

RULES
FOR CATEGORISATION OF THE CLIENTS OF KAROLL CAPITAL MANAGEMENT
EAD MANAGEMENT COMPANY

I. GENERAL PROVISIONS

1. The present Rules (“The Rules”) have been adopted on the grounds of the Markets in financial instruments act (MFIA) and regulate the terms and procedure for KAROLL CAPITAL MANAGEMENT EAD to categorise its clients to professional, non-professional or eligible counterparties.

1.1. The purpose of the present Rules is:

- a) To determine the method and criteria for categorisation of the clients of KAROLL CAPITAL MANAGEMENT EAD Management Company (“The Management Company”) as professional, non-professional or eligible counterparties in compliance with the provisions of the law.
- b) To ensure proper categorisation of the clients;
- c) To ensure that the legally defined level of protection of the clients is applied, as well as the method for treating Eligible counterparties.

II. CLIENT CATEGORISATION

2. Before concluding a contract with a client for providing services of discretionary portfolio management or for providing investment advice, the Management Company shall, pursuant to the MFIA, request from the client to complete the information sheet, which is an inseparable part of the Contract for management of an individual portfolio of financial instruments and/or cash without special instructions by the client, with which the main characteristics of the client are determined – experience, knowledge and skills to take independently investment decisions and make proper assessment of the risks related to the respective investment service or transaction, while adhering to the provisions of the MFIA and the current European legislation.

3. The information sheet shall be provided to the client or their representative by a person working for the Management Company. The client or their representative shall complete the information sheet by themselves and if they are not able to do this or have additional questions, an employee of the Management Company shall provide the necessary assistance.

3.1 The information sheet shall be signed and dated by the client and by the employee of the Management Company who performed the categorisation.

3.1.1. The Management Company can, on its own initiative:

- a) Define as professional a client who would otherwise be defined as an eligible counterparty for all or for some of the provided investment services and activities or financial instruments;
- b) Define as non-professional a client who is considered a professional client for all or for some of the provided investment services and activities or financial instruments.

3.1.2. Based on the obtained information, the Management Company shall have the ability to make a grounded conclusion about the client’s capacity to take investment decisions independently and properly assess the risks related to investing, and to categorise the client or the potential client as professional, non-professional or as an eligible counterparty.

4. Clients **categorised as professional** shall be persons, which require a licence to be issued to carry out activities on the financial markets or whose activity on these markets is regulated otherwise by the national legislation of the member state, regardless of whether it has been aligned to a directive of the Union, as well as persons, which have obtained permission to carry out such activities or are otherwise regulated by the legislation of a third country, as follows:

- a) Credit institutions;
- b) Investment intermediaries;
- c) Other institutions, which are subject to licensing or are regulated in any other way;

- d) Insurance companies;
- e) Enterprises for collective investment and their management companies;
- f) Pension funds and pension insurance companies;
- g) Persons professionally involved in trading, for their own account, in goods or goods derivatives;
- h) Local companies;
- i) Other institutional investors.

4.1. **Big companies** shall also be categorised as **professional clients** if they 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 capital – at least the BGN equivalent of EUR 2,000,000.

As well as

4.2. National and regional bodies of state authorities, state bodies involved in the management of the state debt, central banks, international and supra-national institutions like the World Bank, the International Monetary Fund, the European Central Bank, the European Investment Bank and other similar international organisations.

4.3. Other institutional investors whose main activity is investing in financial instruments, including persons that perform securitisation or other financial transactions.

5. **Non-professional clients** shall be persons, which do not meet the conditions as per item 4 and 4.1, 4.2, 4.3.

6. Clients categorised as eligible counterparties shall be:

- a) Investment intermediaries;
- b) Credit institutions;
- c) Banks, insurance companies;
- d) Undertaking for collective investment in transferable securities and their Management Companies;
- e) Pension funds and their Management Companies;
- f) Other financial institutions, which have a licence or are regulated by the law of the EU;
- e) National governments, state authorities, central banks and international organisations.

III. ENSURING A HIGHER LEVEL OF PROTECTION

6. The Management Company shall inform its clients that they have the right to request a change of the categorisation with the aim of ensuring a higher level of protection for the client.

6.1. It is the responsibility of the client, which has been categorised as professional, to estimate whether they shall request from the Management Company a higher level of protection by being treated as a non-professional client as a whole or for a particular transaction with financial instruments stated by them.

6.2. A higher level of protection shall be provided based on a written agreement between the Management Company and the professional client, which shall expressly state the specific services, activities, transactions, financial instruments or other financial products, in relation to which the client shall receive a higher level of protection and shall be treated in a different way than their initial categorisation.

IV. CATEGORISATION OF THE CLIENT AS PROFESSIONAL AT THEIR REQUEST

7. The clients, which have been categorised as non-professional, can request from the Management Company that the rules that ensure a higher level of protection for clients are not applied to them and they are considered professional clients as a whole or with regard to a particular transaction.

7.1 The request shall be addressed to the Management Company in writing, at least 24 hours

before the re-categorisation, along with evidence about the circumstances as per item 7.2.

7.2. The Management Company can treat a non-professional client as professional if at least two of the following identification criteria are fulfilled for the client:

- a) During the last year, the person has concluded 10 transactions per quarter on the average of a significant volume at a certain market;
- b) The value of the investment portfolio of the person, which includes financial instruments and cash deposits, is more than EUR 500,000;
- c) The person works or has worked in the financial sector not less than a year at a position, which requires knowledge about the respective transactions and services.

7.3. The Management Company shall advise the client, which will be considered professional at their own will as a whole or for a particular transaction, that they have no right to benefit from a higher level of protection of the law, and also that they will not be compensated by the Investor Compensation Fund.

7.4. In case a legal entity client, which is treated as professional at their own request, does not have a separate managing body, the subject of assessment shall be the person who has the right to conclude transactions independently for the account of the legal entity.

8. Each client, which meets the conditions of item 6 and has been categorised as an eligible counterparty, can expressly request not to be treated as such as a whole or for a particular transaction. The request as per the previous sentence shall be submitted to the Management Company in writing.

V. CHANGE OF CLIENT INFORMATION

9. The Management Company shall require from the clients defined as professional at their own request to inform the Management Company about each change of the information that has served as the reason for them to be defined as professional, within 3 days of becoming aware of the change.

VI. FINAL PROVISIONS

§ 1. The Board of Directors of the Management Company shall review and assess the correspondence of the present Rules with the activities performed, where in case of gaps and/or need of improving the internal organisation, they shall amend the Rules.

§ 2. The present Rules shall be provided for information and implementation to all persons working for the Management Company,