

RULES ON CLIENT CATEGORIZATION

I. INTRODUCTION

1. These Rules on Client Categorization of First Investment Bank AD in its capacity as an investment intermediary are adopted in compliance with the provisions of the Markets in Financial Instruments Act (MFIA) and Art. 45 of 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 (Commission Delegated Regulation (EU) 2017/565).

2. These Rules provide for the policies, procedures, terms and criteria implemented by First Investment Bank AD /the Bank, Fibank/ in its capacity as an investment intermediary /the Bank/ in order to categorize clients as **professional** or **non-professional**, circumstances to categorize clients as **eligible counterparty**, as well as terms and procedures for reconsideration.

II. DEFINITIONS

For the purposes of these Rules, the terms below shall mean:

1. **"Professional client"** is a client who a client who is not defined as a professional client or as an eligible counterparty.

2. **"Non-professional client"** is a client who does not meet these professional client criteria.

3. **"Eligible Counterparty"** is a counterparty, belonging to some of the categories, listed below against which the Bank, when offering services for accepting and transferring of orders in connection with one or more financial instruments, when intermediating for concluding transactions in financial instruments, as well as when executing orders on account of clients, including through transactions on Bank's own account, shall not

adhere to the defined requirements under Art. 89, para 1 of the MFIA:

3.1. investment intermediary,

3.2. credit institution,

3.3. insurance company,

3.4. collective investment undertaking,

3.5. managing company

3.6. pension fund,

3.7. pension insurance company,

3.8. other financial institutions licensed or regulated by European Union and Member State legislation.

3.9. national governments, governmental authorities that manage sovereign debt, central banks and international institutions, as well as third country nationals subject to requirements equivalent to those of European Union law.

Other persons may also be considered as eligible counterparties that comply with the requirements set out in Art. 71 of the Delegated Regulation (EU) No 2017/565, including persons from third countries.

4. **"A durable medium"** means any instrument which enables a client to store information, personally addressed to him, in a way, that makes the further use of this information possible for a time period adequate with respect of the purposes for which the information was delivered, and allowing to reproduce the information without any modification.

III. REQUIREMENTS TO THE ACTIVITY AND PROCEDURES

1. The Bank shall categorize every client as professional, non-professional or eligible counterparty according to the hereby stated criteria.

2. The Bank shall inform the clients on a durable medium of the category attached to them, on the basis of the information available to the Bank, about their right to request a variation, as well as about the restrictions imposed on their protection when reconsidered.

3. The Bank may categorize on its own initiative or upon the client's request:

3.1. as a professional or non-professional client, a client who otherwise would be treated as an eligible counterparty.

3.2. as a non-professional client, a client treated as a professional client in the sense of the criteria hereunder.

4. When a party to the transaction is an eligible counterparty, the Bank may provide the services for reception and transmission of orders in relation to one or more financial instruments, brokerage in transactions in financial instruments, as well as execute orders on behalf of the clients and transactions in financial instruments on its own account, without complying with the provisions of Art. 70, Art. 71, para. 1, Art. 72, 73, 74, 77, 78, 82, para. 3, Art. 84, 85 and 86 of MFIA with respect of the particular transactions or the respective ancillary service, directly related to such transactions, if the party deemed to be an eligible counterparty as per the MFIA, has not explicitly requested not to be treated as such either generally or with respect of the particular transaction.

4.1. When a client treated as an eligible counterparty wishes not to be treated as such and the Bank agrees, this client shall be treated as a professional client, except if the client requests to be treated as a non-professional client.

4.2. If an eligible counterparty requests to be treated as a non-professional client, the provisions of items 5 - 9 below shall be applied.

5. The Bank shall provide its professional clients with the opportunity to benefit from the higher level of protection available to non-professional clients. The Bank shall notify the professional client prior to providing the investment services that, on the basis of the information supplied by the client, the client is deemed to be a professional client and shall receive a professional client treatment, unless agreed otherwise.

6. The Bank in its capacity as an investment intermediary shall notify the professional client that he can request to change the terms of contract so as to be able to receive a higher level of protection.

7. The Bank shall grant a higher level of protection if so requested by a client when the client deems he is unable to properly evaluate and manage the risks associated with investment in financial instrument.

8. The higher level of protection shall be provided based on a written agreement between the Bank and the client, that shall clearly specify the particular services, activities, transactions, financial instruments or other financial products with respect of which the client shall be provided with a higher level of protection.

9. The higher level of protection of a client presumes that the latter shall not be treated as professional for the purposes of the conduct of business regime applicable to the Bank in its capacity as an investment intermediary.

IV. CRITERIA FOR CLIENT CATEGORISATION

IV. (A) Clients deemed to be professional by the Bank

1. The Bank shall deem as professional with respect of all the investment services, investment activities and financial instruments, any client who meets the following criteria, unless they are not categorized as eligible counterparties in accordance with these Rules or expressly requested not to be considered as non-professional clients:

1.1. Persons who are required to obtain a license to operate on financial markets or whose activity on these markets has been otherwise regulated by the national legislation of a member-state, regardless of whether this has been conformed with a EU Directive, as well as the persons licensed for performing this activity or otherwise regulated by the legislation of a third country, as follows:

- credit institutions;
- investment intermediaries;
- other institutions subject to licensing or otherwise regulated;
- insurance companies;

- collective investment undertakings and the respective management companies thereof;
- pension funds and pension insurance companies;
- persons who trade professionally for own account in commodities or commodity derivatives;
- local companies;
- other institutional investors.

1.2. large enterprises that meet at least two of the following criteria:

- balance sheet total - at least the BGN equivalent of EUR 20 000 000;
- net turnover - at least the BGN equivalent of EUR 40 000 000;
- own funds - at least the BGN equivalent of EUR 2 000 000.

1.3. national and regional authorities intervening in the management of the public debt, 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 international organizations of the kind.

1.4. other institutional investors, whose main business is to invest in financial instruments, including entities that perform securitization of assets and other financial transactions.

IV. (B) Clients deemed to be professional upon their own request

2. Clients other the ones referred to in the previous section, including public authorities and private individual investors, may request not to be treated according to the rules that guarantee a higher level of protection. In this case they should meet at least two of the following criteria:

2.1. over the previous year, the person concluded on the relevant market transactions of significant volume at an average frequency of 10 per quarter;

2.2. the size of the client's investment portfolio, including financial instruments and cash deposits exceeds the BGN equivalent of EUR 500 000;

2.3. the person works or has worked in the financial sector for at least one year in a position that requires knowledge of the relevant transactions or services.

V. PROCEDURES FOR CLIENT CATEGORIZATION

1. The clients of the Bank under section IV. (B) may request to be treated as professional clients in compliance with the following procedure:

1.1. the clients shall declare in writing before the Bank that they wish to be treated as professional clients either generally or in respect of a particular investment services or transactions or with a particular type of transactions or investment product;

1.2. prior to deciding to treat a client as a professional, the Bank shall undertake the necessary steps to ensure that the client meets the professional client criteria, stated in item.2 of section IV. (B) above;

1.3. the Bank shall warn the client in writing that he/she will no longer benefit from the protection in respect of the provision of services and activities by the investment intermediary, as well as from the compensation right to be provided by the Compensation Fund of Investors in Financial Instruments and asks the client to declare being informed of the consequences involved;

1.4. With respect of a client for whom the conditions under section IV. (B) are met, is not deemed to have the knowledge and expertise as the clients who meet the criteria for categorization as professional clients according to the provisions of section IV. (A) above.

2. The Bank may refuse to apply the rules providing for a higher level of protection for the clients only if, based on its assessment of the experience, expertise and knowledge of a client, it can make a reasonable conclusion, given the nature of the transactions or services, which the client intends to use or make, that this client is capable of making independent investment decisions and understands the risks involved.

2.1. The assessment can be carried out following the assessment conditions and

procedure for persons who manage the business of investment intermediaries, insurance or credit institutions, according to the *aquis communautaire*. In cases when the client does not have an independent management body, the person who is entitled to independently make transactions on account of the legal entity shall be assessed.

3. The Bank shall request from the professional clients, categorized subject to these Rules, to notify the Bank of any change in the data which were used to categorize them as professional clients.

4. When the Bank in the course of its operations finds out that a professional client, categorized subject to these Rules, fails to meet the criteria applied to him when categorized, the Bank shall take the relevant measures to apply a higher level of protection with respect of this client according to its internal procedures and policies.

FINAL PROVISIONS

§1. These Rules were adopted pursuant to Art.71, para. 7 of the Markets in Financial Instruments Act.

§2. These Rules 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.