

## **POLICY OF FIRST INVESTMENT BANK AD FOR EXECUTION OF CUSTOMER ORDERS**

### **Purpose and Applicable Legislation**

The Policy of First investment bank AD for execution of customer orders (the Policy) was drawn up pursuant to the provisions of the Markets in Financial Instruments 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 organizational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive (Delegated Regulation (EU) 2017/565) .

The Policy sets out the procedure and the requirements for customer order execution by First Investment Bank AD (Fibank or the Bank), as well as the execution of operations related to trust management of assets on behalf of customers of the Bank in its capacity as an investment intermediary, in accordance with the provisions of the effective legislation.

For the purpose of this Policy “customers” is defined as customers of First Investment Bank in its capacity as investment intermediary as defined by Article 6 of MFIA.

Orders placed by customers or “customer orders” in the Policy shall mean orders by customers of the Bank in its capacity as investment intermediary where these orders concern or aim at performing transactions in financial instruments as defined by Art. 4 of MFIA and are applicable to the investment services and activities offered by the Bank (Art. 6 para. 2 and para. 3 of MFIA).

This policy sets out the actions taken by the Bank for execution of orders or transfer them for execution by a third party under the most favorable conditions for the customer (achieving **best execution** for the customer).

The Bank shall implement this Policy by processing the orders received from the customer immediately, fairly and strictly, following the order of identical orders receipt.

### **Best Execution Assessment Factors**

The Bank executes the customer’s order in the customer’s best interest. This obligation has been

fulfilled if reasonable efforts have been made to ensure the best for the customer:

- a. Price
- b. Cost of execution
- c. Speed of execution
- d. Probability of execution and settlement
- e. Size of the order
- f. Type of order (market, limited or agreed in advance)
- g. Possible effect of the order on the market price of the relevant instrument if and when it is announced (publicly)
- h. Other important factors concerning the customer order applicable to its execution.

When executing an order placed by a non-professional customer, **best execution** is determined by the total amount of the deal, including the price of the financial instrument and the cost of the execution (all expenditures directly connected with the execution of the order, including fees for the venue of execution, clearing and settlement fees, as well as other taxes and fees payable to third parties involved in the execution of the order).

### **Criteria determining the Relative Importance of the Execution Factors**

In executing customer orders, the Bank shall consider the relative importance of factors according to the following criteria:

1. Characteristics of the customer including the customer’s categorization as a professional or non-professional customer;
2. Characteristics of the customer order, including where the order relates to a securities financing transaction (SFT);
3. Characteristics of the financial instruments subject to the order and
4. Characteristics of the venues where the order can be executed;

In cases where a customer gives specific instructions regarding the execution of an order, the order shall be executed in accordance with these instructions unless the Bank expressly notifies the customer of its inability to fulfill them.

The Bank shall be deemed to have fulfilled its obligation for best execution for the customer if it has

executed the order or a specific aspect of the order in accordance with the customer's special instructions.

### **Financial instruments to which the Policy applies**

The Policy applies to the following financial instruments:

- a. stocks;
- b. bonds;
- c. shares from collective investment schemes;
- d. derivatives;
- e. structured financial products.

### **Execution Venues of Customers' Orders**

"Execution venue" for the purposes of this Policy shall mean a regulated trading venue, a multilateral trading facility (MTF), an organized trading facility (OTF), a systematic internaliser, or a market maker or other liquidity provider or an entity that performs a similar function in a third country or outside of a trading venue to the functions performed by any of the foregoing.

"Trading venue" shall mean a regulated market, a multilateral trading facility (MTF), or an organized trading facility (OTF).

Depending on the financial instruments subject to the customer's order, the Bank shall decide on the execution venue with a view to ensuring conditions for best execution.

Thus the Bank can exclude a particular execution venue notwithstanding the given financial instrument is being traded there. The reasons for such a decision can be as follows:

- a. Access costs to that particular market;
- b. Higher costs of transactions associated with the customer order.

Due to the higher order execution costs and despite the more favorable quote for the particular financial instrument, the final result in total for the customer can be less favorable compared to other venues of execution where the Bank operates. The execution venues where the Bank could forward a customer order (appendix 1) are listed on the website of the Bank [www.fibank.bg](http://www.fibank.bg) and can be obtained on a hard copy, including from the offices and branches of the Bank.

To secure best execution, the Bank shall review and update the list of venues for customer order execution on a regular basis, at least annually.

Execution of orders in trading venues where the Bank is not a member shall be effected through the intermediation of a third party (broker) with whom the Bank has a signed contract.

The Bank shall apply criteria in the selection of intermediaries (brokers) to whom it passes customer orders for execution, requiring such brokers to:

1. have an Policy of First investment bank AD for execution of customer orders in place that is consistent and compatible with this document;
2. provide fast and reliable placement and execution of orders on the relevant trading venues;
3. provide reliable communication channels for submission of orders and feedback on their status and execution;
4. provide direct access to the key trading venues where the Bank executes customer orders;
5. be subject to regulatory oversight and requirements consistent with the regulatory requirements applicable to the Bank.

The Bank shall continuously monitor the effectiveness and quality of performance of brokers and shall, where necessary, take measures to remedy any irregularities found.

Information about intermediaries (brokers) through whom Fibank executes orders in markets where it does not have direct access, is available in Appendix 1 to this Policy.

The Bank shall provide at least once a year on a durable medium (by publishing it on Fibank's official website), aggregated customer information for the previous year on each class of financial instruments for the top five execution venues (by volume of transactions), as well as information on the quality of execution.

### **Selection of a venue for order execution**

**Depending on the customer's instructions and the possible venues for execution of transactions with the respective financial instruments**, the Bank shall select a venue of for order execution which may be:

1. A trading venue to which the Bank is a member;

2. A trading venue to which the Bank is not a direct member, through a third person with whom the Bank has entered into a brokerage agreement for order execution;
3. Outside trading venues in cases where:
  - 3.1. The financial instrument subject to the order is not traded on a trading venue;
  - 3.2. The customer has given specific instructions for execution outside a trading venue;
  - 3.3. The Bank has received the customer's prior consent to that effect, and the conditions for execution are no worse than those in a trading venue, if the respective financial instrument is traded on a trading venue;
  - 3.4. The Bank executes the customer's order by executing a counter-order from another customer when the two orders are counter-executable, or for the Bank's own account, when the assessment of the above-mentioned execution factors and criteria indicate that such trading can be done in favor of the customer (or without harm to the customer).

Subject to its obligation to achieve the best result for the customer, the Bank shall execute orders at the earliest opportunity, unless that would be clearly disadvantageous to the customer.

In the event that a customer's order concerns financial instruments admitted to trading on a regulated market, execution outside a trading venue may only take place with the express prior consent of the customer. In the general case, customers shall declare presence, respectively absence of such consent upon placement of an order with the Bank. Depending on the conditions of the relevant market, **the Bank shall take into consideration the following:**

1. Liquidity - trading volumes of the instrument concerned
2. Settlement systems
3. Counterparty risk
4. Interruption risk
5. Brokerage and settlement costs
6. Settlement currency
7. Regulatory requirements to counterparty
8. Counterparty reputation
9. Working hours on the relevant market

10. Access of the Bank or the Broker to the relevant market - whether it is a direct member or uses the services of another intermediary

The Bank may select a venue where the relevant financial instruments are traded in the largest volume. In most cases, this is the market where the financial instruments were initially offered /primary market /.

### **Price**

When placing orders for transactions in financial instruments for execution in trading venues, the price increment in which the prices are quoted (tick size) of the respective trading venue for the respective financial instrument needs to be observed.

If, when placing a transaction order, the customer has stated a price that does not correspond to the valid tick size, the Bank shall execute the order at a price that is the closest more favorable price meeting this requirement.

### **Order execution costs**

All costs that are directly related to the execution of the order, including trading venue fees, clearing and settlement fees, and other fees and charges collected by intermediaries (brokers) through whom the Bank executes customer orders, are included in the corresponding fee or commission, according to Fibank's Tariff.

Any additional costs such as taxes, government or regulatory fees, or other payments to third parties that may arise in relation to execution of a customer orders, entering into transactions, or provision of other services shall be borne by the customer and charged in addition to the fees and commissions under the Tariff of the Bank.

### **Other factors taken into account when executing orders**

1. Speed of execution: depends on the type and size of the order, as well as on the trading model applied at the execution venue;
2. Probability of execution: the Bank shall select an execution venue depending on the liquidity of the respective financial instrument at each of the trading venues;
3. Type and size of the order: the Bank shall select, depending on the type and size of the order, the appropriate execution venue or intermediary, taking into account the price and cost.

## Registration and execution of orders

The Bank shall observe the following principles when accepting customer orders:

- all customer orders shall be registered and submitted for execution to the respective trading/execution venue or broker in the order of their acceptance;
- identical orders shall be executed in the order of their acceptance, at the earliest possible time depending on their parameters;
- customers shall be informed of any obstacles to the execution of orders, as well as of their successful execution and settlement.

No immediate execution of customer orders shall be required in the following cases:

- the price in the order is limited and at the time of placement of the order it cannot be executed at the stated price;
- the order cannot be executed under the current market conditions;
- execution would be contrary to the customer's interest

In view of ensuring best execution, large orders may not be disclosed in their entirety but executed as iceberg orders where the relevant market permits.

## Consolidation of Orders

### General conditions

The Bank starts the execution of customer orders immediately. If the customer agrees with this Policy and unless he does not expressly state otherwise in his order, he agrees to the consolidation of orders by the Bank. That would be possible only for customer orders that are accepted or are being processed at the moment of the execution of that particular order. The Bank consolidates orders only if it would not result in an apparent unfavorable outcome for the customer. Nevertheless, the consolidation may be followed by unfavorable consequences concerning the customer order.

The Bank may consolidate customer orders with orders for its own account in cases where this would allow the Bank to achieve better execution conditions for the customer, as well as where without such consolidation it would not be able to execute the customer order at favorable terms, or would not be able to execute it at all.

Upon the judgment of the bank official who executes the financial instruments trading orders when the market conditions do not allow the execution of the consolidated order in full orders of the "All or Nothing" type are not consolidated.

## Allocation of partially executed Consolidated Orders

Provided the Bank could not execute in full a customer consolidated order the Bank allocates the execution (regarding the quantity of the financial instruments traded and the price of execution) between all customers whose orders have been consolidated (hereafter called "the allocation"). The allocation is done based on the general guidelines that follow. Upon its own judgment the Bank can use one of the two methods described below, depending but not limited to the following factors: the market where the orders are executed (primary or secondary); the existence of a competitive principle for the rating of bids; specific conditions concerning the amount of orders forwarded; the limited volume of issue as well as other factors.

## Allocation Methods

### *Proportional*

According to his share in the total consolidated order the customer receives a proportional execution. The execution price for all would be the weighted average price of all transactions, if they are more than one, done when executing the consolidated offer.

### *Sequential*

Depending on the price stated in the order and in order of their receipt by the Bank, the orders with a better price would take precedence. Orders with equal prices will be dealt with in the order of their receipt by the Bank's system. The execution targets the full amount of the consolidated offer. The last order can be executed partially unless it is from the "All-or-Nothing" type. The price of the execution is estimated based on the transactions, if they were more than one, giving priority to the price and the time the order was placed.

If a customer order consolidated with a deal on the Bank's own behalf was executed partially, the customer order takes precedence and the remains are treated like a deal on the Bank's behalf until all

financial instruments subject to the transaction are finished. If the partial execution is not sufficient for all the customer orders to be satisfied the allocation is done based on the methods already explained in these guidelines. If the Bank could not, without consolidation, execute a customer order to the customer's advantage or could not execute it at all, the Bank can allocate the transaction proportionally between itself and the customer.

### **Large Orders**

Orders that exceed a certain size limit are deemed to be large. The size limit is not fixed in advance and depends on a series of factors such as the type of financial instrument (stocks, bonds, units and shares of collective investment schemes, derivatives, structured products), the execution venue and the particular market conditions at a time.

Brokers from the Treasury Department of Fibank have a decisive role in the setting of size limits. Large orders could cause a considerable imbalance between the demand and the supply of a particular financial instrument. As a result factors other than the price and the cost of execution could be of primary importance for the customer.

### **Special Cases**

Depending on the special characteristics of the financial instruments special cases can arise in the execution.

Some financial instruments such as units and shares of collective investment schemes can be traded on a regulated market, outside a regulated market as well as over-the-counter. In such cases the execution cost is lower because no exchange or other taxes imposed by the centralized execution venue at a fixed market price are due.

The Bank may not be able to secure the best execution conditions if the customer order concerns a low liquidity financial instruments or instruments for which there is no market information or the access to market information is limited. Under such circumstances the customer bears the responsibility to find the best conditions/prices, if he chooses this approach. If the customer accepts the execution terms offered by the Bank it shall be considered that the Bank has fulfilled its best execution obligation under this Policy.

When a customer order concerns financial instruments developed and emitted by the Bank while at the same time the Bank is the only possible execution venue the customer can demand detailed information about the pricing of that particular financial instrument.

If the financial instruments are emitted by First Investment Bank or if the Bank bears the responsibility for maintaining their liquidity the rules expressly outlined in that particular financial instrument's prospectus apply or the rules of the regulated market if they were listed on such. Besides the above factors pricing also depends on the market conditions at each particular moment.

In case a customer of the Bank applies orders through an electronic trading facility, which guarantees compliance with law regulations and secure direct access to electronic trading platforms on a regulated market or a multilateral/organized trading facility (MTF/OTF) as a part of the service of submission, transfer and execution of client orders, performed by the Bank as an investment intermediary, the parameters, indicated by the customer in the order shall be taken as specific instructions. In such case the Bank acting by the name of and on the account of the customer and giving access to the electronic system, shall be considered to have made all reasonable efforts to ensure best order execution. In case, the electronic trading facility allows laying of specific parameters in regards to the order of the customer on the part of the Bank, the Bank shall act in compliance with this Policy.

Given the specificity of the execution of transactions related to individual portfolio management (trust management) and the individual goals and limitations in place, the leading factors in the evaluation and selection of the best execution methods and the determination of their relative value shall be considered strictly in the context of the specific arrangements between the Bank and the customer. In this case, the Bank may carry out such transactions by matching them with identical orders of its other customers, or for its own account, in order to minimize transaction costs and ensure liquidity, affordability and speed of execution.

In trust management, it is permissible to carry out operations with financial instruments between portfolios of different customers, as well as between the portfolio of a customer-principal and

an own portfolio of the Bank. In these cases, the staff shall apply the following minimum requirements and rules in determining the parameters of the implementation of operations under the preceding sentence:

1. transactions with financial instruments traded on a regulated market shall be registered at prices within the spread between the best "buy" and "sell" price, taking into account the specifics of the particular market and in compliance with Policy of First investment bank AD for execution of customer orders.
2. transactions with financial instruments which are not traded on a regulated market shall be registered at the quotation of Fibank, considering the specifics of the particular issue, the market situation of this issue – accessibility, liquidity, minimum lot size for trading, transaction costs – and in compliance with Policy of First investment bank AD for execution of customer orders.

### **Particular Cases concerning Extraordinary Market Conditions**

The Policy cannot be applied in the event of compelling forces such as extraordinary and large market movements characterized by a large fluctuation in the price of financial instruments, as well as internal or external system disruptions. Under such circumstances the key factor determining best execution becomes the probability of order execution. The customer shall be duly informed if any such event is apparent at the moment of accepting the order.

### **Periodic Update of the Policy**

The Bank shall accept and regularly update this Policy, ensuring the fulfillment of its obligation for best execution, and keep customers informed of any substantial changes to it. Notifications to customers shall be made prior to the entry into force of any substantial amendments or additions to this Policy.

Amendments and modifications that do not lead to a significant change of Policy are published on the website of the Bank when they become effective.

The Bank reviews at least annually its customer order execution Policy in order to achieve best execution. It also reviews it when major changes

could affect the ability of the Bank to secure best customer order execution results when using the execution venues listed in the Policy.

### **WARNING:**

When a customer gives special instructions about the execution of his order and those instructions differ from the Bank's Policy the order shall be executed according to the customer's special instructions unless the Bank expressly notifies the customer of its inability to follow the special instructions. In such cases the Bank cannot apply this Policy and the actions outlined in this document aiming at the best execution result for that part of the order to which the special instructions apply.

### **Applicability and Declarations**

The Policy is made available to every existing or potential customer of the Bank. Upon a customer's demand the procedures and guidelines outlined in this document can be explained in addition.

When a customer places an order with the Bank after acquainting himself with the Policy he declares expressly that he is aware of, understands and accepts in full the Policy of First investment bank AD for execution of customer orders.

When placing an order with the Bank the customer also gives his express consent for execution outside a trading venue, according to the Bank's guidelines for providing investment services.

### **FINAL PROVISIONS**

§1. This Policy was adopted pursuant to Art. 86 of the MFIA and Art. 66 of Delegated Regulation (EU) 2017/565.

§2. This Policy shall form an integral part of the General Terms and Conditions applicable to contracts for investment services and activities in financial instruments with customers of First Investment Bank AD.

## Order execution venues

The principal venues where Fibank shall execute customer orders shall be as follows:

### I Trading venues

- Regulated Market in Bulgaria: Bulgarian Stock Exchange – for financial instruments registered in Bulgarian Depository Institutions and admitted to trading on the Bulgarian Stock Exchange: equity instruments, rights/warrants; corporate and municipal bonds; compensatory instruments; exchange traded funds (ETF), Bulgarian government securities with BNB as depository;
- Regulated markets, MTF, OTF in Europe and the US - for equity instruments, rights, bonds admitted to stock exchange trading; exchange traded funds (ETF), depository receipts and others exchange-traded instruments;
- E-Bond (MTF) – an electronic functionality to the Bloomberg Professional platform, approved trading system for government securities.

### II OTC markets

For trading OTC derivative instruments; government, municipal and corporate bonds offered on the international markets; for money

market instruments not admitted to trading on a stock exchange; as well as for financial instruments admitted to trading on trading venues.

The Bank conducts for its customers derivative financial instruments transactions on interest rates and foreign currencies such as interest rate swaps, including currency swaps, interest rate swaps with margin, interest rate collar, forward interest rate swaps, currency forwards, currency options, flexible options, etc. These are over-the-counter transactions conducted between the customer and the Bank.

Other OTC transactions involving for example government bonds or cash instruments shall be

conducted at venues suitable for those instruments.

The list of execution venues and types of instruments does not restrict the Bank and the customer to agree the execution of orders at other venues and this does not imply a change of Policy unless it causes a significant change to it.

In order to achieve consistently the best possible market results when executing customer orders, First Investment Bank shall review the list of execution venues on a regular basis considering the products it offers. Thus, if necessary, the list of execution venues will be updated.

The customers can receive information about the regularly updated execution venues list from the website of the Bank [www.fibank.bg](http://www.fibank.bg). The Bank will not inform individually about changes of execution venues.

<b>Financial instrument class</b>	<b>Country</b>	<b>Execution venue</b>	<b>Direct access/ Intermediary (broker)</b>
Financial instruments issued by Bulgarian issuers and admitted to trading on the BSE: equity instruments, rights/warrants; corporate and municipal bonds; compensatory instruments; exchange traded funds (ETF)	Bulgaria	BSE	Direct access
	Bulgaria	OTC / Fibank	
Financial instruments admitted to trading on trading venues abroad: equity instruments, rights/warrants; exchange traded bonds; exchange traded funds (ETF), depository receipts, etc.	USA	XNYS, XASE, XNMS	Through brokers  Baader Bank AG  First Financial Brokerage House Ltd.  Citigroup Global Markets Limited, London
	Germany	XETR; XFRA	
	Austria	XVIE	
	France	XPAR	
	Italy	XMIL	
	Netherlands	XAMS	
	Great Britain	XLON	
	Luxembourg	XLUX	
	Switzerland	XSWX, XVTX	
	Belgium	XBRU	
	Spain	XMAD	
	Portugal	XLIS	
	Finland	XHEL	
	Greece	XATH	
	OTC / Fibank		
Financial instruments not admitted to trading on trading venues		OTC / Fibank	



Government securities registered in the BNB	Bulgaria	BSE	Direct access
	Bulgaria	E-Bond	Direct access
	Bulgaria	OTC /Fibank	
Government securities registered in foreign depository institutions		E-Bond	Direct access
		OTC	