

# Client Asset Protection and Investor Compensation

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

**EBH**  
EUROPEAN BROKERAGE HOUSE

## Measures for Client Funds Protection

### Article 1

1. EUROPEAN BROKERAGE HOUSE (EBH) takes all reasonable steps to protect the rights of its clients with respect to their assets.
2. EBH shall be obliged to ensure that its assets are kept separately from the assets owned by its clients.
3. EBH will not be responsible to its creditors with the cash and financial instruments of its clients. No enforcement shall be made on its clients' money and financial instruments on account of the obligations of EBH.

### Article 2

1. EBH will not use the financial instruments of its clients for its own benefit, for the benefit of its other clients or for the benefit of any other person without the explicit consent of the respective client and under the conditions regulated by European and Bulgarian legislation.
2. EBH will not use its clients' funds for its own benefit except in the cases provided in Art. 9 of Ordinance № 58 on the requirements for the protection of the financial instruments and cash of its clients, for product management and for granting or receiving remunerations, commissions, other monetary or non-monetary benefits (Ordinance № 58). In this regard, EBH is entitled to enter into a title transfer financial collateral arrangement with a professional client in the event of the client's liabilities to the Company, where the client's assets are the subject of the collateral.
3. EBH may conclude a title transfer financial collateral arrangements with a professional client only if, based on the analysis under Art. 9, para. 4 of Ordinance № 58, it can be concluded that this arrangement is appropriate for the client and after the client's prior explicit consent to use their assets has been obtained.
4. EBH may not enter into title transfer financial collateral arrangement with retail clients in order to secure the client's current, future, specified, contingent or expected liabilities.
5. Any set-off, provision of collateral, as well as other actions in respect of clients' financial instruments and/or cash, as a result of which a third party acquires the right to dispose of those financial instruments and/or cash, for the purpose of satisfying a claim that is not related to a liability of the respective client or the services provided by EBH, shall be considered invalid.
6. EBH informs clients that a potential interest, right of detention or right of set-off may arise, which EBH has or may have in respect of the client's funds or any right of set-off, which it has in relation to these instruments or means. Where a depository institution has a security interest or right of detention or a right of set-off in respect of client funds, the latter should notify the client.

### Article 3

1. EBH shall be obliged to deposit the funds of its clients with:
  - 1.1. the Central Bank;

- 1.2. a credit institution licensed to operate under the Law on Credit Institutions, respectively, as required by Directive 2013/36/EC;
  - 1.3. a credit institution, authorised in a third state;
  - 1.4. a qualified money market fund.
2. Where the credit institution under p. 1.2 and 1.3 carries out business on the territory of the Republic of Bulgaria, EBH shall keep the clients' cash in individual client accounts or client accounts within the account of the investment management company (investment intermediary).
  3. EBH shall be obliged to deposit the funds, provided by the clients or received as a result of the provided investment services in their account with an institution under point 1, by the end of the next business day at the latest in a bank account with the client funds, which shall be separate from the Company's account.
  4. EBH also undertakes the necessary steps to ensure that the deposited funds under the preceding paragraph are deposited in individual accounts, separately from the investment management company's funds. The contract signed between EBH and the entity under point 1 must explicitly state that client funds will be held in a separate account and that these funds will not be subject to any infringement or detention on account of the company's liabilities.
  5. In case the legislation applicable to the entity under point 1 of this Article does not allow for compliance with the requirement for clients' funds to be deposited in individual accounts or a single account, separate from the investment company's funds, EBH undertakes the necessary measures to secure the client's rights under the amount of deposited funds, including by opening a common client account that the entity under point 1 of this Article will maintain in the name of the investment company but on behalf of a third party.
  6. EBH compares and equals on a daily basis, its clients' funds with the database of the respective institution, under point 1 of the current article, in which they are stored.
  7. EBH will not be liable for any acts or omissions of institutions under point 1.

#### Article 4

1. Under the Bank Deposit Guarantee Act, rules are in place in the Republic of Bulgaria to guarantee bank funds and to protect depositors through the Bank Deposit Guarantee Fund. These rules apply to all banks that have received, under the Law on Credit Institutions of the Republic of Bulgaria, a license for the public take-up of deposits or other repayable funds, as well as for their branches in other Member States, and for the branches of a bank with a registered office in a third state that has been licensed by the Bulgarian National Bank to operate in the Republic of Bulgaria.
2. In the event that a banking institution, fulfilling the requirements set out in Para. 1 of the Bank Deposit Insurance Act, in which EBH keeps funds of its clients, goes bankrupt, the Bank Deposit Guarantee Fund shall guarantee the funds of each client up to BGN 196,000 or their equivalent in foreign currency.
3. EBH shall appoint a person under Art. 10, para. 1 of Ordinance № 58, which shall be responsible for compliance with the client's requirements for the protection of funds.

## Article 5

1. EBH hereby informs its clients that it will not accept cash payments from regarding the provision of investment and/or additional services.
2. EBH will not store the financial instruments of its clients.

## Article 6

1. EBH shall be obliged to inform its clients about all the circumstances and hypotheses provided in Art. 49 of the 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), where available.
2. EBH explicitly informs the client or the potential client, when the accounts containing his/her money and financial instruments are, or will be, subject to the law of a non-EU state. The notification must indicate that the client's rights, relating to financial instruments or cash, may differ due to the applicability of the jurisdiction of a third state.

## Article 7

1. Following the conclusion of the Client Agreement between EBH and its clients, the company must:
  - 1.1. Open analytic accounts for financial instruments and client funds, pursuant to accounting legislation;
  - 1.2. Ensure strict compliance with the reporting obligations and the requirements, laid down in Delegated Regulation 2017/565 and Ordinance № 58;
  - 1.3. Regularly inform its clients about balance sheets and account operations;
  - 1.4. Provide its clients with a unique number and keep a register of them.
2. Except as expressly stated in a specific legal instrument, EBH will not be entitled to use the funds and/or financial instruments in the following situations:
  - 2.1. The company may not use the client's funds for its own benefit;
  - 2.2. Ensure strict compliance with the reporting obligations and the requirements, specified in Delegated Regulation 2017/565 and Ordinance № 58;
  - 2.3. The company shall have no right to use its own funds for the benefits of its clients.

## Compensation of Investors

### Article 8

1. EBH informs its clients that there is an Investor Compensation Fund in the Republic of Bulgaria at the

following address: Sofia 1000, № 31 Tsar Ivan Shishman, fl. 2; Telephone: +359 2 981 27 10, fax: +359 2 981 75 41, email: [office@sfund-bg.com](mailto:office@sfund-bg.com) and the website <http://sfund-bg.com>.

2. The fund guarantees payment of compensation under an investor claim on financial instruments and guarantees the payment of compensation to clients of investment intermediaries, including those of EBH, for as long as EBH participates in the Investment Compensation Fund and can be found among the participants listed on the website: <http://sfund-bg.com/участници/инвестиционни-посредници-ип/page/4/>.
3. The investor compensation system will cover the cases under Art. 77b, Para. 1 of the Public Offering of Securities Act (POSA), namely:
  - 3.1. By the decision of a respective court, bankruptcy proceedings have been opened for EBH;
  - 3.2. Its license and authorisation to carry out the activity of an investment management company has been revoked;
  - 3.3. A decision has been taken that the following conditions are present simultaneously:
    - 3.3.1. the financial instruments and/or the funds held by EBH in the client account are not available in the respective accounts for reasons other than the performance of contractual relations with the client;
    - 3.3.2. at that moment, EBH is unable, for reasons directly related to its financial condition, to repay the funds to the client to recover the financial instruments and will not be able to do so in the short-term.
4. Client assets within the meaning of this Article shall be any cash, financial instruments and other assets of the investment management company's clients that the intermediary holds, administers or manages on their behalf in connection with the services provided by him.
5. The fund will pay compensation to each client of an investment management company up to 90 per cent of the value of the receivables, but no more than BGN 40,000.
6. The compensation system shall exclude the persons listed under Art. 77d, Para. 2 of POSA, as well as receivables arising related to transactions and actions, representing 'money laundering' within the meaning of Art. 2 of the Measures Against Money Laundering Act, if the perpetrator has been convicted by a verdict in force.
7. Clients should be aware that the accounts with their funds and/or financial instruments may be subject to regulation by the legal systems of non-EU countries; respectively, the rights of such a client, related to financial instruments or funds, may vary in such states due to the specificity of local legislation.

## 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 23.10.2020.



**EUROPEAN BROKERAGE HOUSE OOD**

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