

BEST EXECUTION POLICY OF IB "INTERCAPITAL MARKETS" AD

This document is based on the Markets in Financial Instruments Act (SG No. 15/16.02.2018), Ordinance No 38 of 25.07.2007 on the requirements for the activities of investment firms, issued by the Chairman of the Financial Supervision Commission and Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to organizational requirements and operating conditions by investment firms and definitions for the purposes of that Directive (Delegated Regulation 2017/565). The document was approved by a decision of the Board of Directors of Intercapital Markets AD as of 23.02.2016, amended by a decision of the Board of Directors as of 17.05.2018.

I. GENERAL PROVISIONS

1. In accordance with the above enactments, IB "INTERCAPITAL MARKETS" AD is obliged to draw up and implement an order execution policy for keeping the client best interest and for delivering the best possible results for the clients (Best execution policy).
2. As the IB's clients are classified as professional, nonprofessional and eligible counterparties, the IB is obliged to apply the present Policy only in respect of professional and nonprofessional clients.
3. The IB shall not be obliged to apply the present Policy in respect of the clients classified as eligible counterparties. It may do so at its own discretion and after signing a written understanding with the client – eligible counterparty.
4. Best execution is present when:
 - a) The IB shall deal in financial instruments on clients' account at the best possible terms taking all reasonable steps to obtain the best possible result for the clients.
 - b) The IB has satisfied its obligation to act in the client's best interest if he has taken all reasonable steps to obtain the best possible price for the clients in respect of the following factors (Art. 30, para 1 LMFI):
 - terms of the order (price, quality, validity)
 - amount of costs,
 - time for the execution of the order,
 - likelihood of execution of the deal, as well as its settlement,
 - volume of the order, its characteristics or other aspects which are particularly important for execution of the order,
 - c) The IB has satisfied its obligation to act in the clients' best interest in order to obtain the best possible result for them when following specific instructions from the client at the execution of the order or transfers the execution of the order to a third party.
5. The factors referred to in Article 4(b) shall also be used when choosing a place for execution.
6. The criteria for determining the weight (the relative importance) of all the above factors used by the IB at the execution of clients' orders shall be:
 - characteristics of the client (professional or nonprofessional);
 - characteristics of the order;
 - the characteristics of financial instruments that are the subject of that order;
 - the characteristics of the execution venues to which that order can be directed;
7. The weight of every factor and the methods for its determination in respect of orders by professional and nonprofessional clients shall be specified as follows:
 - a) For the nonprofessional clients, the factors under p.4 above are ranked respectively from most to least relative weight. The price is the most important element of the assessment for the best realization.
 - b) For the professional clients: the factors under p.4 above are ranked respectively from most to least relative weight. In most cases, the price is the most important element of

the assessment for the best realization. In some circumstances the IB may decide (depending on the specifics of the customer, the order and the instrument or the market) to adopt a different sequence of the factors of relative weight.

8. Before the provision of a particular investment service, the IB shall make an “assessment of suitability” and ascertain which service is appropriate and suitable for the client on a basis of the information on his experience and knowledge of the risks associated with the particular product or investment service offered or requested.
9. Dealing on own account
 - a) The IB is entitled to deal directly on own account with securities only and by means allowed by the current legislation on the capital adequacy and liquidity. The IB shall deal in such financial instruments as an exception, on own account as well as following clients’ orders. On the occasion that client’s orders match with orders on account of the IB (in terms of type of instruments, price and time), the IB shall keep the general requirements for priority of the client’s interest over that of the IB, shall execute the client’s order first and shall not aggregate clients’ orders with orders on own account.
 - b) The IB is a “related party” within the meaning of the Law on Public Offering of Securities with several companies. They are not regulated by the CFS have no right to deal in financial instruments on own account. The IB shall require from these companies to deal in financial instruments only through the IB. The IB shall apply in respect to these clients the regulations for personal deals.
10. The IB has no right to set or receive commissions in a way which discriminates unfairly between execution venues.
11. The IB shall monitor the effectiveness of their order execution arrangements and execution policy in order to identify and, where appropriate, correct any deficiencies. It shall assess, on a regular basis (once per year and at any change in the Policy), whether the execution venues included in the order execution policy provide for the best possible result for the client or whether they need to make changes to their execution arrangements.
12. The IB shall not be entitled to receive remuneration, rebate or non-monetary benefit for the transmission of an order to a specific trading venue or for execution of an order if it thus breaches the requirements for the management of a conflict of interest, disclosure of client information, rules for the provision of independent investment advice, restrictions on receipt of commissions and benefits, the assessment of the suitable service, the clauses of the contract with the client, the rules for the establishment and marketing of financial instruments.

II. APPLICATION OF THE POLICY IN THE CASE OF PORTFOLIO MANAGEMENT AND PROVISION OF INVESTMENT ADVICE

13. In the case of management of client’s portfolio and/or provision of investment advice the IB shall keep the obligation to act in pursue of the client’s best interest, when transmitting orders to with other entities for execution that result from decisions by the investment firm to deal in financial instruments on behalf of its client. For that purpose, the IB shall make an “assessment of suitability” on a basis of the information obtained from the client.
14. „Assessment of suitability” is the information necessary for the IB to understand the essential facts about the client and to have a reasonable basis for believing, giving due consideration to the nature and extent of the service provided, that the specific transaction to be recommended, or entered into in the course of providing a portfolio management service, satisfies the following criteria:
 - a) it meets the investment objectives of the client;
 - b) it is such that the client is able financially to bear any related investment risks consistent with his investment objectives;
 - c) it is such that the client has the necessary experience and knowledge in order to understand the risks involved in the transaction or in the management of his portfolio.
15. Where the IB provides an investment service to a professional client it shall be entitled to assume that, in relation to the products, transactions and services for which it is so classified, the client has the necessary level of experience and knowledge to understand the risks involved in the respective investment service, transaction or product.

16. The information regarding the financial situation of the client or potential client shall include, where relevant, information on the source and extent of his regular income, his assets, including liquid assets, investments and real property, and his regular financial commitments.
17. The information regarding the investment objectives of the client or potential client shall include, where relevant, information on the length of time for which the client wishes to hold the investment, his preferences regarding risk taking, his risk profile, and the purposes of the investment.
18. The information regarding a client's or potential client's knowledge and experience in the investment field includes: 1. the types of service, transaction and financial instrument with which the client is familiar; 2. the nature, volume, and frequency of the client's transactions in financial instruments and the period over which they have been carried out; 3. the level of education, and profession or relevant former profession of the client or potential client.
19. Where, when providing the investment service of investment advice or portfolio management, the IB does not obtain the information required, the firm shall not recommend investment services or financial instruments to the client or potential client.
20. The IB shall not encourage a client or potential client not to provide information required.
21. The IB shall be entitled to rely on the information provided by its clients or potential clients unless it is aware or ought to be aware that the information is manifestly out of date, inaccurate or incomplete.

III. APPLICATION OF THE POLICY IN THE CASE OF EXECUTION OF CLIENT'S ORDERS RELATED TO ONE OR MORE THAN ONE FINANCIAL INSTRUMENTS

22. The IB shall not execute orders on clients' account in case they have not given their prior consent to the IB's order execution policy. The IB shall be obliged to execute clients' orders in accordance with the policy in question and at the same time notify the clients on any amendments in it.
23. The IB shall direct clients' orders to the respective execution venues specified herein in the present Policy.
24. According to this Policy, clients' orders may also be executed outside regulated markets and MTF's; the orders may be executed in this only on condition that the IB has notified the clients and the clients have given their express consent prior to the execution. When performing outside a trading venue, the IB shall notify the client that the counterparty's risk may be increased, as well as a reduced degree of probability of execution, speed, settlement, which may generally increase the overall risk of the transaction.
25. For the purposes of delivering best execution where there is more than one competing venue to execute an order for a financial instrument, the IB own commissions and costs for executing the order on each of the eligible execution venues shall be taken into account in that assessment.
26. Order execution in respect of the different types of clients:

Best Result	
Nonprofessional	Professional
Requirements	
Recording and allocation of the orders without delay;	Recording and allocation of the orders without delay;
Immediate and sequential execution of otherwise comparable clients' orders unless the characteristics of the order or the prevailing market conditions make that impracticable or the client's interests require otherwise;	Immediate and sequential execution of otherwise comparable clients' orders unless the characteristics of the order or the prevailing market conditions make that impracticable or the client's interests require otherwise;

<p>The IB must inform a nonprofessional client about any material difficulty relevant to the proper carrying out of orders promptly upon becoming aware of the difficulty.</p>	
<p>Publication of orders</p>	
<p>In case of a limit order by a nonprofessional client in respect of shares admitted to trading on a regulated market, not immediately executable due to the current market conditions, the IB shall make it public through the trade system or through another MTF. Exception may be made only on the occasion that the client's order does not correspond to the current market conditions.</p>	<p>In case of a limit order by a professional client in respect of shares admitted to trading on a regulated market, not immediately executable due to the current market conditions, the IB may not make it public through the trade system, on the occasion that the volume of the order does not correspond to the standard market size. The IB may, at its own assessment, disclose such part of the volume of the order which wouldn't damage</p>
	<p>the interests of other clients and wouldn't prevent the complete execution of the order. At taking decisions of this nature the IB shall take into consideration the factors under point 4 and their corresponding weight determined in accordance with the criteria under point 5. Exception may be made only on the occasion that the client's order does not correspond to the current market conditions.</p>

27. When satisfying the obligation to deliver the best possible result for the client, the IB shall execute its clients' orders at its earliest opportunity unless that would be clearly detrimental to the clients' interests.
28. The costs associated with the execution of orders include all charged directly related to the order execution including execution venue fees, clearing and settlement fees as well as other fees and considerations due to third entities, involved in the order execution.

A) REQUIREMENTS FOR PROMPT AND ACCURATE EXECUTION OF CLIENTS' ORDERS, AS WELL AS FOR EXECUTION OF OTHERWISE COMPARABLE ORDERS IN ACCORDANCE WITH THE TIME OF THEIR RECEPTION BY THE IB (Art. 36 of Ordinance № 38)

29. Orders for execution shall be received by the employees of the "Front Office" department. The employees enter the order into a software program, serving the IB. The orders shall be transmitted to the broker by the IB by electronic means or on paper.
30. At the reception of the order the broker of the IB assesses, applying the present Policy, the execution venue where the best possible result for the client would most likely be obtained. Where the IB is a member or has a direct access to the trading at the respective execution venue, the broker executes the order directly; where the IB does not have a direct access to the trading at the respective execution venue, the broker transmits the order for execution to the respective entities, with whom it has an agreement for execution of orders in other markets.
31. The orders may be received for execution at the office or at the branches of the IB, as well as through telephone, electronic means, including the online trading platform, or fax.
32. The orders shall be executed promptly after their reception by the broker, in accordance with the time of their reception. In case of orders of comparable price the execution shall be made in accordance with the time of their reception, as the order to be received first shall be executed first. There may be exceptions from this rule only where the characteristics of the order and the prevailing market conditions make this impracticable or the interests of the client require otherwise.

33. When the IB has taken responsibility for overseeing and settlement of an order executed on account of a client, it shall take all reasonable steps to provide that all client's financial instruments and funds received at the settlement are immediately and accurately transferred to accounts of that respective client.

B) REQUIREMENTS FOR SAFEGUARDING OF THE INTERESTS OF THE CLIENTS IN CASE OF AGGREGATION OF ORDERS. AGGREGATION OF ORDERS POLICY

34. The IB is entitled to execute a client's order as aggregating it with other clients' orders under the following circumstances:
- a) the aggregation of orders and transactions will not work overall to the disadvantage of any client whose order is to be aggregated;
 - b) The IB has disclosed to each client whose order is to be aggregated that the effect of aggregation may lead to more favorable results but that it may also prevent the best execution of the order;
 - c) The combined orders and/or transactions will thus be divided on the basis of this Policy, which lays down the rules for the division of orders containing sufficiently detailed, clear conditions for the straight division of joined orders and transactions, including indicating how the volume and price of orders determine their disposition and the settlement of partial executions.
35. In accordance with the type of the client the IB shall observe the following additional requirements:

Aggregation of orders	
Nonprofessional	Professional
The IB shall aggregate orders by nonprofessional clients with those of nonprofessional clients only; the IB has no right to aggregate orders by nonprofessional clients with orders by professional clients as well as with deals on own account.	The IB shall aggregate orders by professional clients; the IB has no right to aggregate orders by professional clients with orders by nonprofessional clients as well as with deals on own account.
The IB is entitled to aggregate orders by nonprofessional clients comparable by type (e.g. both are limit orders), as well as by price (e.g. the limit price is one and the same).	The IB is entitled to aggregate orders by professional clients comparable by type (e.g. both are limit orders); the IP may aggregate orders whose limit price is different.
The IB may aggregate orders by nonprofessional clients only with their express consent.	The IB may aggregate orders by professional clients only with their express consent.

36. Where the IB aggregates an order with one or more other client orders and the aggregated order is partially executed, it allocates the related trades in accordance with the principle for equal and fair treatment of all the clients.
37. The satisfaction of the different types of clients shall be delivered as follows:

Execution of aggregated orders	
Nonprofessional	Professional
The IB satisfies the order to have been received earliest.	In case of aggregation of limited orders which differ in price, the IB satisfies the order with the higher price first.

<p>Example: <i>The following orders have been received:</i> Order 1: <i>Company: X</i> <i>Number of shares: 100</i> <i>Type of order: Buy</i> <i>Price: Limited 16.50</i> <i>Time of reception by the IB: 16:25</i></p> <p>Order 2: <i>Company: X</i> <i>Number of shares: 75</i> <i>Type of order: Buy</i> <i>Price: Limited 16.50</i> <i>Time of reception by the IB: 17:30</i></p> <p><i>The IB has aggregated the two orders and has entered the following publication in the electronic trade system:</i> <i>Number of shares: 175</i> <i>Price: 16.50</i></p> <p>If by the end of the day only 50 shares are executed the IB shall distribute them for the satisfaction of Order 1, because it was received earlier than Order 2.</p>	<p>Example: <i>The following orders have been received:</i> Order 1 <i>Company: X</i> <i>Number of shares: 1000</i> <i>Type of order: Buy</i> <i>Price: Limited 16.40</i> <i>Time of reception by the IB: 16:25</i></p> <p>Order 2: <i>Company: X</i> <i>Number of shares: 750</i> <i>Type of order: Buy</i> <i>Price: Limited 16.50</i> <i>Time of reception by the IB: 17:30</i></p> <p><i>The IB has aggregated the two orders and has entered the following publication in the electronic trade system:</i> <i>Number of shares: 1750</i> <i>Price: 16.40</i></p> <p>If by the end of the day only 500 shares are executed the IB shall distribute them as follows: all 500 shares shall be distributed for the satisfaction of Order 2 because its limited price is higher than that of Order 1.</p>
	<p>If orders of equal limited price have been aggregated, the distribution shall be made in accordance with the rules for allocation of nonprofessional client orders (i.e. the order to</p>
	<p>have been received first shall be satisfied first)</p>

38. In the event that the IB merges transactions on its own account (the IB is entitled to conclude transactions in legally provided situations) with one or more client orders, it shall not distribute related transactions in a way that could harm the client.

39. Where the IB merges the client's order with a transaction on its own account (the IB is entitled to conclude them in legally provided situations) and the grouped order is partially executed, it shall prioritize transactions with the client over those of the intermediary, unless it is able to demonstrate on reasonable grounds that without the aggregation it would not be able to execute the order on such favorable conditions or perform it at all. , in which case it may allocate the transaction on its own account proportionately in accordance with this policy.

IV. VENUES FOR THE EXECUTION OF CLIENT ORDERS

40. When executing client orders the IB shall take all reasonable steps to obtain the best possible result for the client by selecting the execution venue that enable it to obtain on a consistent basis the best possible result for the execution of client orders.

41. The execution venues may be:

- a) Regulated markets in securities (mostly stock exchanges, where the companies have their main listings or where their securities have been accepted for trading as well as stock exchanges, where derivative instruments have been accepted for trading)
- (b) Multilateral trading facilities;
- c) Organized trading system;
- (d) Systematic internalizer;

- e) Market maker;
 - f) Another liquidity provider.
42. As of the date of entry into force of the present Policy, the IB has access to the following execution venues:
- a) Regulated markets in securities in Member States of the EU, North America and other foreign markets.
 - b) Financial institutions providing organized, frequent and systematic execution of orders in deals with Contracts for difference (CFD) and other financial instruments.
43. In case the IB receives a client order for a financial instrument such that the IB is not able to deliver the best possible result for the clients for reason that the IB does not have access to the relevant execution venue where the best possible results would be obtained the IB shall disclose such information to the client and demand specific instructions by him in respect of the order.
44. Financial instruments traded on one venue only. Some financial instruments are traded on one venue only (e.g. the shares of most Bulgarian public companies). The IB shall transfer for execution orders in such financial instruments to the relevant (sole possible) execution venue and that shall be regarded as delivery of the best possible result for the client.
45. As of the date of entry into force of the present Policy, the execution venues according to the type of financial instrument are:
- a. For dealing in Bulgarian shares and rights over such – Bulgarian Stock Exchange-Sofia AD
 - b. For dealing in Polish shares and rights over such – Warsaw Stock Exchange, including the alternative trading system “New Connect”, organized by the Warsaw stock exchange;
 - c. For dealing in foreign financial instruments – the regulated markets to which IB has indirect access via other IB.

As of the present moment, derivative and hybrid financial instruments are not dealt in on the Bulgarian Stock Exchange.

The places for execution of client orders, and the persons to whom IB places orders, or to whom it transmits orders for execution, can be changed.

46. In respect of any class of financial instruments the entities to which the IB shall transmit orders for execution are:
- a. For dealing in Bulgarian and Polish shares and bonds, the orders shall be executed directly by the IB.
 - b. For dealing in other financial instruments – the IB places orders to other IB.

47. The entities to which the IB shall transmit orders for execution have the necessary agreements and mechanisms of execution.

48. The advantages and disadvantages of every execution venue (in respect of volume, price and costs for execution) are:

As of the present moment the Bulgarian shares are traded only on the Bulgarian Stock Exchange except some shares that are traded on the also on the foreign markets.

49. The venues where the IB can obtain best execution are:

Since Bulgarian issues of shares and bonds listed on the BSE are traded only on the BSE (except for several issues traded on a foreign market), the intermediary achieves the best performance of the BSE (excluding emissions, marketable and abroad, for which the best performance can be achieved on the foreign market).

50. In exceptional circumstances, where the client has given specific instructions to the investment firm to conclude a transaction in unusual financial instruments or exotic derivatives, the firm may use execution venues not specified in this policy but agree with the client when submitting the order and subject to the requirements of MFIA and Regulation (EU) 2017/565.

51. Selection of place for filling can be provided to the customer through the respective trading platforms. In the event that such a choice is made available to the client, the latter shall be given correct, clear and non-misleading information in order to prevent the client from choosing one execution venue instead of another solely on the basis of a pricing policy applied by the intermediary.

V. PROVISION OF INFORMATION

52. Upon client's request the IB shall provide details on the Policy as well as deliver evidence for having satisfied its obligations in accordance with it.
53. The IB shall provide to the nonprofessional clients in good time before the provision of services including order execution on their account, the following information on the Policy:
 - a. an account of the relative importance the investment firm assigns, in accordance with the criteria specified in point 26, to the factors referred to in point 22, or the process by which the firm determines the relative importance of those factors;
 - b. a list of the execution venues on which the firm places significant reliance in meeting its obligation to take all reasonable steps to obtain on a consistent basis the best possible result for the execution of client order and indication of the execution venues used for each class of financial instruments for nonprofessional client orders, orders from professional clients and securities financing transactions;
 - c. a list of the factors used to select an execution venue, including qualitative factors such as clearing schemes, suspension or restriction of trading mechanisms, actions on a pre-set schedule and any other significant consideration, and the relative importance of each factor; the information on the factors used to select an execution venue must comply with the control mechanisms used by the investment firm to demonstrate to clients the consistent achievement of the best execution of the review of the adequacy of that policy and the rules;
 - d. the ways in which performance factors such as price, cost, probability of execution and any other relevant factors are taken into account as part of all sufficient steps to obtain the best execution of client order;
 - e. where applicable, information that the IB executes orders outside a trading venue, the consequences of the risk posed by the execution outside a trading venue and, where requested by the client, additional information on the consequences of such execution;
 - f. a clear and explicit warning that any special instructions of the client may prevent the firm from taking the necessary action to achieve the best result in executing client orders in accordance with the policy for that part of the order to which the special instructions relate.
 - g. a summary of the process for selecting execution venues, the execution strategies used, the procedures and processes used to analyze the quality of the performance received and the ways in which the investment firm monitors and verifies that the best possible results have been obtained for clients.
54. The information shall be provided on a durable medium or through the official website of the intermediary (where this does not constitute a durable medium).