

A large, light gray, stylized graphic of a flag with three horizontal stripes, positioned behind the main title text.

**POLICY FOR EXECUTION OF
CLIENT ORDERS APPLICABLE TO TRADING
IN FIXED INCOME SECURITIES ON A
SECONDARY MARKET**

(consolidated version)

I. GENERAL PROVISIONS

Art. 1. This Policy for Execution of Client Orders Applicable to the Agreements for Trading in Fixed Income Securities on a Secondary Market 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) the conditions for the immediate and accurate execution of client orders;
- b) the conditions for execution of identical orders in the order of their receipt;
- c) the rules for the executing of orders, which ensuring that the best possible result is achieved for the client.

Art.3. The policy is applicable to the agreements between Deltastock and its clients, which regulate trading in fixed income securities on a secondary market.

Art. 4. 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. 5.** Deltastock offers to 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. 6.** Deltastock offers trading in fixed income securities only to professional clients and eligible counterparties.
- Art. 7.** The policy is applicable to client orders for trading in fixed income securities on a secondary 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, Art. 27 and 28 of MiFID II).
- Art. 8.** The policy is not applicable to:
- a) *(Amd. Feb. 2020)* orders for trading in fixed income securities on a secondary 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, Art. 27 and 28 of MiFID II) are applicable to them and;

- 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. For the purpose of the Policy:

- a) “Retail client” shall mean a client who has not been defined as professional client or eligible counterparty;

- b) “Professional client” shall mean a client who possesses the experience, knowledge and expertise to make their own independent investment decisions and properly assess the risks associated with investments, and who fulfils the criteria in accordance with the application of MiFIA;

- c) “Eligible counterparty” shall mean an investment firm, credit institution, insurance company, collective investment scheme, management company, pension insurance company, a pension fund, other financial institutions authorised or regulated under the legislation of the European Union and the Member States, national governments, government authorities that manage sovereign debt, central banks, and international institutions, as well as third-country parties subject to requirements equivalent to the requirements of EU legislation. Other parties who meet the requirements set out in Art. 71 of Delegated Regulation 2017/565, including third-country parties, may also be considered as eligible counterparts,. Deltastock determines whether the Client is an eligible counterparty according to the law of the country where the Client is established.

Art. 11. Deltastock executes orders of clients – professional and eligible counterparties, for trading in fixed income securities on a secondary market on a multilateral trading facility (MTF) or outside a trading venue on an over-the-counter (OTC) market.

At present Deltastock offers its clients the opportunity to trade through the multilateral trading facility of Bloomberg Trading Facility Limited (BMTF) and indirectly through the multilateral trading facility E-Bond Bulgaria operated by Bloomberg Trading Facility Limited. In order for Deltastock to trade with the client through an MTF, the client must also be a member of the respective MTF.

Art. 12. When executing orders on an MTF, Deltastock acts as a principal (counterparty) to each transaction and when executing orders on an OTC market, Deltastock acts as a sole execution venue and principal (counterparty) to each transaction. In both cases (execution through an MTF and on the OTC market) trading is done at prices determined (quoted) by Deltastock and not by the counter interest of another client. All client orders for trading in fixed income securities on a secondary market are executed against the own liquidity of the investment intermediary.

Art. 13. Deltastock is the counterparty to each transaction with clients (eligible counterparties and professional clients) in fixed income securities on a secondary market; hence it does not act as an agent or a broker. Nor does it transfer (route, direct, send) the client trading orders to another execution venue.

Art. 14. Deltastock is the counterparty to each transaction in fixed income securities on a secondary market, hence:

a) Deltastock charges its client only the fees and commissions stated in the Tariff of Deltastock for Transactions with Fixed Income Securities on a Secondary Market (The Tariff);

b) Deltastock does not apply different fees depending on the execution venue;

- c) Deltastock does not receive payments or benefits and incentives from third parties (which are themselves execution venues) in connection to the execution of those orders;
 - d) Deltastock does not receive remuneration or discounts or non-monetary benefits for the transmission of client orders to a specific trading venue, respectively execution venue;
 - e) Deltastock does not charge receivables from two or more participants in the transaction in accordance with Art. 24, Para. 9 from MiFID II, and does not receive non-monetary benefits as an intermediary, but the value of all monetary benefits, which are received in its capacity as an Investment Intermediary are stated in The Tariff;
- Art. 15.** Deltastock does not execute client orders outside the respective transaction venue and execution venue listed in **Art. 11** of the Policy, hence the document does not include other execution venues.
This Policy does not contain information regarding the trading conditions offered by BMTF, as for trading to occur between the Client and Deltastock, the Client must be a member of BMTF in its own capacity, hence they are familiar with those trading conditions.
- Art. 16.** Deltastock does not execute a client order if the client has given a specific instruction for the execution on a trading, respectively execution venue, different than the ones listed in **Art. 11** of the Policy.
- Art. 17.** Deltastock does not execute a client (eligible counterparty and professional client) order or a deal on own account grouped together (aggregated) with an order of another client on a secondary market as in this case Deltastock is the counterparty to each transaction. Considering this, the Policy does not include rules regarding the protection of client interest in cases of grouping together (aggregating) and distribution of client orders.
- Art. 18.** The Policy is not a part of the agreement between Deltastock and the client, or of the applicable general terms, but is a standalone document. Deltastock provides the client with the Policy together with the other documents with which they should familiarise themselves with before signing the

agreement. By signing the agreement, the client declares that they are familiar with and accept the application of the Policy.

Art. 19. Deltastock cannot execute orders on behalf of clients under **Art. 7** if they have not given their prior consent with the Policy, respectively with its subsequent amendments.

Art. 20. With this Policy Deltastock informs its clients in advance that their orders related to trading in fixed income securities on a secondary market may be executed outside a trading venue (regulated market, multilateral trading facility and organised trading facility).

By signing the agreement the client declares that they give their explicit and principal consent that all their orders be executed outside a trading venue. Deltastock, at its own discretion, decides whether it will execute the client order outside a trading venue or on a multilateral trading facility, by taking into account the type of fixed income securities which are subject to the order and the market conditions at the time of execution. If the client gives an explicit instruction about the trading/execution venue, the investment intermediary will comply with the instruction, even if the trading conditions on the respective venue are worse than those on the alternative venue.

Art. 21. **Deltastock warns that any specific client instructions given by the client may prevent the investment intermediary from taking the measures envisaged and applied in this Policy for achieving the best possible result when executing those orders, with respect to the elements covered under these instructions.**

Art. 22. Deltastock does not provide its clients with the opportunity for algorithmic trading or opportunities for direct access to the trading venue.

Art. 23. The information about costs related to trading in fixed income securities on a secondary market is available in “Information Regarding Costs and Related Fees for Clients of Deltastock Trading in Fixed Income Securities” as well as in the Tariff. These documents are published and freely available on the website of Deltastock (www.deltastock.com).

Art. 24. Deltastock does not provide advice to its Clients neither in making investment decisions nor in relation to regulatory, legal and/or tax issues. Using the services provided by Deltastock, including the submission of client orders, is at the client's own discretion and initiative. In the cases when and if Deltastock provides current information about the current condition of the different markets, it should be perceived by the client only as a disclosure of information related to the respective instrument and/or underlying asset and that this service is provided only for convenience and information. It is not a recommendation for entering or not entering into a certain deal.

Art. 25. The client has the right to make reasonable and proportionate requests for information on the policies and rules of Deltastock, as well as on the order of their reconsideration. Deltastock shall respond to these demands clearly and within a reasonable time.

Art. 26. Upon request from the client or a deputy chairperson of the Commission for Financial Supervision, Deltastock is obliged, at any time, to prove that it has executed the orders in accordance with the Policy.

Art. 27. 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. EXECUTION OF ORDERS – GENERAL PROVISIONS

Art. 28. The Policy is developed on the principle that when performing investment services and activities for clients, Deltastock acts fairly, correctly and professionally, in correspondence with the client's best interest.

Art. 29. Deltastock executes immediately, fairly and accurately the accepted client orders and observes the order of entry of identical orders.

Art. 30. Deltastock observes the following conditions when executing client orders:

a) guarantees that the orders executed on clients' behalf are immediately and correctly registered and allocated;

b) executes comparable in other aspects client orders consecutively and immediately, unless this not feasible due to the characteristics of the order, or the prevailing market conditions or if the client's interests do not impose the opposite.;

Art. 31. 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 of its respective persons.

Art. 32. 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.

Art. 33. 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.

Art. 34. When executing a client order Deltastock takes into account the following criteria for establishing the relative importance of the factors listed in Art.

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

- Art. 35.** When executing client orders Deltastock does not take in to account the following criteria for establishing the relative importance of the factors listed in **Art. 32** 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 whether the deal will be executed on an OTC market or through an MTF, depends on whether the client is a member of BMTF or not, and not on the choice of the investment intermediary.
- Art. 36.** Deltastock generates independently and provides the prices (quotes) at which trading in fixed income securities on a secondary market between the intermediary and its clients is done – through MTF – BMTF or on the OTC market. Deltastock determines the prices (quotes) independently, based on the market price of the respective fixed income security.
- Art. 37.** The mechanism of quoting at which Deltastock performs trading in fixed income securities on a secondary market is the following:
- a)** upon a declared interest on part of the client, the investment intermediary announces the price quote for the respective instrument in advance to the client. In determining the price, Deltastock takes into consideration the prevailing market conditions at that moment;
 - b)** the client accepts and agrees with the offered quote;
 - c)** the order is executed (through a MTF or on the OTC market) at the quote on which the client and the investment intermediary had agreed.
- Art. 38.** Until Deltastock and the client reach an agreement during the preliminary discussion of the price of the deal (quote), the order is not executed. If an agreement between the parties on the price cannot be reached, the order is considered cancelled.
- Art. 39.** As the orders are executed at prices (quotes) agreed between the client and Deltastock in advance, it is considered that the client received the best possible result from the execution of their order.

- Art. 40.** Deltastock explicitly warns that it may not give quotes on a given fixed income security, respectively not to carry out deals with it, if it experiences temporary difficulties in finding liquidity for this fixed income security or if there are circumstances in which no deals with this fixed income security may be concluded on the market and/or the present market conditions do not allow for the obtaining of a fair quote for both parties.
- Art. 41.** Deltastock has the right to refuse to execute an order or instructions of the client, without stating its reasons, including, but not limited to cases when this would breach statutory provisions and provisions of applicable regulations, including but not limited to any money laundering, insider dealing, markets in financial instruments, or other legal requirements, or in the presence of other important circumstances, including such arising from the applicable General Terms and the Client Agreement. In such cases the client will be notified of the refusal immediately and Deltastock will not be held liable for any damages incurred by the client.
- Art. 42.** If upon receiving an Order or Instruction by a Client, Deltastock determines that, due to circumstances beyond its control, it is practically impossible to execute these Orders or Instructions for a certain period of time, Deltastock has the right to postpone or refuse to execute the Order or Instruction. In such cases, Deltastock will inform the client through appropriate means, and will not be held liable for any damages incurred by the client.
- Art. 43.** Deltastock is not obliged to accept and execute all client orders. The investment intermediary has the right to refuse to accept duly submitted client orders, without stating its reasons and without being liable for any compensation to the client.
- Art. 44.** 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.
- Art. 45.** Deltastock provides its clients with reports on the services rendered on a durable medium, which include information appropriate for the type and

complexity of the respective financial instruments and the nature of the service, as well as information on the costs related to the deals and services carried out on account of the client, as well as information about the venue where the order was executed.

III. EXECUTION OF ORDERS DEPENDING ON THE CLASS OF FINANCIAL INSTRUMENT AND THE TYPE OF SERVICE PROVIDED – INFORMATION UNDER ART. 66, PARA. 2 OF DELEGATED REGULATION 2017/565

Art. 46. The Policy concerns the execution of orders of clients of Deltastock in relation with trading in fixed income securities on a secondary market and does not concern the provision of other types of services.

The information about the Policy for execution of orders for trading in the class financial instruments listed in [Art. 4](#) of the Policy are identical, regardless of the type of fixed income security.

Art. 47. The relative importance which Deltastock attaches to the factors under [Art. 27](#), para. 1 of MiFID (from the most important to the least important) when trading in fixed income securities on a secondary market is as follows: 1. Price; 2. Size; 3. Speed and probability of execution; 4. Costs and 5. Characteristics and any other consideration corresponding to the execution of the order.

Art. 48. With regard to trading in fixed income securities on a secondary market Deltastock acts as a principal to each deal (and not as an agent or a broker). This applies to trading both for professional clients and eligible counterparties.

Art. 49. Deltastock does not execute client orders outside the trading and execution venues listed in [Art. 11](#), hence the Policy does not contain a list of other execution venues or their trading conditions.

Art. 50. When choosing a trading and execution venue Deltastock took into account its experience of many years with various counterparties (MTF, investment intermediaries, brokers) and its observations on the quality and prices of

the services they offer. Deltastock chose to use the multilateral trading facility of Bloomberg Trading Facility Limited for its reliability and widespread use among professional clients and eligible counterparties who trade in fixed income securities. Deltastock chose to be the sole execution venue for its clients in relation to the execution of deals with fixed income securities on an OTC market as choosing another venue for the execution of client orders related to this type of trading would mean that Deltastock must conclude contracts with one or several counterparties (investment intermediaries, brokers) to which it will send the client orders for execution on an OTC market. Such contracts would mean that Deltastock would be a party – client in those agreements and will be bound by the conditions offered by those intermediaries (brokers, agents) and will not be able to influence those conditions, including it will not be able to offer to its clients conditions better than those of the intermediaries.

Considering the above, the factors which Deltastock takes into account when choosing an execution venue are:

- a) price of execution – if Deltastock is not an execution venue, the investment intermediary will not be able to offer a better price than that of its counterparty;
- b) costs related to execution: at present Deltastock does not charge commissions and fees related to the execution of orders of its clients, but if it is not an execution venue, it will have to introduce such fees because they would be payable to the counterparty.
- c) speed of execution – in the event when Deltastock is not an execution venue, the investment intermediary would not be able to offer better speed of execution, because this requires the construction of additional connection between the investment intermediary and the counterparty. The transmission of the order through it would slow it down additionally. Besides, Deltastock would not be able to control in any way the speed of execution by the contractor.
- d) size of orders – in the event when Deltastock is not an execution venue the

size of orders will be limited because the investment intermediary has to allocate own funds to be transferred to the counterparty for the execution/guaranteeing of trading on the OTC market. Since these funds are limited, the size of the client orders will also be limited and this would lead to limiting the opportunities for trading of the clients. Besides, Deltastock will not be able to control in any way the limits of the order size and the limits will be set by the counterparty.

- e) client funds – in the event when Deltastock is not an execution venue and has entered in to an agreement with its counterparty, which requires that client funds be held in a sub-account of the counterparty, those funds will be deposited with the counterparty in an account of Deltastock, in a sub-account of the client. Since the agreement is between Deltastock and its counterparty and the investment intermediary is a professional client/eligible counterparty, then all funds in its account, respectively in the sub-accounts, will not be guaranteed by the respective law transposing Directive 97/9/EC of the European Parliament and of the Council of 3 March 1997 on investor-compensation schemes and this represents a risk to the funds of the clients and the investment intermediary.
- f) best execution – in the event where Deltastock is not an execution venue and has an agreement with its counterparty for the execution of the orders of clients of the investment intermediary, then the contractual relations are between Deltastock and its counterparty. In that regard the counterparty will consider Deltastock an eligible counterparty and the client orders it submits (traces/routes) to its counterparty will not be recognised as submitted by a professional client. Instead they will be treated like orders submitted by an eligible counterparty and respectively they will not be subject to best execution in the form and volume in which they would have been treated if they were submitted by a professional client.
- g) force majeure – in the event that Deltastock is not an execution venue and force majeure occurs, the investment intermediary will not be able to react independently, but will have to rely on the actions of its counterparty which

it cannot control.

Art. 51. The ways in which Deltastock to take into account the factors for execution as part of all sufficient steps to ensure the best possible result for the client trading in fixed income securities on a secondary market, are listed below.

The factors for execution – price, costs, probability of execution and the other important factors are taken into account through a complex evaluation of their importance (priority).

It should be considered that the evaluation of importance (priority) of execution factors is the same for all types of fixed income securities offered by Deltastock and included in the Policy and that for all clients the best possible result will be defined in terms of total remuneration representing the price of the financial instrument and the Costs related to execution.

When defining the importance of other factors (speed, probability of execution, size and type of order) Deltastock will apply its own judgement in evaluating the criteria, which have to be taken in to consideration, in order to fulfil its obligation to take all sufficient steps in order to achieve the best possible result for the client. The relative importance of these criteria will be evaluated in correspondence with the commercial experience of Deltastock and in connection with the market conditions, including the need for timely execution, the availability of better prices, market liquidity and the size of order which may impede the execution and/or the potential for execution.

When taking into account the importance (priority) of all factors, Deltastock shall take all sufficient steps to achieve the best result for the client.

Art. 52. With regard to the fact that Deltastock may execute the orders for trading in fixed income securities outside the trading venue, namely on an OTC market. The consequences for the client are reduced to several risks, namely: Deltastock is an execution venue and counterparty to each deal and the trading opportunities for the client are limited to the availability of own liquidity of Deltastock; the trading prices are determined (quoted) by

Deltastock and not by the counter interest of another client; there is a potential conflict of interest because Deltastock profits from the trading volumes realised by the client, where are possible occasions when the investment intermediary makes a profit in situations when the client loses; the trading rules applicable to the OTC market are different to the trading rules applicable to the trading venue.

However, it has to be taken into account that regardless of Deltastock not being a trading venue, it is a licensed investment intermediary under the supervision of Bulgaria's Financial Supervision Commission. Its activities are regulated by the same legislation regulating the activities of the trading venues within the European Union. Even if the intermediary goes bankrupt, the client funds are protected in the same size and at the same conditions as if they would have been protected if the client was a client of a regulated market or another trading venue on the territory of the EU.

IV. FINAL PROVISIONS

Art. 53. Current data on the quality of execution, published in correspondence with Art. 85 of MiFIA, respectively Art. 27, para. 3 of MiFID, for Deltastock as a sole execution venue indicated in its Policy, are available and freely accessible on the website of Deltastock (www.deltastock.com).

Art. 54. Deltastock does not plan the issuing of a separate policy for grouping (aggregation) and distribution of orders which applies to the agreements for trading in fixed income securities. Deltastock acts as a counterparty and principal to the execution of client orders and to this end does not execute a client order or a deal on own account grouped together (aggregated) with the order of another client.

Art. 55. This Policy is available in Bulgarian and English. In case of discrepancies in the texts of the 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 a translation into a language other than those specified in this provision.

Art. 56. 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. 57. *(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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