

CLIENT CATEGORISATION POLICY OF ELANA TRADING AD

I. General

Article 1. This document has been prepared in accordance with the provisions of the Markets in Financial Instruments Act (MFIA) and Article 45 of Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU (Delegated Regulation 2017/565) and aims to regulate the terms and conditions for the categorisation of the clients of the investment intermediary Elana Trading AD (II) in connection with the investment and additional services and activities provided by the II.

Article 2. (1) Client categorisation is the procedure to identify them as retail, professional or eligible counterparty (ECP) based on publicly available information (including on the Internet) – publicly available registers and official documents, as well as data provided by clients. Categorisation can be made in respect of all or only of specific activities and services provided by the II.

(3) Client categorisation may be initial - carried out when a relationship with the II is established, and subsequent - carried out on the initiative of the client or on the initiative of the II in the course of the provision of services.

Article 3. Depending on the category in which customers are categorised, the II treats them differently with respect to:

- a) the information that should be provided to the client prior to the provision of an investment service or activity;
- b) the assessment of the relevance and feasibility of the product/service provided;
- c) the content of the reports to the client regarding the services provided;
- d) the processing and execution of orders for transactions in financial instruments (FIs).

Article 4. The protection level of each client category depends on the experience and knowledge inherent to the respective category; more specifically, retail clients receive the highest degree of protection, professional investors – a lower one, while ACs are supposed to be the most knowledgeable in the applicable requirements and the market, and consequently receive minimal protection.

II. Client Categories

A. Eligible Counterparties

Article 5. (1) According to Article 89, paragraph 2 of the MFIA, the following are identified as ECPs:

- investment intermediaries;
- credit institutions;
- insurance companies;
- collective investment schemes;
- management companies;
- pension insurance companies;
- pension funds;
- other financial institutions licensed or regulated by European Union and Member State legislation;
- national governments;
- government bodies managing government debt;
- central banks and international institutions,
- persons equivalent to those listed above from third countries subject to requirements equivalent to the requirements of European Union legislation.

(2) The II may also identify as ECPs persons falling within the category of clients that should be considered as professional ones in accordance with Article 9, items 1-3 of this document, including persons from third countries.

(3) When providing a service to a client from another jurisdiction, the II shall take into account the status of the client determined by the country where the client is established.

(4) The II shall notify the client by written statement (Appendix 1) that they have been categorised as an ECP and should receive explicit confirmation from the person that they agree to be treated as such.

Article 6. (1) Any person identified as an ECP may expressly request not to be treated as such, in general or for a particular transaction, service or product. The request under the preceding sentence shall be submitted to the II in writing (Appendix 2).

(2) Where an ECP makes use of its right under the preceding paragraph and does not explicitly request to be treated as a retail client, the II shall treat that ECP as a professional client.

(3) Any ECP shall have the right to request from the II be treated as a retail client. The II reserves the right to refuse any reclassification so requested when there is no objective change in the circumstances and, following an assessment, the client is considered to have sufficient experience, knowledge and skills to make independent investment decisions and to properly assess the risks associated with the investment. In such case, paragraph 2 shall apply and the client shall be treated as a professional one.

Article 7. In all cases, when providing services to ECPs, the II shall be required to convey information that is accurate, clear and not misleading, taking into account the nature and activity of the client categorised as an ECP.

B. Professional Clients

Article 8. Professional clients are clients who have the experience, knowledge and skills to make their own investment decisions and properly assess the risks associated with the investment, and who meet the criteria according to Appendix to § 1, item 10 of the MFIA.

Article 9. Unless otherwise requested, the II shall, on its own initiative, identify as professional clients, in respect of all investment services, investment activities and products, the following categories of persons:

(1) Persons who are required to be licensed in order to operate on the financial markets, or whose activity on those markets is otherwise regulated by the national legislation of a Member State, regardless of whether it is aligned with a Union directive, as well as persons authorised to carry out these activities or otherwise regulated by the legislation of a third country, as follows:

- a) credit institutions;
- b) investment intermediaries;
- c) other financial institutions, subject to licensing or otherwise regulated;
- d) insurance companies;
- e) undertakings for collective investment and their management companies;
- f) pension funds and pension insurance companies;
- g) persons trading on their own account with commodities or commodity derivatives;
- h) local companies;
- i) other institutional investors.

(2) Large-scale enterprises that meet at least two of the following conditions:

- a) balance sheet total - at least the BGN equivalent of EUR 20,000,000;
- b) net turnover - at least the BGN equivalent of EUR 40,000,000;
- c) own funds - at least the BGN equivalence of EUR 2,000,000.

(3) National and regional state authorities, state 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.

(4) Other institutional investors whose main business is investing in financial instruments, including persons performing asset securitisation or other financial transactions.

Article 10. (1) Categorisation of the persons under Article 9 shall be done in view of the information available at the II (publicly available and provided by the client). Where additional information is necessary and was requested in order to establish the status of the person, until it is received the client shall be treated by the II as a retail client.

(2) The II shall notify the client by written statement (Appendix 1) that they have been categorised as a professional client for all or certain investment services activities or products.

Article 11. (1) Clients, other than those specified in Article 9 of this Policy, who may be considered, at their request, as professional ones, must meet at least two of the following criteria:

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

b) the size of the client's financial instrument portfolio, defined as including cash deposits and financial instruments exceeds EUR 500,000;

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

(2) For the purposes of **trading on the Bulgarian Stock Exchange AD**, volumes shall be considered significant when one of the following criteria applies:

a) over the last year, the Client has carried out a minimum of 10 transactions on average per quarter with a given issue of financial instruments, where the average transaction size exceeds the average transaction size on the regulated market with the same issue;

b) the average size of the transactions carried out for the last quarter by the client with a specific issue of financial instruments is greater than 2% of the average daily turnover with the issue on the regulated market for that same period;

c) over the last year, the average size of the transactions carried out by the client per quarter exceeds by 50% the maximum amount of the indemnity under Article 77d of the Public Offering of Securities Act;

d) the average daily turnover of the transactions carried out by the client for the last quarter is greater than 2% of the average daily amount of the registered turnover on the regulated market for that same period, excluding trade related to secondary public offering, capital increase of companies and other cases not related to daily trading on the regulated market.

(3) Clients of the II, other than those specified in Article 9 of this Policy, trading in **international markets**, may be considered, at their request, as professional ones, if they meet at least two of the following criteria:

a) over the past calendar year, they have carried out at least 10 transactions per quarter, in a size significant for the relevant financial instrument. When trading on international financial markets, significant size shall mean: EUR 100,000 for currency derivatives (FOREX); EUR 50,000 when trading derivative instruments based on indexes, and EUR 10,000 when trading Contracts for Difference (CFDs) on shares. The average transaction frequency can be reached through trading with one or more investment intermediaries.

b) hold an investment portfolio (money and financial instruments) equivalent to at least EUR 500,000;

c) have at least one year of experience in a professional position in the financial sector, which requires knowledge of the financial instruments and capital markets and allows for proper assessment of the risks associated with trading.

Article 12. In any case, any waiver of higher protection by a client under Article 11 shall be considered valid only if the assessment of the expertise, experience and knowledge of the client, undertaken by the II, provides sufficient guarantees, in view of the nature of the service provided, that the client is in a position to make investment decisions and to be aware of the risks associated with them. Such assessment shall also be made in respect of the persons who manage and represent the client or who are entitled to carry out the relevant transactions on behalf and on the account of that client.

Article 13. (1) In case the persons under Article 11 want to be categorised as professional ones, the II shall apply the following procedure:

a) clients shall submit a written request (Appendix 3) to the II to be treated as professional clients, in general or in relation to certain transactions, investment services or products, with attached proof that the client meets the criteria set out in this Policy.

b) the II shall undertake actions to verify compliance of the client with the criteria set out in this Policy, including, but not limited to: audit publicly available databases and registers, consult reports from execution venues or depository institutions, require certified copies of documents from the client, etc.;

c) the II shall explicitly warn the client and the latter shall agree that he will not benefit from the relevant protection in the provision of services and the performance of activities by the investment intermediary, as well as from the right to be compensated by the Financial Instruments Investor Compensation Fund;

(2) Professional clients should inform the investment intermediary of any change that may lead to a change in their categorisation. In case the II finds that a client no longer meets the conditions used to categorise him as a professional client, it shall then take the necessary steps to reflect the change.

(3) The II may refuse to categorise as a professional one any client who formally meets the criteria under the preceding paragraphs but, after an assessment, the client is considered to not have sufficient experience, knowledge and skills to make independent investment decisions and to properly assess the risks associated with the investment.

Article 14. (1) Any professional client shall be entitled, whenever they consider that they do not have the experience, knowledge and skills to make their own investment decisions and properly manage and assess the risks, to request to be reclassified as a retail client in order to ensure a higher degree of protection.

(2) Such higher degree of protection shall be provided to the client on the basis of a written request and an agreement with the II (Appendix 4), which explicitly states whether the reclassification is requested for all or for certain investment services, activities or products.

(3) The II reserves the right to refuse any requested recategorisation when there is no objective change in circumstances and, after an assessment, the client is considered to have sufficient experience, knowledge and skills to make independent investment decisions and to properly assess the risks associated with the investment.

C. Retail Clients

Article 15. The II shall identify and treat as **retail** clients all clients who have not been categorised as professional ones or as ECPs according to the criteria and conditions set forth in this Policy.

III. Final Provisions

The Regulatory Compliance Unit of the II shall, by 31 January of each year, review and assess the compliance of this Policy with the regulatory requirements and, if necessary, shall propose amendments and additions to the BD of the II.

In case clients of the II have already been categorised as professional ones / ECPs using criteria and a procedure similar to those set out in this document, recategorisation of any such clients may be skipped.

These Rules are provided for reference and enforcement to all persons working for the II.

These Rules were adopted on 31.01.2019 by decision of the Board of Directors of ELANA Trading AD.

Appendix 1**CLIENT CATEGORISATION NOTICE**

On the grounds of Article 89 and Appendix to §1, item 10 of the Markets in Financial Instruments Act

Client: «Name», PIN / UIC: «PIN»

(name, firm, PIN, UIC) Client Number: «CI_»

The investment intermediary Elana Trading AD hereby informs you that according to the established regulatory criteria and the information collected you have been categorised as follows:

Eligible Counterparty (ECP)

Professional client, in respect of:

- all activities and services provided by the intermediary
- in respect of specific actions and services (to be explicitly listed)

We hereby inform you that, as an ECP / professional client, you will not benefit from the respective protection in the provision of services and activities by the investment intermediary, as well as from the right to be compensated by the Financial Instruments Investor Compensation Fund.

In cases where the II, Elana Trading AD, in the course of the activity carried out by the company, finds that you no longer meet the requirements for the respective categorisation, it will then take the necessary measures to apply a higher degree of protection.

We hereby inform you that you have the right to request from Elana Trading AD to categorise you differently for all or for specific investment services and activities.

In case your request is granted by Elana Trading AD, the higher degree of protection will be provided to you on the basis of a written agreement between Elana Trading AD and you, explicitly specifying the specific services, activities, transactions, financial instruments or other financial products in respect of which Elana Trading AD will provide you with a higher degree of protection.

The Client is required to inform Elana Trading AD of any change in the data that served as a basis for his categorisation.

By signing this notice, the Client agrees with his categorisation thus made.

For the Client:

For Elana Trading AD:

Date: _____

Appendix 2**REQUEST for recategorisation, from an ECP to a professional or retail client**

The undersigned **«Name»**

PIN / UIC «PIN», represented by
....., client of II
Elana Trading AD,

In view of the opportunity to request a higher degree of client protection in my relations with II Elana Trading AD, I hereby present this request to be categorised from an **ECP to:**

 Professional client:

- In general, for all investment services and activities, transactions or investment products;
- In respect of specific activities and services, as follows:

 Retail client:

- In general, for all investment services and activities, transactions or investment products;
- In respect of specific activities and services, as follows:

For the Client: _____

Date: _____

Based on the request submitted by the client, II Elana Trading AD hereby recategorises the client as a: **Professional client:**

- In general, for all investment services and activities, transactions or investment products;
- In respect of specific activities and services, as follows:

 Retail client:

- In general, for all investment services and activities, transactions or investment products;
- In respect of specific activities and services, as follows:

For II Elana Trading AD: _____

Date: _____

Appendix 3**REQUEST for recategorisation as a professional client, on the initiative of the client
On the grounds of Section II of Appendix to § 1, item 10 of the Markets in Financial
Instruments Act**

The undersigned «Name» PIN / UIC «PIN», represented by
....., client of II
Elana Trading AD,

In view of my own assessment that I possess the necessary experience, knowledge and skills to make investment decisions on my own and to properly assess the risks of investing, I declare that I wish to be treated as a professional client in respect of:

- all investment services and activities, transactions or investment products;
- specific activities and services, as follows:

I hereby declare that I meet at least two of the following criteria for a professional client:

- over the previous year, I have carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter;
- the size of my investment portfolio, including financial instruments and cash deposits, exceeds the BGN equivalence of EUR 500,000;
- I work / I have worked in the financial sector for at least one year in a professional position which requires knowledge of the transactions or services envisaged.

I hereby present the following proof of the above:

1. I have been informed by the II that as a professional client I will not benefit from the relevant protection in the provision of services and the performance of activities by the investment intermediary, as well as from the right to be compensated by the Financial Instruments Investor Compensation Fund, as well as of the potential consequences thereof;
2. I shall notify the II of any change in the data that served as a basis for me to be categorised as a professional client.

I am aware of the liability under Article 313 of the Penal Code.

For the Client: _____

Date: _____



Based on the information provided by the client, II Elana Trading AD hereby adopts that:

- The client may be recategorised as a professional one in respect of:**
- all investment services and activities, transactions or investment products;
- specific activities and services, as follows:

- The client may not be recategorised as a professional one for the following reasons:**

For II Elana Trading AD: _____

Date: _____

Appendix 4**REQUEST for recategorisation of a client, from a professional one to a retail client**The undersigned **«Name»**PIN / UIC «PIN», represented by
....., client of II
Elana Trading AD,

In view of the opportunity to request a higher degree of client protection in my relations with II Elana Trading AD and in view of my own assessment that I do not possess the necessary experience, knowledge and skills to make investment decisions on my own and to properly assess the risks of investing, I hereby make this request to be recategorised from a professional one to a **retail client, in respect of:**

- all investment services and activities, transactions or investment products;
- specific activities and services, as follows:

For the Client: _____

Date: _____

Based on the information provided by the client and after assessing their experience, knowledge and skills to make investment decisions on their own and to properly manage and assess the risks associated with investing in financial instruments, II Elana Trading AD hereby adopts that:

- The client may be recategorised as a retail client:**
- all investment services and activities, transactions or investment products;
- specific activities and services, as follows:

- The client may not be recategorised as a retail client for the following reasons:**

For the Client: _____

Date: _____