

# Rules for client categorisation of DSK BANK AD as an investment intermediary

## I. GENERAL PROVISIONS

**Art. 1.** These Rules are adopted on the basis of the Financial Instruments Markets Act (MFIA) and 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 the organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive (Regulation 2017/565) and regulate the conditions, criteria and procedure for categorisation of the clients of DSK Bank, as an investment intermediary in (hereinafter “the Bank”) in connection with the provided investment and ancillary services to its clients and the procedure for changing the existing categorisation.

**Art. 2.** The categorisation of clients is to define them as retail clients, professional clients and eligible counterparties, and shall be performed on the basis of the information collected by the Bank and the information provided by the clients and in accordance with the criteria and procedures set out in these rules and the MFIA.

**Art. 3.** Categorisation within the meaning of these rules shall include the initial categorisation of clients and the re-categorisation at the request of clients or at the discretion of the Bank in the event of a change in the circumstances that was used to categorise clients.

**Art. 4.** These Rules shall be applied by the employees of the Treasury and Capital Markets Division and by all other employees engaged in the provision of investment services and investment activities at DSK Bank.

## II. MAIN PROVISIONS

### II.1. Provision of information

#### Information provided by the Bank upon concluding a contract

**Art. 5.** (1) Prior to concluding a contract for the provision of investment and/or ancillary services, the Bank shall notify its clients of the conditions and criteria under which it defines them as professional or retail clients or as an eligible counterparty.

(2) The Bank shall notify new clients and existing clients, which it has re-categorised, of their categorisation as a retail client, a professional client or an eligible counterparty.

(3) The Bank shall notify its clients of their right to request different categorisation and of changes in their protection when defining them as another type of client, including:

1. informing the clients that when defining them as retail clients, they have the right to request to be re-categorised as professional clients in general or in connection with certain services, transactions or financial instruments, if they meet the requirements of Art. 16, as well as that a lower level of protection will be applied to such clients upon such a re-categorisation with respect to the services, activities, transactions and financial instruments in connection with which the re-categorisation was carried out;

2. informing the clients that when defining them as professional clients, they are entitled, if they are unable to properly evaluate and manage the risks associated with certain services, transactions or financial instruments, or as a whole, to request a higher level of protection and be re-categorised as retail clients in general or in connection with certain services, transactions or financial instruments;

3. informing the clients that when they are considered eligible counterparties, they have the right to request not to be treated as such in general or in connection with certain services, transactions or financial instruments.

(4) The Bank has provided the information required under the preceding paragraphs when it provided these rules to its clients at the conclusion of the contract or upon publishing the information on the Bank's website.

(5) The clients shall be informed of their categorisation, as well as of their right to request their categorisation to be changed, in a durable medium<sup>1</sup>.

#### Information provided by the Client upon concluding the contract

**Art. 6.** (1) When concluding a contract for the provision of services to a client, the Bank shall request and the Client shall provide the information necessary to perform the categorisation by completing Appendix No. 1 *"Notification-questionnaire for client categorisation under the Markets in Financial Instruments Act"* to these rules, including the relevant documents, certifying the relevant circumstances in cases where they are not available at the Bank or are not publicly available.

(2) On the basis of the information and documents presented under para. 1 the Bank employee, who concludes the contract with the Client, shall categorise the Client according to these rules.

#### Information provided at contract execution

**Art. 7.** (1) A client categorised as professional or re-categorised from retail to professional client shall be obliged to notify the Bank of any changes in the data that was used as a basis for its categorisation or re-categorisation.

(2) In case the Bank establishes, on the basis of the notification under para. 1, or otherwise, in carrying out an activity for client account that the client is no longer eligible to be categorised as professional, the Bank shall, on its own initiative, take the necessary steps to change its categorisation and apply a higher level of protection. The Bank shall notify the client of this re-categorisation.

### II.2. Categorisation of the client at the conclusion of the contract (Initial categorisation)

**Art. 8.** (1) Before concluding a contract with a new client, the client must provide information about his status by filling in Appendix No. 1 *"Notification-Questionnaire for client categorisation under the Markets in Financial Instruments Act"* or Appendix No. 3 *"Notification of Client Categorisation as an eligible counterparty under the Markets in Financial Instruments Act"* and the client must provide relevant evidence when evidence is not available at the Bank or not publicly available.

(2) On the basis of the information and documents submitted by the client, the Bank shall assess and categorise the client as retail, professional or an eligible counterparty.

(3) Clients who have indicated that they meet the criteria of Art. 13 of these Rules, and provided appropriate evidence thereof, shall be designated as professional clients in respect of all or certain investment services, investment activities and financial instruments.

---

A "durable medium" is any medium that meets the requirements of art. 3 of Delegated Regulation (EU) 2017/565 allowing the client to store information addressed to him personally, in a manner accessible for future use and for a period consistent with the purposes for which the information was provided, and which allows unchanged replay of the stored information.

(4) Clients who have indicated that they meet the criteria of Art. 20, which defines them as eligible counterparties, shall be categorised as such as regards the respective investment services and activities, while as regards the other services and activities they shall be considered professional clients.

(5) Clients for whom according to the information they provided there is no circumstance under Art. 13 and Art. 20 of these rules shall be categorised as retail clients.

(6) Clients who will invest in units of collective investment schemes shall be categorised as retail investors in respect of units of collective investment schemes, the categorisation being indicated in the concluded contract. If a client wants to be categorised as a professional client or an eligible counterparty with respect to units of collective investment schemes, the client shall meet the requirements for the relevant client category and submit a request in accordance with Appendix 2 or Appendix 5.

(7) Clients who will invest in units / shares of alternative investment funds must meet the requirements of Art. 13 or 16 and shall be categorised as professional clients. To be categorised, clients shall submit information by completing Appendix 1 or Appendix 2.

### II.3. Categorisation of a client as a retail client

**Art. 9.** For the purposes of these rules and the applicable law, "client" means any natural or legal person to whom the Bank provides investment or ancillary services.

**Art. 10.** "Retail client" means a client who is not identified as a professional client or as an eligible counterparty.

**Art. 11.** When providing services to retail clients, the Bank shall ensure the highest level of protection.

### II.4. Categorisation of a client as a professional client

**Art. 12.** "Professional client" means a client who has the experience, knowledge and skills to make investment decisions independently and to properly evaluate the risks associated with the investment and who meets the criteria set out in these rules.

**Art. 13.** The categories of clients that are considered **professional clients of DSK Bank in respect of all investment services and activities and financial instruments** are:

1. Entities which are required to be licensed in the financial markets or whose activity in those markets is otherwise regulated by the national law of a Member State, whether or not it complies with a directive of the European Union, and entities authorized to carry out these activities or otherwise regulated by the law of a third country, as follows:

- a) Credit institutions;
- б) Investment intermediaries;
- в) Other financial institutions subject to licensing or otherwise regulated;
- г) Insurances companies;
- д) Collective investment schemes and their management companies;
- е) Pension funds and pension insurance companies
- ж) Entities trading for own account in commodities or derivative financial instruments on commodities;
- з) Local companies<sup>2</sup>;
- и) Other institutional investors;

---

<sup>2</sup> Local companies are companies that carry out transactions for own account on the markets of financial futures, options or other derivatives and on the money markets solely for the purpose of hedging positions on the derivative markets, or which carry out transactions on behalf of other members of those markets and which have a guarantee from clearing members in the same markets, whereas the responsibility to ensure the execution of the contracts concluded by it rests with the clearing members in those markets.

2. National and regional government bodies, government bodies involved in government debt management, 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 organizations.

3. Large undertakings meeting at least two of the following conditions:

- (a) a balance sheet amount of at least BGN equivalence of EUR 20 000 000;
- (b) net turnover of at least BGN equivalence of EUR 40 000 000;
- (c) own funds - at least BGN equivalence of EUR 2 000 000.

4. Other institutional investors whose main activity is to invest in financial instruments, including entities dedicated to the securitisation of assets or other financing transaction.

**Art. 14.** (1) When categorising the clients under Art. 13 as professional, the Bank takes into consideration information and documents provided by the client and/or publicly available information, including official documents such as licenses, permits, etc., and as regards the clients under Art. 13, item 3 also the available financial statements. The Bank may use publicly available information on Internet - registers, etc., to verify the information.

(2) Where the information under para. 1 is insufficient, the Bank may request additional information and documents from the client, and until receipt of the relevant information the client will be treated as retail client.

#### Level of protection for professional clients

**Art. 15.** (1) The professional client categorisation provides a lower level of protection than that applied to retail clients, such as:

1. With the prior consent of the client or at the request of the client, The Bank shall have the right to agree to provide a limited amount of information on the investment services, activities and the financial instruments involved, the risks related to them, the costs and fees - not to provide the illustration showing the cumulative effect of costs on return, the applicable conversion rates and costs where any part of the total costs and charges is expressed in foreign currency, except when related to a derivative financial instrument;

2. In assessing whether an investment service and/or financial instrument is appropriate for a client, the Bank shall assume that the client possesses sufficient knowledge and experience to make independent decisions and to understand the risks associated with the investment service, financial instrument or product, for which the client is categorised as professional;

3. In executing client orders and taking measures to obtain the best possible result for the client, the Bank shall not be obliged to consider the total value of the transaction, including the price of the financial instrument and all costs related to the execution, the most important factor to achieve "best execution" of the client order;

4. The Bank shall not be obliged to inform the client of any significant difficulties related to the correct and prompt execution of the client orders;

5. The client shall not be entitled to compensation from the Investor Compensation Fund.

(2) Para. 1 shall not apply in case of re-categorisation of professional clients into eligible counterparties with respect to the transactions, activities, services and financial instruments for which this re-categorisation was made.

#### Categorisation as a professional client upon client request and re-categorisation

**Art. 16.** (1) Categorisation and re-categorisation of clients as professional clients at their request:

1. Clients, other than those specified in Art. 13, who possess the experience, knowledge and skills to make investment decisions independently and to properly assess the risks

associated with investing may, at their request, be categorised by the Bank as professional clients if they meet at least two of the following criteria:

(a) in the previous 4 quarters, the client has carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter .

(b) the size of the client's investment portfolio, which includes financial instruments and cash deposits exceeds the BGN equivalent of EUR 500,000;

(c) the client works or has worked in the financial sector for at least one year at a position which requires knowledge of the transactions or services envisaged.

2. Clients of the Bank, other than those specified in Art. 13, including public sector organisations, local government bodies, municipalities and private individual investors, may request that the Bank not apply for them the rules that provide a higher level of client protection;

3. The Bank considers the clients under item 2 as professional, provided that on the basis of the information provided by the client, it can adequately assess the level of the skills, experience and knowledge the client possesses and make sure that according to the nature of the investment services and activities, the transactions or the financial instruments that the client intends to use, the client is able to make independent investment decisions and assess the associated risks.

4. The Bank shall not automatically treat as a professional client any entity/person that meets two of the criteria under item 1. The assessment of the experience and knowledge of the client by the Bank should give reasonable assurance that the client is capable of making investment decisions and can understand the risks associated with each type of transactions, services and financial instruments that the client intends to enter into or use.

(2) In case of categorisation or re-categorisation requested by a client according to the procedure of para. 1 and when carrying out the assessment under Art. 17, para. 1, the Bank shall carry out the assessment taking into account the following circumstances:

1. When evaluating the criterion under para. 1, item 1, letter "a", the Bank assumes that a transaction is of a significant volume when its value is equal to or greater than EUR 10,000.

a) The Bank shall consider the criterion met when the client has concluded at least 10 transactions with a specific instrument in a specific market during each of the previous 4 quarters, each of which is equal to or greater than EUR 10,000 or to a total value of transactions for the quarter EUR 100,000.

(b) The Bank shall consider that transactions in a particular instrument are transactions in a certain type of instrument / product, for example transactions in derivative financial instruments only, in shares only, in bonds only, etc.

(c) Transactions may be concluded both by using the investment services provided by the Bank and by using the investment services provided by another investment intermediary or bank. In the case of transactions concluded through another investment intermediary or bank, the client must submit a document (statement, report or similar document) certifying the period of the concluded transactions, the size of each transaction and the financial instrument / product subject of the transactions.

d) The bank cannot categorise a client as professional with respect to financial instruments or services that are more sophisticated than the instruments and / or services used so far by the client (e.g., the bank cannot categorise a client as professional with respect to derivative financial instruments, if the client has so far traded mainly in simple financial instruments such as standard government bonds).

2. When evaluating the criterion under para. 1, item 1, letter "b", the Bank accepts that the criterion is fulfilled when:

a) At the time of the assessment, the client holds an investment portfolio equal to or greater than the BGN equivalence of EUR 500,000, consisting of both cash deposits and

financial instruments such as shares, units of mutual funds, bonds, derivative financial instruments and other financial instruments within the meaning of Art. 4 of the MFIA.

(b) The portfolio of financial instruments and cash may be held with both the Bank and another investment intermediary and / or bank. In case the investment portfolio is not held with the Bank, the client must present an up-to-date document at the time of the assessment (statement, report or a similar document) certifying the type and size of the assets.

3. When evaluating the criterion under para. 1, item 1, letter "c", the Bank accepts that the criterion is fulfilled when:

a) The position in the financial sector occupied by the client is of a professional nature and is occupied in an area that allows the client to acquire knowledge of transactions or services that have comparable characteristics and comparable level of complexity to the transactions that the client intends to carry out, or to the services of the Bank that the client intends to use.

(b) In making the assessment, the Bank shall not take into account the knowledge the client possesses in relation to products of low complexity when the client wants to be treated as professional in relation to more complex products (e.g knowledge relating to sovereign bonds with standard conditions are not considered sufficient with regard to planned transactions in complex derivative financial instruments).

(3) Re-categorisation of clients from professional to retail clients:

1. When a client, categorised as professional, deems that it is unable to properly assess and manage the risks associated with investing in financial instruments, the client shall ask the Bank to provide a higher level of overall protection or in connection with certain services, transactions. or financial instruments.

2. The higher level of protection shall be provided on the basis of a written document between the Bank and the client (Appendix No 4), which explicitly states the specific services, activities, transactions, financial instruments or other financial products in connection with which the client will be provided with a higher level of protection. By signing the document, the client shall be granted a retail client status and a higher level of protection.

(4) In case the Bank does not have data and documents certifying that the client meets the criteria specified in para. 1, and is not able to assess whether it possesses the necessary experience, knowledge and skills to make investment decisions on its own and can properly assess the risks, the Bank shall require the client to provide relevant evidence.

(5) The Bank shall at all times have at its disposal the documents certifying that the client has fulfilled the criteria for its categorisation as a professional client.

(6) The documents under para. 4 and the categorisation documents shall be kept in the client's file.

### Procedure for categorisation and re-categorisation as a professional client

**Art. 17.** (1) In case a client asks to be categorised as a professional client, the Bank shall apply the following procedure:

1. the client must request the Bank in writing to be treated as a professional client in general or in connection with certain investment services, activities, transactions or financial instruments;

2. the client must certify to the Bank that it meets at least two of the criteria under Art. 16, para. 1, providing relevant evidence thereof;

3. The Bank shall assess whether the client has the necessary knowledge and experience in the market in order to be able to make independent investment decisions and to bear the risks related to the specific transactions and services;

4. The Bank must warn the client in writing that it will not be covered by the higher level

of protection in the provision of services and activities by the Bank, and it will not be entitled to compensation from the Investor Compensation Fund;

5. the client must declare that it has been informed of the consequences of re-categorisation and the application of the lower level of protection.

(2). The submission of a request from a client for categorisation as professional, the provision of information by the client and the notification by the Bank shall be made through Appendix No. 2 "Client request for categorisation or change of categorisation as professional client under the Markets in Financial Instruments Act".

(3) The assessment under para. 1, item 3 shall be carried out in respect of:

1. in case the client is a natural person - of the client him-/herself;  
2. in case the client is a legal entity - of the natural persons who manage and represent the client;

3. in the case of a proxy - of the persons who are authorised to carry out the respective transactions on behalf of client and for his/her account.

**Art. 18.** Where a client categorised as a professional client cannot properly assess and manage the risks associated with the investments, he may request re-categorisation as a retail client. The Bank shall apply the following procedure:

1. The client shall submit a written request for re-categorisation (Appendix No. 4 "Request for a change of categorisation and provide a higher level of protection under the Markets in Financial Instruments Act") as a retail client stating whether the request is for re-categorisation as a whole or in connection with certain investment services, activities, transactions or financial instruments.

2. The Bank shall notify the client of the re-categorisation, the provision of a higher level of protection and the consequences thereof for the client.

## II. Categorizing a client as an eligible counterparty

**Art. 19.** An **eligible counterparty** is a professional client that has the financial capacity to bear the investment risks corresponding to its investment objectives.

**Art. 20.** (1) The categories of clients that are considered **eligible counterparty in respect of all investment services and activities and financial instruments** are:

1. Investment intermediaries;
2. Credit institutions;
3. Insurance companies;
4. Collective investment schemes;
5. Managing companies;
6. Pension funds;
7. Pension insurance companies;
8. Other financial institutions that have a license or are regulated under the law of the European Union and the member states;
9. Governments of States;
10. Government bodies managing public debt;
11. Central banks;
12. International institutions;
13. Entities under items 1-12 from third countries, to which requirements equivalent to the requirements of the legislation of the European Union apply.

(2) The Bank may also recognise as eligible counterparties other entities that meet the requirements specified in Art. 71 of Delegated Regulation (EU) 2017/565, including entities

from third countries, as follows: undertakings falling into the category of clients that shall be regarded as professional clients in accordance with Art. 13.

(3) In the case of an order from a client that is an entity from another jurisdiction, the Bank shall consider whether the client is defined as an eligible counterparty under the law of the country where the client is established.

**Art. 21.** (1) Any client categorised as an eligible counterparty may explicitly request the Bank not to treat the client as such in general or in a specific transaction.

(2) When concluding transactions with or for eligible counterparties, the Bank shall comply with the requirements of Art. 71 of Delegated Regulation (EU) 2017/565.

(3) When concluding a transaction with or for an eligible counterparty from another jurisdiction or an entity that meets the requirements of Art. 71 of Delegated Regulation (EU) 2017/565, the Bank must have the explicit confirmation from the entity that it agrees to be treated as an eligible counterparty.

**Art. 22.** The categorisation of a client as an eligible counterparty and the notification of the client by the Bank shall be made through Appendix No. 3 *Notification for client categorisation as an eligible counterparty under the Markets in Financial Instruments Act*.

### Level of protection for eligible counterparties

**Art. 23.** (1) Clients categorised as eligible counterparties shall enjoy the lowest level of protection and in the provision of investment services:

1. The Bank shall provide a limited amount of information about the investment services and activities and financial instruments for which the client is categorised as an eligible counterparty;

2. The Bank shall not be obliged to comply with the restrictions on offering and receiving of incentives;

3. The Bank shall not assess whether the provided investment services and the financial instruments offered are appropriate for the client;

4. The Bank shall not be obliged to apply the Client Order Execution Policy as an investment intermediary and shall not be obliged to prove that the orders were executed in accordance with it.

5. The Bank shall not be obliged to execute the client orders in the order of their acceptance;

6. The Bank shall not be obliged to inform the client of any significant difficulties arising in relation to the correct and prompt execution of the client orders;

7. The client shall not be entitled to compensation from the Investor Compensation Fund.

(2) Para. 1 shall not apply in case of re-categorisation of an eligible counterparty into a professional or retail client with respect to the transactions, activities, services and financial instruments for which this re-categorisation was made.

### II. Procedure for re-categorising a client as an eligible counterparty

**Art. 24.** When a client requests re-categorisation as an eligible counterparty, including the cases under Art. 89, para. 3 and 4 of MFIA for clients from other countries, The Bank shall apply the following procedure:

1. The client shall submit a written request for re-categorisation as an eligible counterparty in general or in connection with certain investment services, activities, transactions or financial instruments (Appendix No. 5 *"Request for re-categorisation of a client as an eligible counterparty under the Markets in Financial Instruments Act"*) to which it shall attach evidence that it fulfills the criteria for an eligible counterparty;

2. On the basis of the data and documents submitted by the client and upon verification against available public information, the Bank shall assess whether the client is an entity that meets the requirements to be categorised as an eligible counterparty;

3. The Bank shall notify the client in writing that it was re-categorised as an eligible counterparty and shall provide a clear written warning of the consequences for the client arising from the request to be re-categorised as an eligible counterparty, including the types of protection that the client may lose;

4. In the cases under Art. 89, para. 3 and 4 of MFIA the Client acknowledges in writing its consent to be categorised as an eligible counterparty in general, or in respect of one or more investment services or activities, or types of transactions or financial instruments, and that it understands the consequences of the categorisation / re-categorisation and the loss of protection as a result of the request.

**Art. 25.** (1) When a client, categorised as an eligible counterparty, requests re-categorisation as a professional or retail client, the Bank shall apply the following procedure:

1. The client shall submit a written request for re-categorisation (Appendix No. 4 "Request for a change of categorisation and provide a higher level of protection under the Markets in Financial Instruments Act") as a professional or retail client stating whether the request is for re-categorisation as a whole or in connection with certain investment services, activities, transactions or financial instruments.

2. The Bank shall verify and evaluate the criteria for the categorisation of the client as a professional client.

3. The Bank shall notify the client of the re-categorisation, the provision of a higher level of protection and the consequences thereof for the client.

When an eligible counterparty requests categorisation as a client whose business relationship with the Bank is subject to Art. 70, Art. 71, para. 1, Art. 72, 73, 74, 77, 78, 82, 84, 85, 86 and 87 of the MFIA, but does not explicitly request to be categorised as a retail client, the Bank shall re-categorise this eligible counterparty as a professional client.

(3) Where an eligible counterparty explicitly requests categorisation as a retail client, the Bank shall re-categorise the eligible counterparty as a retail client by providing the highest level of protection with respect to the services, activities, transactions and financial instruments in respect of which the client requested the re-categorisation.

**Art. 26.** Where the Bank finds that a client categorised as a professional client or as an eligible counterparty no longer fulfills the criteria on the basis of which it was categorised as such, it may on its own initiative:

1. begin to consider a client who would otherwise be classified as an eligible counterparty as a professional or retail client;

2. begin to consider a client who is considered a professional client as a retail.

### III. FINAL PROVISIONS

1. These rules were adopted by the Management Board of DSK Bank EAD by Decision No. 39 of Minutes No. 06 dd 11 February 2020, enter into force on 17.02.2020 and repeal the Rules for defining professional clients of DSK Bank EAD, adopted by Decision No. 311 of Minutes No. 38 dd 13.09.2016.

#### § 2. Appendices:

1. **Appendix No. 1** - Notification-questionnaire for client categorisation under the Markets in Financial Instruments Act

2. **Appendix No. 2** – Client request for categorisation or change of categorisation as professional client under the Markets in Financial Instruments Act

3. **Appendix No. 3** - Notification of Client Categorisation as an eligible counterparty under the Markets in Financial Instruments Act
4. **Appendix No. 4** - Request for a change of categorisation and provide a higher level of protection under the Markets in Financial Instruments Act
5. **Appendix No. 5** - Request for re-categorisation of a client as an eligible counterparty under the Markets in Financial Instruments Act