

## Enclosure № 2

To the General Terms and Conditions of Eurobank EFG Bulgaria AD applicable to the contracts with clients for provision of investment and/or ancillary services

### **Description of the Internal Rules on Managing Conflicts of Interest, and on Conclusion of Personal Transactions Concerning the Activity of Eurobank EFG Bulgaria AD of Providing Investment and/or Ancillary Services<sup>1</sup>**

#### *1. Why are such rules necessary?*

Every big financial group such as Eurobank EFG, a part of which is Eurobank EFG Bulgaria AD (the “Bank”), provides multiple and diverse in nature financial services, including investment services to a large number of clients. In the complicated financial business world of today, conflicts of interest accompany continuously the activities of banks, investment firms, insurance companies, and financial groups as a whole.

Apparently the conflicts of interest can jeopardize or damage the clients’ rights. Since the protection of these rights is a priority for the financial system as a whole, as well as for each reputed financial institution, the identification, management and disclosure of conflicts of interest forms a very important part of the subject and the regulatory regime of the contemporary markets in financial instruments.

The Internal Rules on Managing Conflicts of Interest, and on Conclusion of Personal Transactions Concerning the Activity of Eurobank EFG Bulgaria AD of Providing Investment and/or Ancillary Services (the “Rules”), described briefly below, have been adopted by the Bank in compliance with the provisions of the Markets in Financial Instruments Act (“MiFIA”) and Regulation № 38 on the requirements for the investment firms’ activities (“Regulation № 38”). These Rules are harmonized with the rules applied by the Eurobank EFG Group and reflect the modern concepts for organization of the activity of preventing the negative consequences for clients resulting from conflicts of interest situations.

The objective of the Rules is to guarantee that the Bank acts honestly, fairly, and professionally when providing investment and/or ancillary services, that the conflicts of interest are treated in a lawful and ethical way, and that the personal transactions of the persons working under contract for the Bank in relation to the provision of investment and/or ancillary services (each of them hereinafter referred to as “relevant person”):

- 1) do not infringe the legal requirements and the business ethics;
- 2) do not lead to conflicts between their personal interests and those of the Bank or of the Bank’s clients;
- 3) do not grant access to unfair advantages based on their special knowledge of the Bank activities of providing investment and/or ancillary services for clients and on their special access to information.

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<sup>1</sup> According to the Internal Rules on Managing Conflicts of Interest, and on Conclusion of Personal Transactions Concerning the Activity of Eurobank EFG Bulgaria AD of Providing Investment and/or Ancillary Services adopted with Resolution of the Board of Directors of the Bank dated 31.10.2007 pursuant to and in compliance with the Markets in Financial Instruments Act and Regulation № 38

The Rules apply in respect of the provision of investment services to all clients of the Bank regardless of their categorisation as retail, professional or eligible counterparty.

## **2. *What is a conflict of interest?***

A conflict of interest is a situation which occurs in connection with the provision of investment and/or ancillary services by the Bank and may harm the interests of a client. A conflict of interest is present if the Bank or a relevant person may, through action or inaction, harm the interests of a person whose interests is required to safeguard in order to protect or satisfy own interests or the interests of another person which the Bank or the relevant person are required to safeguard as well. Conflicts of interest may arise between:

- 1) the interests of two or more clients of the Bank;
- 2) the interests of a client and the interests of the Bank or a person linked directly or indirectly thereto;
- 3) the interests of relevant persons and the interests of a client or the interests of the Bank.

It is always possible for a conflict of interest to arise where the Bank, a relevant person or a person related by control directly or indirectly thereto:

- 1) is in a position to make a financial gain, or avoid a financial loss, at the expense of the client;
- 2) has an interest in the outcome of a service provided to the client or of a transaction carried out on behalf of the client, which is distinct from the client's interest in that outcome;
- 3) has a financial or other incentive to favour the interest of another client or group of clients over the interests of the client;
- 4) carries out the same business as the client;
- 5) receives or will receive from a person other than the client an inducement in relation to a service provided to the client, in the form of monies, goods or services in breach of Art. 14 of Regulation № 38, or other than the standard commission or fee for that service.

## **3. *Some specific measures for preventing conflicts of interest***

The Bank does not:

- 1) perform transactions on client's account in volume or with frequency, at prices or with given counterparty, for which according to the circumstances it may be assumed that they are performed exclusively in the Bank's interest (e.g. in order to generate income from commissions- churning); this requirement shall not be applied to transactions for the execution of which the client has given specific instructions on his own initiative;
- 2) purchase or sell securities in anticipation of the market consequences caused by a received client order (front-running);
- 3) use information received from a client or from persons in possession of inside information thereon to trade in financial instruments if this would be an infringement of the Measures against Market Abuse with Financial Instruments Act;

- 4) purchase on its own behalf financial instruments for which its client has given a purchase order in order to sell them to the client at a price higher than the price at which it bought them;
- 5) perform on its own or on a third party's account activities with client's funds and financial instruments for which it has not been authorized by the client;
- 6) sell on its own account or on a third party's account financial instruments which the Bank or its client does not own, unless in the cases provided for in the statutory instruments or regulations;
- 7) participate in the performance, including in the capacity of a registration agent, of concealed purchases or sales of financial instruments;
- 8) receive a part or the total benefit if the Bank has concluded and executed the transaction under terms and conditions that are more favourable than those established by the client;
- 9) receive benefits from third persons in contravention of Art. 14 of Regulation № 38.

#### **4. *Principles regarding the identification, handling and disclosure of conflicts of interest***

All internal instruments regulating the Bank activities of providing investment and/or ancillary services aim at to creating adequate mechanisms for preventing conflicts of interest. Nevertheless, if a conflict of interest arises or may arise, it shall be duly identified and, if it cannot be managed in a way eliminating the danger of harming or jeopardizing the clients' interests, it will be disclosed to the client and handled in accordance with these Rules and the instructions of the client. If the conflict of interest cannot be handled, the Bank will not provide the respective investment and/or ancillary service.

#### **5. *Identifying conflicts of interest***

In order to maintain reasonable mechanisms for identifying conflicts of interest the Bank will perform on a regular basis, at least once per year, a review of the possible sources of conflicts of interest. The following methods may be applied when performing such reviews:

- 1) top-to-bottom analysis aiming to analyse generally the activity of the Bank as investment firm;
- 2) tracing down the main sources of income of the Bank as investment firm, i.e. applying the „follow the money” method, and focusing the analysis on those activities of the Bank that are most profitable and, presumably, most susceptible to risks for the clients' interests;
- 3) performance of a bottom-to-top review presenting the standpoint of the persons directly engaged in the provision of investment services and activities, and comparison with the results of the top-to-bottom analysis.

In order to increase the efficiency of the mechanisms for identifying particular conflicts of interest the Bank will perform staff training on a regular basis and will strengthen the position of the internal control department as an independent and strong unit of the Bank.

## **6. *Methods for preventing and managing conflicts of interest***

The Bank shall apply one or more methods in order to prevent potential conflicts or manage existing or potential conflicts of interest such as:

- 1) taking measures to avoid the influence of a relevant person or group of relevant persons over another such person or persons when they are directly committed to the protection of the interests of different clients;
- 2) allocating for each client whose interests contradict those of another client, or another unit of the Bank other than the one servicing the client, individual staff / units of the Bank that acts without coordination and without exchange of information with other units, and under the condition that such staff / units act only in the interest of the client to whom they are allocated, including by setting up the so-called „Chinese” or „information” walls. The setting up of such walls will be undertaken always when it is reasonable to suppose that an existing or potential conflict of interest between different clients or between clients and the Bank requires higher standards for protection of the information related thereto;
- 3) defining the remuneration structure of the Bank staff in a manner which does not create incentives for the staff to act to the detriment of the Bank’s clients;
- 4) taking further steps to protect the interests of different clients with potentially or actually conflicted interests; for example, a broker who simultaneously represents two clients and one of them orders purchase of securities and the other, sale of the same securities, must hand over the servicing of one of these clients to another broker;
- 5) arranging in accordance with the particular necessities supervision over the separate units or teams of the Bank which are separated by „information” walls through inspections by different representatives of the Internal Control department;
- 6) taking other reasonable steps under Art. 75, paragraph 3 of Regulation № 38.

## **7. *Disclosure of conflicts of interest to the clients***

When a conflict of interest is identified and it cannot be managed in a way which eliminates the risks for the client’s interests, the client is notified immediately and, where possible, prior to the conclusion of a contact or the receipt of an order from him.

The notification will be performed by disclosing to the client information in a durable medium on the conflict of interest. The information given must be sufficient according to the client’s characteristics in order to allow him to take an informed decision concerning the investment and/or ancillary service in connection with which the conflict arises, i.e. to decide whether he will order the Bank to execute the service in spite of the conflict. If the Bank is authorized to execute the service, measures referred to in item 6 will be applied (for instance, setting up of „information” walls).

If, regardless of the notification and the informed consent of the client, it is reasonable to conclude that the risks for the client’s interest remain excessive, the Bank will refuse to provide the service.

## **8. *Handling conflicts of interest between different clients***

The conflicts of interest between two or more clients of the Bank the disclosure of which is required according to the Rules and the applicable legislation will be handled following the instructions of each client. Once again, if the Bank is authorized to execute the service, measures referred to in item 6 will be applied.

## **9. *Rules on personal transactions***

The Rules for the so-called „personal transactions” are closely related to the rules on the prevention of negative consequences for clients due to conflicts of interest. “Personal Transaction” means a transaction in financial instruments performed by or on behalf of a person who works under contract for the investment firm, where one of the following criteria is met:

- 1) the person who works under contract for the investment firm acts outside the scope of the activities he carries out in that capacity;
- 2) the transaction is performed on the account of any of the following persons: (i) the person who works under contract for the investment firm; (ii) any person with whom the person under (i) has a family relationship, or to whom he is linked; (iii) a person whose relationship with the person under (i) is such that the latter has a direct or indirect material interest in the outcome of the transaction, other than a fee or commission for the execution of the transaction.

The objective of the Rules for personal transactions is to increase the reporting and the transparency of the personal transactions and, ultimately, to prevent personal transactions which are prohibited by the Measures against Market Abuse with Financial Instruments Act because they represent insider trading or manipulation of the market in financial instruments, which are related to abuse or unlawful disclosure of commercial secret or other type of confidential information, or which contradict an obligation of the Bank according to the Markets in Financial Instruments Act and the instruments for its implementation. Furthermore, the purpose of the Rules is to prevent the disclosure of information to third persons who may use it in a way which leads to the same or similar negative consequences as if a prohibited personal transaction has been concluded by the person disclosing the information.

## **10. *Additional information on the Rules***

The clients are entitled to request additional specific information on the Rules; the information will be provided on a durable medium or, as far as Regulation № 38 allows it, on the website of the Bank.

**By signing the General Terms and Conditions applicable to contracts with client for provision of investment and ancillary services the Client declares that he has received the information on the Internal Rules on Managing Conflicts of Interest, and on Conclusion of Personal Transactions Concerning the Activity of Eurobank EFG Bulgaria AD of Providing Investment and/or Ancillary Services, he is aware of this information, understands it and accepts it.**