

Client Categorisation Policy

Registered in the Commercial Register with the Registry Agency
of the Republic of Bulgaria under UIN 123560824

EBH
EUROPEAN BROKERAGE HOUSE

Terms Glossary

Article 1

1. **The Client** is a private individual or legal entity and EUROPEAN BROKERAGE HOUSE (EBH) provides investment or additional services to the Client.
2. **A professional Client** is a Client who has the experience, knowledge and skills to make his own investment decisions and to properly assess the investment risks; a professional Client meets the criteria under Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014, the Markets in Financial Instruments Act (MFIA) and this Policy.
3. **A non-professional (retail) Client** is a Client who is not defined as a professional Client or as an eligible counterparty.
4. **An eligible counterparty** is an investment management company, a credit institution, an insurance company, a collective investment scheme, a management company, a pension insurance company, a pension fund, or other financial institutions, licensed or regulated by the European Union and Member State legislation, national governments, central government authorities, central banks and international institutions, as well as third-party nationals subject to requirements equivalent to the requirements of EU legislation. Other persons may also be considered eligible counterparties, if meeting the criteria and requirements, set out in Art. 71 of Delegated Regulation (EU) 2017/565, including third-country persons.

General Terms

Article 2

1. The current Client Categorisation Policy of EBH aims to establish internal rules for Client categorisation according to the criteria and requirements of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on financial instruments exchanges and amending Directive 2002/92/EC and of Directive 2011/61/EU, of Commission Delegated Regulation (EU) 2017/565 of 25 April 2016, supplementing Directive 2014/65/EU of the European Parliament and of the Council with regards to organisational requirements and operating conditions for investment management companies and on the provision of definitions for the purposes of that Directive, the Markets in Financial Instruments Act (MFIA) and Ordinance No 38 on the Requirements for the Activity of Investment Intermediaries (Ordinance No 38).
2. Before entering into an agreement with a Client or otherwise starting a relationship with a Client, EBH should categorise the Client by applying the criteria set out in Directive 2014/65/ EU, Delegated Regulation (EU) 2017/565, the Markets in Financial Instruments Act (MFIA) and the present policy, to protect and exercise the rights of the Clients, specified in MFIA, Delegated Regulation (EU) 2017/565, Ordinance No 38 and other applicable regulatory and corporate acts.

Client Categorisation

Article 3

1. EBH shall notify its Clients, categorised by the Company in accordance with the requirements of Directive 2014/65/EU for their categorisation as a retail Client, a professional Client or an eligible counterparty.
2. Clients shall be categorised in the following order:
 - 2.1. In the event that the assessment of suitability and appropriateness establishes that the Client is eligible to be considered an eligible counterparty, in accordance with the criteria set forth in this Policy and the Client has explicitly requested to be treated as such, the Client shall be classified as an eligible counterparty by EBH;
 - 2.2. In the event that the assessment of suitability and appropriateness finds that the Client does not meet the eligibility criteria for an eligible counterparty under this Policy, yet meets the requirements and can be defined as a professional Client according to the criteria set forth in this Policy, the Client is classified as a professional Client by EBH;
 - 2.3. In the event that the assessment of suitability and appropriateness finds that the Client does not meet the definition and criteria for classification as an eligible counterparty or as a professional Client, or at the discretion of EBH, he should be designated as a retail Client in order to provide a higher level of protection, the Client shall be classified as a retail Client.
3. By default, EBH shall define all Clients as retail and in the event of any change, EBH shall notify the Client of his categorisation for the relationship with EBH – an eligible counterparty, a professional or a retail Client, including the criteria, under which the categorisation was made.
4. In the notification to the Client under the preceding paragraph, EBH shall indicate the right to request a change in the categorisation, as well as any limitations on the level of protection of the Client, to which this would result, indicating that the terms and conditions for this are contained in this Policy. Notification of the Client under this and the previous paragraph shall be carried out on a durable medium, subject to the requirements of Art. 3 of Delegated Regulation (EU) 2017/565, MFIA, Ordinance No 38.

Article 4

1. EBH considers professional Clients with respect to all investment services, investment activities and financial instruments, the following Clients are:
 - 1.1. Persons, requiring the issuance of a license to conduct business in the financial markets or whose activity on those markets is otherwise regulated by the national law of a Member State, whether or not it complies with a European Union Directive, authorised to carry out these activities or otherwise regulated by the law of a third country, as follows:
 - 1.1.1. credit institutions;
 - 1.1.2. investment management companies (investment intermediaries);

- 1.1.3. other financial institutions that are subject to licensing or otherwise regulated;
 - 1.1.4. insurance companies;
 - 1.1.5. collective investment undertakings and their management companies;
 - 1.1.6. pension funds and pension insurance companies;
 - 1.1.7. persons who trade on their own account with commodities or commodity derivatives;
 - 1.1.8. local companies;
 - 1.1.9. other institutional investors.
- 1.2. Large enterprises that meet at least two of the following conditions:
- 1.2.1. balance sheet value – at least the BGN equivalent of EUR 20,000,000;
 - 1.2.2. net turnover – at least the BGN equivalent of EUR 40,000,000;
 - 1.2.3. own funds – at least the BGN equivalent of EUR 2,000,000.
- 1.3. 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 organisations.
- 1.4. Other institutional investors, whose main business is investing in financial instruments, including entities that engage in asset securitisation or other financing transactions.

Article 5

1. Clients who can be considered at their request for professional Clients must meet at least two of the following criteria:
- 1.1. over the previous four quarters, the person has concluded on average 10 transactions with a significant volume on a relevant market;
 - 1.2. the value of the investment portfolio of the person that includes financial instruments and cash deposits is more than the BGN equivalent of EUR 500,000;
 - 1.3. the person has worked or worked in the financial sector for at least one year in a position requiring knowledge of the relevant transactions or services.
2. Procedure:
- 2.1. Clients other than those under Art. 4 above, including public sector organisations, local government bodies, municipalities and private individual investors, may request EBH not to apply some of the requirements applicable to retail investors. EBH may treat such Clients as professional, if they meet the following requirements and comply with the described procedure. In order to be treated as professional Clients, such persons may request treatment as professional

Clients subject to the following:

- 2.1.1.** EBH may not accept that the persons under point 1 above have market knowledge and experience comparable to those of Art. 4 without making the necessary assessment. EBH assesses the knowledge and experience of the Client in terms of whether the Client can make investment decisions and assume the risks associated with specific transactions and services. The evaluation shall be made in respect of the persons who manage and represent the Client or who are entitled to carry out the relevant transactions on his / her behalf and at their own expense.
 - 2.1.2.** Clients should ask EBH in writing to be treated as professional Clients in general or in relation to certain investment services or transactions or to a particular type of transaction or investment product;
 - 2.1.3.** EBH shall be required to alert the Client in writing that he will not benefit from the relevant protection in the provision of services and from the performance of activities by EBH or from the right to be compensated by the Investor Compensation Fund in financial instruments;
 - 2.1.4.** The Client must declare in a separate document, in accordance with Appendix 1 to this Policy, that he has been informed of the consequences under p. 2.1.2;
 - 2.1.5.** Prior to deciding that the Client shall be treated as a professional Client, EBH shall undertake the necessary actions to ensure that the Client meets the requirements of point 1 above.
- 3.** Professional Clients should inform EBH of any changes that may lead to a change in their categorisation.
 - 4.** In the event that EBH finds that a Client has ceased to qualify as a professional Client, EBH shall undertake the necessary measures to reflect the change.

Article 6

- 1.** Where the Client of EBH is an undertaking, as referred to in Art. 4 of this Policy, EBH must inform the Client prior to providing services that, on the basis of the information available, it is considered a professional Client and will be treated as such, unless EBH and the Client agree otherwise.
- 2.** The entities, referred to in Art. 4 of this Policy shall be considered professional Clients. They will, however, have the right and may require to be treated as retail Clients, whereby EBH may agree to provide a higher level of protection. EBH shall inform the Client that it may request a change in the conditions to ensure a higher level of protection.
- 3.** Requesting a higher level of protection shall be the obligation of the Client, considered to be a professional Client, where the Client deems it impossible to assess or manage the risks, associated with the investment correctly.
- 4.** A higher level of protection shall be provided when the Client, who is considered to be a professional Client, enters into a written agreement with EBH, resulting in his treatment as a retail Client for the purposes of the applicable rules of doing business. This agreement shall determine whether this ap-

plies to one or more specific services or transactions or to one or more types of products or transactions.

5. A higher level of protection ensures that the Client will not be considered a professional Client for the purposes of the applicable regime in the business of EBH.
6. 'Ensuring a higher level of protection' means that EBH shall act honestly, rightfully and professionally in all actions required by law in accordance with the best interests of its Clients, including but not limited to:
 - 6.1. any actions with regard to the execution of their orders;
 - 6.2. providing the information, required by law;
 - 6.3. a description of the financial instruments and the risks associated with them;
 - 6.4. provision of information, required by law with respect to any prospectus;
 - 6.5. providing data on the guarantee, if any;
 - 6.6. actions in the assessment of the appropriate investment service;
 - 6.7. obtaining the Client's consent in the cases provided by law;
 - 6.8. actions of sending confirmations and reports, as provided by law;
 - 6.9. providing protection against negative balance.
7. EBH will not apply the relevant rules that provide a higher level of protection to Clients only if, based on its assessment of Client's experience, skills and knowledge, EBH could reasonably conclude that in view of the nature of transactions or services that the Client intends to use or conclude - that the Client is capable of taking independent investment decisions and assess the risks, associated with them.

Article 7

1. With respect to any and all investment services, investment activities and financial instruments, EBH shall consider the following Clients retail Clients:
2. EBH shall inform all of its Clients of the conditions and criteria they will be defined as professional or retail, and of the circumstances, under which they can be identified as eligible counterparties.
3. At its own initiative or upon Client's request, EBH may:
 - 3.1. designate as a professional or retail Client, a Client, which it would in all other cases define as an eligible counterparty, in accordance with Article 30 (2) of Directive 2014/65/EU;
 - 3.2. designate as a retail Client, a Client considered to be a professional Client in accordance with Section I of Annex II to Directive 2014/65/EU;

Article 8

1. EBH may execute or conclude transactions with an eligible counterparty without complying with the requirements of Art. 70, Art. 71, Para. 1, Art. 72, 73, 74, 77, 78, 82, 84, 85, 86 and 87 of MFIA in respect of the specific instructions or the relevant additional service, directly related to these instructions.
2. Where an instruction has been received from a Client who is registered in another jurisdiction, EBH shall report whether the Client has been defined as an eligible counterparty under the law of the country, in which the Client is established.
3. Any person, identified as an eligible counterparty may expressly request not to be treated as such, in whole or only in a specific transaction.
4. When concluding a deal with an eligible counterparty or else on its behalf, EBH should have the person's explicit consent to be treated as an eligible counterparty.
5. Classification as an eligible counterparty shall be without prejudice to the right of such entities to request, in general or for each individual transaction, to be treated as another type of Client.
6. Where, in accordance with the second subparagraph of Article 30, Para.2 of Directive 2014/65/EU, an eligible counterparty requests treatment as a Client, whose business relations with EBH are subject to Articles 24, 25, 27 and 28 of Directive 2014/65/EU, the request shall be made in writing and shall indicate whether the treatment as a retail or as a professional Client relates to one or more investment services or transactions or to one or more types of transactions or products.
7. Where an eligible counterparty requests treatment as a Client whose business relationship with EBH is subject to Articles 24, 25, 27 and 28 of Directive 2014/65/EU, but does not request explicit treatment as a retail, EBH shall treat this eligible counterparty as a professional Client.
8. Where an eligible counterparty explicitly requests treatment as a retail Client, EBH shall treat the eligible counterparty as a retail by applying the provisions regarding retail Client claims.
9. Where a Client requests treatment as an eligible counterparty, the following procedure shall apply:
 - 9.1. EBH shall provide the Client with a clear written warning about the consequences for the Client of such a request, including the types of protection the Client may lose;
 - 9.2. The Client shall acknowledge in writing the request for treatment as an eligible counterparty either as a whole or in respect of one or more investment services or transaction or types of transactions or products and that it understands the consequences of the loss of protection as a result of the request.

Final Provisions

1. This document is part of the internal rules of EBH.
2. This document has been approved by the decision of the managers of EUROPEAN BROKERAGE HOUSE of 15.05.2020.

Annex 1

DECLARATION

The undersigned.....
with a verified trading account in EUROPEAN BROKERAGE HOUSE (EBH), registered under number:
....., HEREBY DECLARE THAT:

1. I wish to be categorised as a professional Client.
2. The documents I have provided for the categorisation requirements as a professional Client are valid, effective and true.
3. My choice to be treated as a professional Client applies generally to all products and services of EBH.
4. I understand and agree that my treatment as a professional Client will deprive me of the appropriate protection in the provision of services and the carrying out of activities by EBH, including protection against negative balance.
5. I understand and agree that as a professional Client I have no right to be compensated by the Investor Compensation Fund.
6. I understand and agree not to be warned about the possible risks of investing and not to be provided with additional information about the risks, associated with trading in certain financial instruments.
7. I accept and agree to immediately notify EBH in the event of any circumstances or changes, related to my categorisation as a professional Client.

Declarant:

Date:



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