

BEST EXECUTION OF CLIENTS' ORDER POLICY UNDER ART. 30, PARA. 2 OF THE LAW ON MARKETS IN FINANCIAL INSTRUMENTS OF INVESTMENT INTERMEDIARY FIRST FINANCIAL BROKERAGE HOUSE, SOFIA (POLICY)

I. PURPOSE OF THE RULES

Art. 1. The current Policy is approved on the basis of Art. 30, Para 2 of the Law on markets in Financial Instruments (LMFI) by the General Meeting of Partners of investment intermediary First Financial Brokerage House ("investment intermediary") at a meeting held on 1 November, 2007.

Art. 2. (1) The purpose of this Policy is to provide clients with information about the terms of execution of their orders and to ensure best execution of a client's orders in the best interest of clients when the investment intermediary:

2.1. executes orders on client's account:

2.2. accepts and transfers orders concerning one or more financial instruments, including intermediation for signing of transactions with financial instruments on client's account;

2.3. places orders for execution of transactions on client's account regarding a client's portfolio managed by the investment intermediary.

II. DEFINITIONS:

Art. 3. The definitions below shall carry the stated meaning anywhere in this Policy unless they contradict a legal definition, which shall have a priority:

3.1. "Client" is an individual or a legal entity which benefits from investment and/or auxiliary services, provided by the investment intermediary.

3.2. "Professional client" is a client who possesses the experience, knowledge and expertise to make its own investment decisions and properly assess the risks that it incurs. In order to be considered a "professional client", the client must comply with the criteria in the attached Appendix.

3.3. "Retail client" - All clients, which meet the requirements set for professional client.

3.4. "Eligible counterparty" is an 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 LMFI, governments, state institutions, which manage state debt, central banks and international institutions, as well as such entities registered in third countries if they wish to be treated as such.

III. EXCEPTIONS

Art. 4. This policy does not apply in the following cases:

4.1. eligible counterparties – if the client is categorized by the investment intermediary as an eligible counterparty, it cannot benefit from the protection for best execution under the current Policy. Every client defined as an eligible counterparty can choose to waive that option completely or for a particular transaction.

4.2. special client instructions – in case the client provides specific instructions regarding the entire order or some aspect of the order including requirement for execution of the order in a specific location, the investment intermediary executes the order in compliance with these instructions. Thus the investment intermediary is considered to have taken all reasonable and necessary steps for best possible execution results regarding the entire order or some aspects of the order, which is contained in the instruction of the client.

In placing of order using the Client Order-Book Online System (COBOS and others), the client chooses all parameters of the order and the latter is categorized as submitted with special instructions.

In that case, the investment intermediary acting on behalf of the client by giving it access to the system is considered to have made the necessary effort for achieving the best result for the client. In case the electronic system allows the exemption of some parameters of the order the investment intermediary makes effort for best execution in compliance with this Policy.

III. ORDER EXECUTION PRINCIPLES

Art. 5. (1) The investment intermediary executes a client's orders in the best interest of the client in compliance with the Policy approved by the client.

(2) The investment intermediary makes reasonable efforts to establish the best price for the client in line with the terms of the order, expenditure amount, possibility for execution as well as all other circumstances connected with the execution of the order as per Art. 6 below.

(3) The investment intermediary cannot execute orders on client's account if they have not approved this Policy.

(4) In case the client has given specific instructions to the investment intermediary it shall execute the order in accordance with these instructions and taking into consideration the factors, which define the best execution in the best interest of the client, for which there are no specific instructions, the investment intermediary acts on the respective judgement. All special instructions of the client can hinder the intermediary from taking the necessary actions to achieve the best result in order execution in compliance with the order execution policy for the part of the order concerning the special instructions.

IV. FACTORS EVALUATED AND ASSESSED BY THE INVESTMENT INTERMEDIARY IN CLIENT ORDER EXECUTION

Art. 6. (1) The investment intermediary achieves best execution for the client on the grounds of assessment of the following facts:

(i). Price: The price of the financial instruments is an important factor considered by the investment intermediary in the execution of a client's orders. This factor estimated together with the expenditures for execution has the highest priority to the investment intermediary regarding its retail clients. This factor together with the expenditures is also considered most important in the choice of place for execution of a client's orders.

(ii). Expenditures: The expenditures concerning the execution of a client's orders is the second most important factor considered by the investment intermediary together with the price of the financial instruments. The expenditures, concerning the execution include all expenses directly related to the execution of the order including fees at the place of execution, clearing and settlement fees as well as other fees and commissions payable to third parties connected with the execution of the order. The expenditures are essential for the choice of place for execution of a client's orders.

(iii). Volume/number of financial instruments: The volume or the number of financial instruments in a client's order is directly related to the price of the financial instruments and the transaction expenditures. Different places for execution of the order can be selected depending on the volume of the order.

(iv). Speed of execution: The price of financial instruments depends also on the speed of order execution. The investment intermediary takes this factor into consideration in the selection of places for execution of a client's orders.

(v). Likelihood of execution and settlement: The investment intermediary decides for each particular case on the likelihood for execution of a client's order and chooses the place for execution accordingly.

(vi). Order type and content: The investment intermediary assesses what would be the best result for the client and estimates all factors depending on the content and type of the order: sale, purchase, exchange etc.; limited, market etc.

(vii). Other factors relevant for the execution of orders and achievement of best result

(2) Upon the execution of a client's orders the investment intermediary takes into consideration the relative importance of the factors for execution under Art. 1 above in compliance with the following criteria:

- (i). Client's features, including categorization as professional and retail clients;
- (ii). Features of a client's order;
- (iii). Features of financial instruments subject to the order;
- (iv). Characteristics of the places for execution, mentioned in the order.

V. ESTIMATION OF THE FACTORS CONCERNING CATEGORISATION OF CLIENTS

Art. 7. (1) Retail clients:

- (i) in orders submitted by retail clients best execution is defined by the total value of the transaction including the price of the financial instrument and fees concerning the execution;
- (ii) the brokerage fee and the expenses for execution of an order at any of the possible places for execution shall be taken into account in cases when there is more than one competing places for execution of the respective transaction in financial instruments as well as in estimation and comparison of the results which can be achieved for retail clients in the fulfillment of an order at any of the places for execution mentioned in the Policy.

(2) Professional clients – the price and transaction expenses will have a priority for achievement of best results for the client in most of the occasions for execution of orders placed by professional clients. However, the investment intermediary will have to estimate the importance of factors in each particular case (e.g. the speed of execution and settlement can be more important for a hedge fund compared to the other factors).

VI. PLACES FOR EXECUTION OF A CLIENT'S ORDERS AND FINANCIAL INSTRUMENTS

Art. 8. (1) Places for execution of a client's orders can be: regulated market, multilateral trade system; regular participant; market maker, or other provider of liquidity or a person, which has similar to these functions in a third country or another system outside the European Union with functions as a regulated market or multilateral trade system.

(2) Prior to the drafting and approval of this Policy, the investment intermediary executes a client's orders on the following places which enable the investment intermediary to achieve the best results in the execution of a client's orders:

(i) "**Bulgarian Stock Exchange – Sofia**"– executes a client's orders for transactions of shares, bonds, units, compensatory instruments and other financial instruments listed on this market;

(ii) **Bucharest Stock Exchange, Romania** – executes a client's orders for transactions with listed shares, bonds, units and other financial instruments. The clients' orders are executed through the transfer of orders from the investment intermediary to local intermediary KBC Securities Romania S.A.. Upon the transfer of the order the investment intermediary either defines the place for execution in compliance with the approved Policy and instructs the local intermediary or signs a specific agreement with the local intermediary for application of the current Policy. In both cases the investment intermediary monitors the standards for execution of the local intermediary.

(3) The list under art. 2 with places for execution is not final. The investment intermediary can use other places for execution which it renders conforming to the current Policy. The investment intermediary shall regularly assess and analyze the possible new places for execution and will update art. 2 above. For that reason the clients are advised to regularly check for updates the list of places for execution published on the website of the investment intermediary.

(4) With the aim for achievement of best result for the client, the orders can be executed outside a regulated market or multilateral trade system, on condition that the clients have been notified and have granted their explicit approval for that.

(5) Whenever the financial instruments necessitate a single place for execution of the order the investment intermediary is considered to have achieved the best result for the client.

VII. PLACEMENT AND EXECUTION OF A CLIENT'S ORDERS

Art. 9. (1) Upon signing a contract with an investment intermediary the clients place orders with the following minimal information:

- (i) names (title) and unique number of the client or its representative, if such numbers are not available the respective identification data;
- (ii) type, issuer, ISIN or name of the instrument respectively characteristics of the derivative financial instrument and number of financial instruments in the order;
- (iii) type of order (limited, market etc.);
- (iv) purpose of the order (purchase, sale, exchange etc.);
- (v) single price and total value of the order;
- (vi) validity of the order;
- (vii) place for execution, if the client chooses such;
- (viii) quantity parameters of the execution (partially, fully);
- (ix) method of payment;
- (x) date, time and place for order placement;
- (xi) other specific instructions from the client.

(2) the order contains a unique consecutive number.

(3) Proxies can place orders only with a notarized power of attorney authorizing representative powers for transactions with financial instruments and a declaration from the proxy stipulating that he/she does not professionally execute transactions with financial instruments and that he/she has not made such transactions for a year prior to the submission of the order. A verified copy of the personal identification documents of the client and its representative, which signs the contract for the investment intermediary. The verification is made by stating in written "true to the original", date and signature of the person which makes the verification.

(4) The investment intermediary can accept orders for transactions with financial instruments, made by the phone or through another remote means of communication from clients, which have already been identified by the intermediary and have a contract with it. In line with its internal rules the intermediary collects client information to confirm the identification of the client as the respective telephone conversations, electronic messages or another means of communication are recorded/stored by the investment intermediary. In this case the investment intermediary prepares by the end of the business day a document containing the information in para. 1 and the data, subject to the declaration under art. 35, para. 1 of Ordinance 38, through which it defines the content of the remotely submitted orders.

5) Paragraph 4 is not applied in orders placed by a representative, which has not provided evidence of its power of attorney or by a representative which has not provided to the investment intermediary the documents under art. 25 of Ordinance 38.

(6) Paragraph 4 is not applied in the transfer of dematerialized financial instruments to the personal account under a client sub-account with the investment intermediary in the Central depository.

(7) The investment intermediary can accept orders of clients under para. 1 through an electronic trade system, which guarantees compliance to Ordinance 38 and provides access of the client to a special place of execution. The access to the system under the preceding sentence and the placing of orders by the client is secured by an electronic certificate issued to the client's name.

(8) The person who accepts the order verifies the identity of the client or its representative.

(9) The investment intermediary provides to the client a signed copy of the accepted order under para.1 unless it is submitted under para. 4 and 7.

(10) The investment intermediary refuses to accept an order which does not conform to the requirements of para. 1 or has been submitted by a proxy in violation of the requirements of para. 3.

Art. 10. (1) Upon accepting an order the investment intermediary requires from the client, or its representative to declare whether:

- (i) It possesses insider information about the financial instruments in the order, and about their issuer if the financial instruments - subject of the order or the underlying instrument of the financial instruments - subject of the order are traded on a regulated market;
- (ii) The financial instruments - subject of an order for sale or exchange are blocked by the depository institution in which they are kept or whether a pledge or a restraint order has been levied on them;
- (iii) The transaction – subject of the order, represents a hidden purchase or sale of financial instruments.

(2) The investment intermediary checks with the depository institution whether the financial instruments subject of the sale order are available in the client sub-account, whether they are blocked or whether a pledge or a restraint order has been levied on them.

(3) In case the order is placed through an electronic trade system the verification in para.2 is not necessary if the electronic system disallows the completion of transactions with blocked or pledged financial instruments or with financial instruments which are the object of a restraint order or are not available in the client sub-account.

Art. 11. (1) The investment intermediary executes a client's orders under the following conditions:

- (i) Immediate and accurate registration and execution of the orders for execution;
- (ii) Immediate execution of consecutive orders which are identical, unless the characteristics of the order or the general market conditions hinder the execution or the interests of the client are irrelevant;
- (iii) The investment intermediary informs the retail client about objective obstacles to the precise execution of the orders immediately after these obstacles have been established

(2) If an order for sale or exchange of a client's financial instruments, held by a custodian which delays the providing of information under art. 10 para. 2 above, is followed by an order with the same parameters from another client whose financial instruments can be verified under art. 10, para. 2 faster, the investment intermediary does not classify the two orders as identical and executes the order which provides faster the information under art. 10, para. 2.

Art. 12. (1) The investment intermediary has the right, but not the obligation, to execute a client's orders or make transactions on own account uniting them with clients' orders on condition that the following terms are fulfilled:

- (i) The uniting of the orders and transactions will not be detrimental to any of the clients, whose orders are united;
- (ii) The investment intermediary has clarified to each client, whose order has been united, that the uniting can be unprofitable to the client in connection to the specific order;
- (iii) The investment intermediary effectively applies policy for separation of orders under para. 2 below.

(2) The investment intermediary unites a client's orders in the following cases:

(i) in case there are clients' orders with a matching price and the best corresponding offer at the place for execution is for a higher quantity and a price, satisfying both orders. This enables the execution of both orders at the same price, but the earlier accepted order has a priority in the processing.

(ii) whenever the clients' orders bear different prices and the best corresponding offer at the place for execution is for a higher quantity and a price, satisfying both orders. The orders are executed at the same price and the earlier accepted order has a priority in the processing.

(iii) in case when at the time of placing the united offer, the opposite offer is changed and the united order is executed on several parts and different prices or even is executed partially, the earlier accepted order has a priority.

(3) in case the investment intermediary has united its own transaction with one or more a client's orders, it cannot separate the executed orders in a way harming clients' interests. The investment intermediary unites client's orders and a client's orders with own orders in the following cases and conditions:

(i) in orders for subscription of shares from capital increases (or IPOs) or in the initial listing of financial instruments.

(ii) the investment intermediary follows the procedures and terms for placing of orders envisaged in the document of the offered financial instruments. In case the document for the traded financial instruments envisages a proportional distribution of the financial instrument in partial completion of orders, the investment intermediary unites its orders with the clients' ones in order to achieve a maximum reduction of the administrative expenses and time and distributes proportionally the partially fulfilled orders.

(iii) whenever the investment intermediary can duly prove that it would not be able to execute a client's orders fully or at profitable terms without the uniting of its and the clients' orders it could proportionally distribute the completed transaction between itself and the client.

(iv) excluding the cases in items (ii) and (iii) above, whenever the investment intermediary unites the client order with own transactions and the united order is partially fulfilled the transaction made on a client's account has a priority.

(4) the investment intermediary has no right to carry out redistribution of transactions made on own account and executed jointly with a client's orders, whenever this damages the client's interest.

Art. 13. (1) The investment intermediary may refuse to fulfill an order if the client, or its representative respectively, refuses to sign a declaration under art. 10, para. 1 above, declares that it possess insider information or the transaction, subject to this order, represents a hidden purchase or sale of financial instruments. The refusal under sentence one is stated in a separate document, signed by the client.

(2) The investment intermediary shall not execute orders if it has been declared or proven that the financial instruments, subject to the sale order, are not available in the client account or are blocked by a depositary institution, as well as if there is a pledge set up on them or distraint levied.

(3) The restriction in para. 2 regarding pledged financial instruments is not applied in the following cases:

(i) The party acquiring the financial instruments has been informed about the pledge and has explicitly agreed to acquire the pledged financial instruments, and the secured creditor has also given its consent and the rest of the requirements of the Special Pledges Act are met;

(ii) the pledge is levied on a lot of assets according to the Special Pledges Act.

VIII. ASSESSMENT AND UPDATE OF THE POLICY

Art. 14. (1) The investment intermediary monitors the efficiency of the current Policy and the quality of order execution in their placing and transfer to another intermediary and whenever necessary takes measures to eliminate any faults.

(2) Once a year the investment intermediary reviews the Policy for execution of a client's orders and the agreements for execution of orders.

(3) the review under para. 2 is made after the introduction of each major change that can affect the ability of the investment intermediary to achieve best results for execution of a client's orders using the places for execution which are included in the policy for execution of orders.

(4) the investment intermediary will inform its clients about each change of the Policy by issuing notifications and updates the information on the webpage of the intermediary.

IX. FINAL PROVISIONS

§ 1. Whenever the intermediary encounters problems whose solving requires amendments or additions to the current Policy, the General Meeting of Partners can duly amend it based on the legal framework.

§ 2. The managers can issue orders and instructions about the execution of this Policy.

§ 3. The current Policy is presented for information and execution to the managers of the investment intermediary, to investment consultants, that are contract employees of the investment intermediary, to brokers and other employees of the intermediary upon assuming duties and they submit declaration stating that they are acquainted with the Policy which is applied to the other documents concerning the accomplishment of their duties in the investment intermediary.

§ 4. The current Policy is presented to every client that it concerns. The Policy is published on the website of the investment intermediary.