should they pronounce interest in acquiring the respective fixed income security offered at the auction, should keep in mind that Deltastock shall aggregate the investment interest with the interest of all other clients who want to acquire the same fixed income security at this auction with the certain parameter, and will also aggregate them with its own interest.

Art. 33. Deltastock advises that, should there be aggregation of preliminary pronounced client interests for the acquisition of a certain fixed income security offered at a certain auction, this may be to the detriment of the clients, if the intermediary is provided with less than the initially ordered fixed income securities.

Art. 34. In the case of partial satisfaction of the order submitted by Deltastock, the investment intermediary shall execute an allocation of the acquired fixed income securities proportionally to the average weight of the pronounced interest, unless the rules of the auction or the features of the fixed income security determine different allocation. Those allocation principles are also followed if Deltastock has grouped together the client interest with their own. Deltastock shall not allocate the acquired fixed income securities to the detriment of the client in order to gain benefit for itself. The interest of Deltastock participates in the allocation as equal to that of any other client.

IV. FINAL PROVISIONS

Art. 35. This Policy is available in Bulgarian and English. In case of discrepancies in the texts of provisions in the two languages, the text of the respective provision in the Bulgarian language shall prevail. By signing the agreement for trading in fixed income securities, the client declares that they agree to use the Policy in one of the two available languages and will not require translation into a language other than those specified in this provision.

Art. 36. A revision of this Policy is made on a regular basis, at least once a year, as well as on any substantial change. Deltastock monitors the occurrence of changes that may prove to be significant, evaluates each of them with regard to its materiality and addresses the issue of changing the relative importance of the best execution factors in order to comply with the main requirement for best execution. Deltastock regularly monitors (through ex-ante and ex-post control) the effectiveness of the Policy (both as a whole and in each phase of the client order execution process, including assessing whether the steps taken to obtain the best possible result for the client can be defined as "sufficient") and, in the event of identified shortcomings, removes them, including by updating the Policy.

Art. 37. *(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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