



RULES AND CRITERIA FOR CLASSIFICATION OF CLIENTS OF INVESTMENT FIRM UNITRADER EAD, APPENDIX №1 OF GENERAL CONDITIONS

The current rules are aimed at establishing the criteria for categorization of the clients of the Investment firm. The rules are drafted and approved by the Board of Directors of UniTrader EAD on 10 February 2011.

Applicable legislative acts

1. Markets and financial instruments directive (2004/39/EC) of the European Parliament and the Council for amendment of directives 85/611/EEU and 93/6/EEU of the Board of directors 2000/12/EC of the European Parliament and the Council and for cancellation of Directive 93/22/EEU of the Council.

2. Markets of Financial Instruments Act.

Depending on their features the clients of the Investment firm can be categorized as:

I. Professional clients

Professional client is a client who possesses the experience, knowledge and expertise to make its own investment decisions and properly assess the risks that they incur. In order to be considered a “professional client”, the client must comply with the following criteria.

1. Clients deemed professional regarding all investment services, investment activities and financial instruments.

1.1. Entities, which are required to be authorised or regulated to operate in the financial markets or whose activities are regulated other ways under the local legislation of a Member State including: entities authorised by a Member State under a Directive 2004/39/EC of the European Parliament and the Council and entities authorised or regulated by a non-Member State:

- a) credit institutions;
- b) investment firms;
- c) other authorized or regulated financial institutions;
- d) insurance companies;
- e) collective investment schemes and management companies of such schemes

f) pension funds and management companies of such funds;

g) persons who trade on their own account with commodities or derivative financial instruments based on commodities;

h) legal entities, which provide investment services or perform investment activities by trading on own account on the markets in financial futures or options or other derivative financial instruments on the money market solely with the purpose of hedging of investments in financial derivative instrument markets or who trade on the account of other participants on these markets, whenever the responsibility for execution of the contracts signed with such persons is taken by the clearing members of the same markets;

i) other institutional investors.

1.2. Large enterprises, which meet at least two of the following conditions:

a) balance value – not lower than the BGN equivalent of 20 000 000 euro;

b) net sales - not lower than the BGN equivalent of 40 000 000 euro;

c) own funds - not lower than the BGN equivalent of 2 000 000 euro.

1.3. National and regional governments, public bodies that manage public debt, Central Banks, international and supranational institutions such as the World Bank, the IMF, the European Central Bank, the European Investment Bank and other similar international organisations.

1.4. Other institutional investors, whose main activity is investing in financial instruments, including entities which assets or other financial transactions.

2. Clients, who may be treated as professional on their request.

2.1. Identification criteria:

Clients under Art. 37, Para. 1 of MFIA must comply with at least two of the following criteria:

a) in the last year the person has executed on average for a quarter 10 transactions with significant volume on the respective market;

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

c) the client 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.

3. Procedure for identification of clients as "professional clients" on their request .

Clients may wish to be treated as professional only where the following procedure is followed:

3.1. they must state in writing to the investment firm that they wish to be treated as professional clients, either generally or in respect of a particular investment service or transaction, or type of transaction or product;

3.2. the investment firm must give them a clear written warning that they may lose the protections together with the right to be compensated by the Fund for compensation of investors in financial instruments;

3.3. they must declare that he/she is aware of the consequences of losing such protections under 3.2.;

3.4. Before deciding to accept any request for waiver, investment firms must be required to take all reasonable steps to ensure that the client requesting to be treated as a professional client meets the relevant requirements stated in Section 2.1 above.

4. The professional client has the right to require changes in the terms of the contract with the Investment firm for the purposes of higher protection.

The Investment firm provides a higher protection to a client upon its request, whenever the client decides that it cannot properly assess and manage the risks related to the investments in financial instruments.

The higher degree of protection is provided on the basis of a written agreement between the investment firm and the client, which must contain the specific services, actions, deals, financial instruments or other financial products in connection to which the client will benefit from a higher degree of protection.

The higher degree of protection enables the client to waive the option for professional client for the purposes of the regulations applicable to the work of the Investment firm.

II. Retail clients

All clients, which do not comply with the requirements for professional client stated in issue I above.

III. Eligible counterparty

An *“eligible counterparty”* is:

Investment firm, credit institution, insurance company, collective investment undertaking, management company, pension fund, pension insurance fund, other financial institutions, entities under Art. 4, Para. 1, item 11 and 12 of MFIA, governments, state institutions, which manage state debt, central banks and international institutions, as well as such subjects of third countries if they wish to be treated as such.

Any entity categorised as eligible counterparty by the Investment firm can waive this option completely or for a specific deal.

When an entity categorized as *“eligible counterparty”* declines to be treated as such and the investment firm agrees, this enterprise will be treated as *“professional client”* unless it specifically wishes to be regarded as *“retail client”*.