

GENERAL TERMS AND CONDITIONS

The General terms and Conditions regulate the rights and obligations of the investment firm „Alaric Securities” OOD (hereinafter referred to as Alaric Securities or investment firm) and its clients related to the services provided by the investment firm pursuant to art. 6, para 2 and 3 of the Markets in Financial Instruments Act (MFIA) and according to its granted license.

PREAMBULE

The Terms and Conditions are integral part of the contract between the investment firm and the client. The Terms and Conditions containing information, which the investment firm shall submit to its clients according to the requirements of Markets in Financial Instruments Act (hereinafter referred as MFIA) Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 (hereinafter referred to as Regulation (EU) 2017/565), Financial Supervision Commission Ordinance № 58/28.02.2018 (hereinafter referred to as Ordinance 58) and Financial Supervision Commission Ordinance № 38/25.07.2007 (hereinafter referred to as Ordinance 38).

The Tariff on commissions under different types of contracts as well as the type and amount of the clients' expenses, provided they are not included in the investment firm's remuneration, as well as these General Conditions are placed in a prominent and accessible place in the office of the investment firm and shall be published on its website www.alaricsecurities.com. The General Terms and Conditions should be provided to clients on paper or another durable medium.

I. INFORMATION ABOUT ALARIC SECURITIES

Investment firm ALARIC SECURITIES OOD is a limited liability company, incorporated under the laws of Bulgaria, with UIN: 201482151, having a corporate seat and address at 7 "Ekhzarh Yossif" Str, Vazrazhdane district, Sofia, Bulgaria.

ALARIC SECURITIES OOD has been licensed by the Financial Supervision Commission (FSC) to act as an investment firm by FSC's decision № 145 – IP/24.02.2011 and decision № 577-IP/22.07.2013. The company is registered with FSC under registration number № RG-03-236-1/24.02.2011.

According to its license and its registered subject of activities the investment firm offers the following services:

1. Providing services as investment firm on the territory of Republic of Bulgaria and the European Union, in particular:
 - i. Reception and transmission of orders for one or more financial instruments, including intermediation for execution of transactions with financial instruments;
 - ii. Execution of orders on behalf of clients;
 - iii. Portfolio management;
 - iv. Investment advice;
 - v. Initial public offering of financial instruments without unconditional and irrevocable commitment to purchase financial instruments for its own account;
2. Ancillary services as investment firm on the territory of Republic of Bulgaria and the European Union:
 - i. Safekeeping and administration of financial instruments on behalf of clients, including custodian (keeping financing instrument and clients money in a depository institution) and related services such as management of the funds and collateral provided;
 - ii. Granting loans for execution of transactions with one or more financial instruments provided that the person granting the loan is involved in the transaction under terms and according to a procedure established in an ordinance;

- iii. Providing consultancy services to companies regarding their capital structure, industry sector strategy, as well as M&A consultancy services;
- iv. Providing services related to foreign exchange deals, insofar as they are connected with the investment services provided;
- v. Preparing investment research and financial analyses as well as other general recommendations related to financial instruments;
- vi. As per items 1 and 2 «i-v», services related to the underlying of derivatives pursuant to art 4, items 5, 6, 7 and 10 MFIA, when they are related to the provision of investment and ancillary services.

The languages in which the client can communicate and keep correspondence with Alaric Securities are: Bulgarian and English.

Means of communication with clients:

- a) In person or through an attorney having explicit power of attorney according to the law - at the premises of the investment firm at Perform Business Center, 2 Pozitano square, Sofia 1000;
- b) by telephone – +359 2 4398159, +359 2 4398160.
- c) By email: info@alaricsecurities.com

II. GENERAL PRINCIPLES AND LIMITATIONS

- 2.1. Alaric Securities will act honestly, fairly and professionally in accordance with the best interests of its clients.
- 2.2. Alaric Securities will treat its clients equally and will inform them about the risks with transactions with financial instruments.
- 2.3. Alaric Securities will keep the commercial secrets of its clients during or in relation to the assigned contracts, their good name and commercial reputation.
- 2.4. The information provided to clients by Alaric Securities including marketing communications, shall be fair, clear and not misleading.
- 2.5. Alaric Securities shall not aggregate orders of clients unless under the conditions allowed by the law and in accordance with the Order Execution Policy adopted by the investment firm.
- 2.6. The managers of Alaric Securities, its employees and other persons, engaged with the activities of the investment firm (or ex-employees) shall not disclose, unless they are authorize to do so, as well they will not use for their own benefit or benefit of other persons the facts and circumstances related to the balance and transactions on the accounts of the financial instruments and money of the client, as well as other facts and circumstances, being trade secret, which were became known to them in the course of their professional duties. Except to FSC and its employees and the deputy chairperson of department Supervision of Investment Intermediaries, for the purposes of inspections and audits, the investment firm can provide information as set out in the sentence above only with client's consent or by permission of the supervisory authorities.
- 2.7. Alaric Securities will follow an effective policy for avoiding conflict of interests.
- 2.8. Alaric Securities shall not carry out transactions on behalf of clients 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 investment intermediary's interest. This restriction does not apply to transactions for the purposes of which the client has given explicit instructions on his own initiative.
- 2.9. The recommendations on the financial instruments which Alaric Securities provides, shall be honestly presented and shall disclose any interest/conflict of interest, which may arise for Alaric Securities.
- 2.10. The investment advices that Alaric Securities provides to its clients shall be justified, not based on exaggerated favorable or unfavorable unaccounted facts and not be motivated exclusively by the desire to receive remuneration. The forecasts in the investment advices shall be grounded and circumstances on which they are based and which significantly affect their achievement shall be pointed out.
- 2.11. When investment advice is provided, the investment firm shall, in good time before it provides investment advice, inform the client:
 - a) whether or not the advice is provided on an independent basis;

- b) whether the advice is based on a broad or on a more restricted analysis of different types of financial instruments and, in particular, whether the range is limited to financial instruments issued or provided by entities having close links with the investment firm or any other legal or economic relationships, such as contractual relationships, so close as to pose a risk of impairing the independent basis of the advice provided;
- c) whether the investment firm will provide the client with a periodic assessment of the suitability of the financial instruments recommended to that client.

2.12. Where Alaric Securities informs the client that investment advice is provided on an independent basis, that investment firm shall assess a sufficient range of financial instruments available on the market which must be sufficiently diverse with regard to their type and issuers or product providers to ensure that the client's investment objectives can be suitably met and must not be limited to financial instruments issued or provided by the investment firm itself or by entities having close links with the investment firm or other entities with which the investment firm has such close legal or economic relationships, such as contractual relationships, as to pose a risk of impairing the independent basis of the advice provided.

2.13. Where Alaric Securities provides investment advice on an independent basis or portfolio management service the investment firm cannot accept and retain fees, commissions or any monetary or non-monetary benefits paid or provided by any third party or a person acting on behalf of a third party in relation to the provision of the service to clients. Minor non-monetary benefits that are capable of enhancing the quality of service provided to a client and are of a scale and nature such that they could not be judged to impair compliance with the investment firm's duty to act in the best interest of the client must be clearly disclosed and are excluded from this point. The investment firm discloses the information about all minor non-monetary benefits received.

2.14. The investment firm shall not be entitled in connection with the provision of investment or ancillary services to a client to pay, respectively provide and to receive remuneration, commission or non-monetary benefit, apart from:

- a) remuneration, commission or non-monetary benefit paid or provided by or to the client or his representative;
- b) remuneration, commission or non-monetary benefit paid or provided by or to a third person or his representative where the following conditions exist:
 - i. the payment, respectively the provision of the remuneration, commission or non-monetary benefit, shall be with a view to enhancing the quality of the service and does not violate the obligation of the investment intermediary to act in the best interest of the client;
 - ii. the existence, nature and amount of the remuneration, commission or the non-monetary benefit shall be disclosed to the client clearly, in an accessible way, accurately and understandably prior to providing the relevant investment or ancillary service, and where the amount may not be established, the method of its calculation shall be indicated;
- c) relevant fees that provide or are necessary with a view to providing the investment services, such as expenses for trustee services, settlement and currency exchange fees, legal services fees and public fees, and which in their nature do not result in the arising of a conflict with the investment intermediary's obligation to act honestly, fairly and professionally to the best interest of the client.

III. PROVISION OF INFORMATION BY THE INVESTMENT FIRM

3.1. The investment intermediary shall provide to a client or potential client in timely manner before signing an agreement for investment services the following information:

- a) General information on its identification, list of rendered services and means of communication (as per Chapter I of the General Terms and Conditions).
- b) General description of financial instruments and related risks (as described in Annex 2 to these General Terms and Conditions).
- c) Information on the costs and fees for the client. The investment firm shall disclose in its Tariff the standard commission for different types of services as well as the type and the amount of other costs for the client if they are not included in the standard commission.
- d) Information on the rights and obligations of the client and the investment firm, including through its applicable General Terms and Conditions.
- e) Information about the Order execution policy.

- f) Information about the statement that will be provided to the client.
- g) Information about the measures the investment firm takes to safeguard client assets.

3.2. When the investment firm offers portfolio management service, it provides the client, in addition to the information above, the following information where applicable:

- a) Method and frequency of valuation of the financial instruments in the client portfolio.
- b) Details of any delegation of the discretionary management of all or part of the financial instruments or funds in the client portfolio.
- c) A specification of any benchmark against which the performance of the client portfolio will be compared
- d) The types of financial instrument that may be included in the client portfolio and types of transaction that may be carried out in such instruments, including any limits;
- e) The management objectives, the level of risk to be reflected in the manager's exercise of discretion, and any specific constraints on that discretion

3.3. When the above information is published on the website of the investment firm, the following requirements should apply:

- a) Regulation (EU) 2017/565 permits the provision of the relevant information through the website when it does not meet the requirements for durable medium;
- b) The provision of information is appropriate in view of the existing and future relations with the client;
- c) The client has explicitly agreed to this way of provision of information;
- d) The client is notified via electronic means about the Internet address and the website where this information is published;
- e) The information is up-to-date;
- f) The information is continuously accessible on the internet site for a period that is usually necessary for the clients to acquaint themselves with it.

3.4. The provision of information via electronic means of communication shall be deemed appropriate in view of the existing or future relationships with the client if there is evidence that the client has regular access to the Internet. It is considered that the client has regular access to the Internet if the client provides an email address for the needs of the relationships established with the Investment firm.

IV. CLIENT CLASSIFICATION

4.1. The investment firm is legally obliged to classify its clients in one of the following groups according to the criteria set out in Annex I to these General Terms and Conditions:

- (a) **eligible counterparties;**
- (b) **professional clients;**
- (c) **retail clients.**

4.2. By these General Terms and Conditions, the investment firm informs its clients or potential clients of the conditions and criteria for classifying them as professional or retail, and the circumstances under which they may be designated as an eligible counterparty, enabling them to get acquainted with Annex 1.

4.3. Clients are notified that they have the right to request different classification.

4.4. The investment firm should apply the highest degree of protection to retail clients, except in cases when the investment firm and professional client agree in writing on the highest level of protection.

4.5. The investment firm on its own initiative or at the request of the client may treat a client in the following manner:

- a) as a professional or retail client where that client might otherwise be classified as an eligible counterparty;
- b) as a retail client where that client might be considered as a professional client.

Some clients can be classified as professional only in relation to certain products and services.

4.6. When a client classified as an eligible counterparty requests not to be treated as such and the investment firm agrees, that client will be treated to as a professional, unless explicitly requested to be treated as retail.

4.7. Professional clients are notified that they have the right to request to be treated with a higher degree of protection. Such treatment however does not secure more preferential approach than the retail clients have or to put other clients in unequal position. This change takes place by mutual written consent between both parties where its parameters are defined in detail and this change means the client requested it shall not be treated as professional in the meaning of these General Terms and Conditions and the law. In case that under these General terms and conditions, the Tariff or other documents or rules applicable to the activities of the investment firm, professional clients benefit from a simpler or different approach than retail, these advantages are not applicable to clients that have requested such a change starting from the date of the written consent.

V. SUITABILITY AND APPROPRIATENESS ASSESSMENT

5.1. When providing investment advice or the service of portfolio management, the investment firm collects information about:

- a) investment goals of the client including his risk tolerance;
- b) financial situation of the client including his ability to bear losses;
- c) client's knowledge and experience in the investment field relevant to the specific type of product or service.

The investment firm is guided by the information provided by its clients and makes an assessment whether the investment services and financial instruments are suitable for the client and, in particular, are in accordance with his risk tolerance and ability to bear losses.

5.2. In cases of professional clients in respect to certain products, transactions or services, the investment firm may assume that the client has the necessary financial resources, experience and knowledge to understand and bear the risks that are associated with the investments, even if the client had not provided sufficient information with this regard or had not provided this information at all. Without prejudice to the above, the investment firm is not allowed to provide the services under item 5.1 above if it has not requested the information from its clients or if the information had not been provided.

5.3. When providing services other than those referred in item 5.1, the investment firm shall collect information regarding client's knowledge and experience in the investment field relevant to the specific type of product or service offered or demanded.

Based on the information provided by the client, the investment firm makes an assessment whether the investment service or product envisaged is appropriate for the client.

5.4. The investment firm may not make an appropriateness assessment of certain product or service in the cases stipulated in Art. 79, para 5 of MFIA.

5.5. The investment firm notifies its clients that it is entirely in their interest to provide and update information as listed above.

VI. FINANCIAL INSTRUMENTS AND RISKS

6.1. In these General Terms and Conditions Alaric Securities provides to the clients or potential clients general description of the nature and risks of financial instruments subject to the investment services performed by the investment firm. This description is set out in Annex 2.

VII. SAFEGUARDING OF CLIENTS ASSETS

7.1. Under these General Terms and Conditions, the investment firm takes measures to safeguard the clients financial instruments or cash, for which measures the client is considered informed under this chapter.

7.2. According to Art. 49 of Regulation (EU) 2017/565 and Art. 32 of Ordinance № 38, by these General Terms and Conditions, the investment firm notifies its clients about the circumstances and situation related to protection of cash and financial instruments of clients.

7.3. The investment firm is not liable to its creditors with the financial instruments or funds of clients. No enforcement on the cash and the financial instruments of clients is allowed for obligations of the investment firm.

7.4. Financial instruments of clients are kept in a depository institution on client accounts to the account of the investment firm or on accounts opened to the account of a third party. When the investment firm holds clients' financial instruments with a third party it exercises all due skill, care and diligence in the selection, appointment and periodic review of the third party and of the arrangements for the holding and safekeeping of those financial instruments.

7.5. The investment firm cannot hold with itself the cash of its clients. The funds provided by clients or received as a result of investment services provided on their behalf shall be deposited with a central bank, credit institution, bank authorized in a third country or qualifying money market fund. The investment firm can deposit clients funds in a qualifying money market fund only if the client has given his prior written consent. The investment firm exercises all due skill, care and diligence in the selection, appointment and periodic review of the credit institution, respectively the money market fund, as well as of the arrangements for the holding of those clients funds.

7.6. By accepting these General Terms and conditions the client agrees Alaric Securities to hold clients financial instruments and funds with entities related to the investment firm. Where Alaric Securities deposits client funds with a credit institution, bank or money market fund of the same group as the investment firm, Alaric Securities shall limit the funds deposited with any such group entity or combination of any such group entities so that funds do not exceed 20 % of all such funds. The investment firm may not comply with this limit only if the conditions in Art. 7, para 8 of Ordinance 58 are met and Financial Supervision Commission is properly notified.

7.7. By accepting these Terms and Conditions the client is informed and agrees that Alaric Securities may keep the clients' financial instruments in an omnibus account. Omnibus accounts are used for registration of multiple clients' financial instruments in the name of Alaric Securities or another investment firm instead of the client's name, with the relevant clearing institution or depository institution. Thus, the client is not individually or personally entitled to compensation for any error made by the relevant clearing or depository institution. Alaric Securities maintains a register, clearly stating the individual client's ownership to the financial instruments kept in the omnibus account. Alaric Securities is responsible for claiming and collecting interest payment, dividends, income and other rights belonging to the client.

7.8. By accepting these General Terms and Conditions the client acknowledges, recognises and understands that where it is not possible to separately identify the client's financial instruments from the proprietary financial instruments of the third party that keeps the omnibus account under applicable national law, there is a risk that Alaric Securities or another investment firm holding the financial instruments on clients' behalf may not be entitled to claim the financial instruments from the bankruptcy estate of the entity in bankruptcy which may result in the client suffering loss.

7.9. Alaric Securities is not liable whatsoever for any disposition or omission or insolvency of the third party that holds clients financial instruments or funds and cannot be made liable by the client for any loss directly or indirectly owing to the action or omission or insolvency of this third party, unless it is proven that Alaric Securities has not acted with sufficient care when selecting this third party.

7.10. By accepting these General Terms and conditions the client is informed that his financial instruments and funds may be held on accounts which are subject to the law of another jurisdiction than an EU member state, which may entail that the client's right to those financial instruments and funds differ accordingly. In meeting of the obligation under this section, the investment firm strictly complies with the requirements, restrictions and prohibitions laid down in Art. 6 and 7 of Ordinance 58.

7.11. Safekeeping and registration of government securities issued on the domestic market is done as per conditions and procedures of the Government Debt Act and its implementing regulations.

7.12. Upon conclusion of a contract with a client the investment firm shall:

- a) open analytical accounts of financial instruments and cash to the client in accordance with the accounting legislation;
- b) comply with the strict rules on record keeping, set out in Regulation (EU) 2017/565 and Ordinance 38;
- c) regularly inform its clients about the balances and transactions in the accounts for cash and financial instruments that are kept, and the conditions of the contracts for the safekeeping;
- d) assign unique numbers to clients and keep a register where opens and operates accounts at analytical level.

7.13. The disposal of financial instruments or funds on behalf of clients is accounted and registered immediately in clients sub-accounts.

7.14. The investment firm shall not use clients funds and financial instruments for its own account or the account of another client, except in the cases expressly defined in the Ordinance 58.

7.15. By accepting these General Terms and Conditions the client is notified that:

- a) Alaric Securities has the right of security interest or lien over client's financial instruments in case where the client delays to fulfill his financial liabilities to the investment firm, up to the amount of the client liability, unless otherwise is specified in a contract with the client.
- b) Alaric Securities is entitled, at all times and without notice, to consolidate all accounts of the client's financial instruments and funds and set-off these against all amounts owed to the investment firm by the client in such a manner as Alaric Securities, at its sole discretion, may determine. If the client, at any time has a negative cash-balance in any account, Alaric Securities is entitled, but not obligated, to net between the client's accounts.
- c) Depository institutions also may have the right of security interest or lien over, or right of set-off in relation to clients financial instruments or funds.

7.16. Alaric Securities shall send on a quarterly basis, to each client for whom it holds financial instruments or funds, a statement in a durable medium of those financial instruments or funds unless such a statement has been provided in any other periodic statement. The statement shall include the information under Article 63 (2) of Regulation (EU) 2017/565.

7.17. The periodic statement of client assets shall not be provided where the investment firm provides its clients with access to an online system, which qualifies as a durable medium, where up-to-date statements of client's financial instruments or funds can be easily accessed by the client and the firm has evidence that the client has accessed this statement at least once during the relevant quarter.

VIII. INVESTOR COMPENSATION SYSTEM

8.1. Under these General Terms and Conditions, the client is informed of the existence of compensation system – Investor Compensation Fund (www.sfund-bg.com).

8.2. In this sense, the clients assets that are held by the investment firm, administered or managed on behalf of the clients, are guaranteed by investor Compensation Fund against the inability of the investment firm to return the assets for reasons directly related to its financial condition in the following cases:

- a) there is a bankruptcy proceeding against the investment firm;
- b) Financial Supervision Commission has revoked the license of the investment firm on the grounds of continuous deteriorating financial condition and inability of the investment firm to fulfill its obligations.

8.3. The client is entitled to compensation in the amount up to 90 percent of the value of the claim, determined at the date of occurrence of the events above, but not more than 40 000 BGN. For categories of clients as specified in Art. 77d para. 2 of Public Offering of Securities Act, as well as professional clients, no compensation is paid. No compensation is paid for claims arising from and/or related to any transactions and actions constituting "money laundering" within the meaning given by Article 2 of the Measures against Money Laundering Act, if the perpetrator is convicted by an effective sentence.

8.4. By accepting these General Terms and Conditions the client is considered notified about the existing system for compensation of investors, including its scope and guaranteed amount of clients' assets by Investor Compensation Fund. The investment firm shall provide additional information in this regard upon client's request.

8.5. In cases where client assets are in foreign currency and financial instruments, the client receives the equivalent amount of his claim to the investment firm in Bulgarian levs up to the amount given under item 8.3.

IX. RULES APPLICABLE TO CONTRACTS WITH CLIENTS

9.1. The investment firm provides services under Section I based on a written contract with the client.

9.2. The investment firm signs contracts with clients in compliance with these General Terms and Conditions and the Tariff for the fees and commissions, which are an integral part of the contracts.

9.3. Before entering into contractual relations with the investment firm, the client shall provide the investment firm with information and documents needed for his identification and verification of his identity. Client identification and identity verification are made under the requirements of Measures against Money Laundering Act and Measures and Ordinance 38 depending on the methods of signing the contract.

9.4. The client is obliged immediately to inform the investment firm of any changes related to his identity data, legal status and the persons that represent him, giving the investment firm all documents evidencing the change. The

investment firm is not responsible for any actions taken before the notification under previous sentence is made when its actions are based on duly provided information and orders.

9.5. Before entering into contractual relations with the investment firm, the client shall provide information based on which he can be classified as professional or retail client, as well as information based on which the investment firm can make an objective assessment regarding the suitability or appropriateness of the investment service or financial instrument.

9.6. The client is obliged to inform the investment firm of any changes related to the information in item 9.5 in terms and conditions set out in his contract.

9.7. The investment firm shall keep in its archive the documents collected for client identification, client classification and for suitability or appropriateness assessment.

9.8. The investment firm has the right at its own discretion and when it is needed for performing the services of the agreement as well as in the case of legal requirement, to request from the client to update his information and documents under items 9.3 and 9.5 above.

9.9. The conclusion of the contract through a proxy shall be admissible only with notary verified power of attorney that contains the representative power for performing managerial or disposal actions with financial instruments and a declaration by the proxy that he does not carry out by occupation transactions with financial instruments, as well as that he did not execute such for a one-year period prior to conclusion of the contract.

9.10. The investment firm may conclude contracts with its clients under the conditions for remote signing of contracts by exchanging electronic statements, signed with an electronic signature or a qualified electronic signature in accordance with the provisions of art. 13 of the Electronic Document and Electronic Trust Services Act.

9.11. Upon remote signing of contracts by exchanging electronic statements, signed with an electronic signature, the submission of all the information requested from the client under these General Terms and Conditions as well as the information he provides for the purpose of suitability or appropriateness assessment, can be made by exchange of electronic statement, signed with an electronic signature.

9.12. Upon remote signing of contracts by exchanging electronic statements, signed with an electronic signature, all the information that the investment firm is obliged to provide to the client under these General Terms and Conditions, including but not only the information under Section III above, and when this information is not addressed directly to the client, will be provided through the website of the investment firm.

9.13. The procedure for concluding the agreement, the forms and the list of the documents needed are published on the website of the investment firm.

9.14. The investment firm refuses to conclude the contract if the client or his representative has not submitted and signed all required documents, has presented documents with manifest irregularities, or the data therein are incomplete, have inaccuracies and discrepancies or some other circumstance exists which arouses suspicion for undue identification or representation. The investment firm refuses to conclude the contract also if the client is represented by a proxy, who declares the execution by occupation of transactions with financial instruments.

9.15. Except in the cases provided in the specific client contract, the contract can be terminated in either of the following circumstances:

- a) If the parties explicitly agree in writing;
- b) By either party at the opening of proceedings for the liquidation or bankruptcy of the other party;
- c) Death of the individual, if it is a party to the contract;
- d) Each party may terminate the contract by one-month notice to the other party;

9.16. When the client does not agree with forthcoming changes in the General terms and Conditions or the Tariff, the client is entitled to terminate unilaterally the contract without notice before the date on which these changes and amendments enter into force. In this case the contract is considered terminated within seven days from the date of the submission of the client's written notice in the office of Alaric Securities or seven days after the investment firm receives his notice through electronic statement or e-mail or post.

9.17. Upon early termination of the contract due to client's disagreement with the amendments to the General Terms and Conditions or the Tariff under the preceding item, the client shall not be charged any penalties but only the fees and costs for the transfer of his assets. The investment firm shall settle its relations with the client within the seven days period of the termination notice.

9.18. The investment firm shall refuse or suspend the execution of transaction including unilaterally to terminate the contract with the client, when there is a fact or when there is a suspicion of money laundering and/ or terrorist financing within the meaning of the Measures against Money Laundering Act and Measures against the Financing of Terrorism Act and shall immediately inform the relevant authorities. In this case, the firm is not responsible for damage caused by delay or failure of the transaction.

9.19. The general provisions of the Commerce Act and the Obligations and Contracts Act shall apply to the procedures for termination of contracts. When the execution of a certain transaction is not possible, the client must pay to the investment firm the expenses and remuneration corresponding to the services performed.

X. CLIENT ORDERS

10.1. The investment firm executes clients orders for transactions in financial instruments directly on execution venues or places the orders for execution to another person that has access to the relevant execution venues. The investment firm takes all sufficient steps to obtain the best possible result under its Order execution policy.

10.2. Investment firms shall satisfy the following conditions when carrying out client orders:

- a) ensure that orders executed on behalf of clients are promptly and accurately recorded and allocated;
- b) carry out otherwise comparable client orders sequentially and promptly unless the characteristics of the order or prevailing market conditions make this impracticable, or the interests of the client require otherwise;
- c) inform a retail client about any material difficulty relevant to the proper carrying out of orders promptly upon becoming aware of the difficulty.

10.3. By accepting these General Terms and Conditions, the client agrees that when investment firm's Order execution policy stipulates execution outside regulated market, multilateral trading facility or organized trading facility, then the client orders may be executed in such way.

10.4. Where Alaric Securities is responsible for overseeing or arranging the settlement of an executed order, it shall take all reasonable steps to ensure that any client financial instruments or client funds received in settlement of that executed order are promptly and correctly delivered to the account of the appropriate client.

10.5. The investment firm shall not misuse information relating to pending client orders and shall take all reasonable steps to prevent the misuse of such information by any its employees or other persons engaged with the activities of the investment firm.

10.6. The investment firm accepts orders from clients in the following means:

- a) On paper, by the client who submits the order in the registered office of the investment firm.
- b) By telephone, fax, email or other remote means of communication by clients.
- c) Through electronic trading system.

10.7. The submission of an order by proxy shall be carried out only with notary verified power of attorney that contains the representative power for performing managerial or disposal actions with financial instruments and a declaration by the proxy that he does not carry out by occupation transactions with financial instruments, as well as that he did not execute such for the last year.

10.8. When orders are made by telephone, the investment firm is obliged to record the conversation with the client. When orders are made by another remote means, the investment intermediary is required to store the data supplied by the client in connection with the orders, on an electronic carrier. Fax messages shall be stored on paper.

10.9. The investment firm may receive client order through an electronic trading system that ensures the observance of the regulatory requirements and provides access of the client to a certain execution venues. The access to the system and the submission of client orders through the system shall be made by web, computer and mobile applications ensuring proper client identification.

10.10. The investment firm has no right to accept or execute a client order in financial instruments if this would lead to a violation of MFIA, the Law on Implementation of the Measure against Market Abuse with Financial Instruments or other applicable regulations.

10.11. In addition to the cases under the preceding paragraph the investment firm refuses to execute an order if it is brought in breach of the agreed conditions.

- 10.12. In all cases of refusal of the investment firm to execute under the preceding paragraphs, the investment firm shall immediately notify the client about the refusal.
- 10.13. The client may cancel the order prior its execution and, in this case, the investment firm is obliged to take all sufficient steps to withdraw the order from the execution venue or the third person where the order has been placed. The client shall compensate the investment firm for the costs incurred in the placement and cancelation of the order.
- 10.14. The investment firm notifies the Financial Supervision Commission in case of doubt that the transactions carried out by the client constitute market abuse.
- 10.15. The client is responsible for the truthfulness, validity, authenticity and accuracy of the submitted orders, the declarations and documents submitted to them, as well as for the existence and validity of the rights to the financial instruments provided by the client. In the event of damage suffered by the investment firm in relation to orders, declarations or other documents presented by the client, for which the client is liable under the preceding sentence, the client is obliged to indemnify the investment firm for the damages.
- 10.16. The investment firm provide the client with confirmation for executed transaction in a durable medium as soon as possible and no later than the first business day following the execution. Where the confirmation is received by the investment firm from a third party, the confirmation to the client is provided no later than the first business day following receipt of the confirmation from the third party.
- 10.17. The confirmation for executed transaction shall include the relevant information set out in Art. 59 (4) of Regulation (EU) 2017/565.
- 10.18. Where orders executed on behalf of clients relate to bonds funding mortgage loan agreements with the said clients, the confirmation shall be provided at the same time as the terms of the mortgage loan are communicated, but no later than one month after the execution of the order.
- 10.19. In the case of client orders relating to units or shares in a collective investment undertaking which are executed periodically, the investment firm shall provide the client with confirmation in respect of those transactions at least once every six months, unless otherwise agreed with the client.
- 10.20. In the case of orders submitted through electronic trading system the confirmation for executed transaction shall be delivered to clients via the electronic system.
- 10.21. The investment firm shall not provide the confirmation for executed transaction where the confirmation would contain the same information as a confirmation that is to be promptly dispatched to the client by another person.
- 10.22. The client may submit a written objection to the investment firm in connection with the received confirmation within 3 days of receipt. The client can only object against incorrect execution of the order submitted.
- 10.23. In case the client does not object within the period under item 10.22 the confirmation shall be deemed accepted.

XI. PORTFOLIO MANAGEMENT

- 11.1. In performance of the contract for portfolio management, the investment firm concludes transactions with financial instruments on its own initiative without orders from the clients as per agreed in the contract and according to the suitability assessment.
- 11.2. By signing the contract, the client gives preliminary confirmation for each operation or transaction carried out by investment firm.
- 11.3. Clients financial instruments and funds are managed entirely at clients' own risk and expense. For portfolio management, the investment firm is responsible only for the bona fide, legitimate and competent performance of contractual obligations, but not for the customer end financial results.
- 11.4. For portfolio management, the investment firm uses an appropriate method of evaluation and comparison such as a common benchmark, depending on the client's investment objectives and the types of financial instruments included in the client's portfolio, so that the clients can assess the performance of the service.
- 11.5. When performs portfolio management service the investment firm directly concludes transactions on an execution venue or places orders for execution to another person on behalf of the client. The investment firm takes all sufficient steps to obtain the best possible result under its Order execution policy.
- 11.6. The investment firm provides a periodic statement regarding the client's account activities related to portfolio management unless it is provided to the client by a third party.

11.7. The periodic statement shall provide a fair and balanced review of the activities undertaken and of the performance of the portfolio during the reporting period and shall include the information set out in Art. 60(2) of Regulation (EU) 2017/565.

11.8. The periodic statement shall be provided once every three months, except in the following cases:

- a) where the investment firm provides its clients with access to an online system, which qualifies as a durable medium, where up-to-date valuations of the client's portfolio can be accessed and where the client can easily access the information about his financial instrument and funds and the firm has evidence that the client has accessed a valuation of their portfolio at least once during the relevant quarter;
- b) in cases where item 11.9 applies, the periodic statement shall be provided at least once every 12 months;
- c) where the agreement between an investment firm and a client for a portfolio management service authorises a leveraged portfolio, the periodic statement shall be provided at least once a month.

The exception provided for in point (b) shall not apply in the case of transactions in financial instruments that are:

- transferable securities giving the right to acquire or sell any such transferable securities or giving rise to a cash settlement determined by reference to transferable securities, currencies, interest rates or yields, commodities or other indices or measures;
- any other derivative contracts.

11.9. In cases where the client elects to receive information about executed transactions on a transaction-by-transaction basis, the investment firm shall provide promptly to the client, on the execution of a transaction by the portfolio manager, the essential information concerning that transaction in a durable medium.

The investment firm shall send the client a notice confirming the transaction and containing the information referred to in Article 59(4) of Regulation (EU) 2017/565 no later than the first business day following that execution or, where the confirmation is received by the investment firm from a third party, no later than the first business day following receipt of the confirmation from the third party.

The above paragraph shall not apply where the confirmation would contain the same information as a confirmation that is to be promptly dispatched to the client by another person.

XII. COSTS AND ASSOCIATED CHARGES

12.1. The client is obliged to pay remuneration to the investment firm and the charges related to the investment service under conditions, terms and in the manner as described in the specific contract or specific client order.

12.2. Where the amount of remuneration, costs or fees have not been agreed in a contract or in an order, then the relevant charges are due as per the Tariff of the investment firm which is published on its website www.alaricsecurities.com.

12.3. In case of intermediation between two parties, the investment firm is entitled to remuneration from both parties to the transaction.

12.4. Non-cash payment shall be deemed to be made at the time of crediting the bank account of the investment firm.

12.5. Alaric Securities shall announce on its website changes in the applicable Tariff 14 (fourteen) days before the effective date of the change. If, within the above stated 14-day period, the client does not expressly refuse with letter or via e-mail to accept such changes in the Tariff, they will be considered binding for the client, with no need of further formal approval or consent by the client. In case the client has refused to accept the change, the procedure for termination of the contract, stipulated in these General terms and conditions, shall apply.

12.6. Where the change in the Tariff has resulted from a change in fees and commissions charged at or by a given execution venue, clearing house, investment firm, financial institution or other third party used by Alaric Securities for the purposes of providing services to the client, such change will come into effect immediately after the client has been notified.

12.7. The client agrees that Alaric Securities will collect from his account all remuneration and fees due. In this regard, the remunerations and fees are deducted automatically from the client's cash available to the investment firm.

XIII. TRANSFERS, DEPOSITS AND WITHDRAWALS

13.1. The transfer of client financial instruments from one depository institution to another at the request of the client or at the discretion of the investment firm (in the cases of portfolio management service) shall be made in accordance with the rules for transfer of financial instruments of the institution where the funds are kept at that time and pursuant to the rules of the accepting institution.

13.2. When the rules of the depository institution or the third entity where the clients' assets are kept allow opening of personal accounts, the client may request transfer of his financial instruments to his personal account. In this case the investment firm is not responsible for safeguarding these clients' financial instruments from the moment of their transfer.

13.3. Alaric Securities accepts and make payments to clients through bank transfer or other payment means listed on the website of Alaric Securities.

13.4. Money withdrawals and/or transfers of financial instruments outside Alaric Securities are made within 7 days from the client's request. The client is obliged to pay all commissions and costs to the investment firm which are due as well as the costs related to the specific request, prior the transfer is made.

13.5. When the client wants to terminate his contract with Alaric Securities, the funds of the client shall be paid to a personal bank account of the client before expiration of the termination period. The financial instruments of the client shall also be transferred to client's account in the same or another depository institution within the same period.

XIV. SUMMARY DESCRIPTION OF THE POLICY FOR TREATMENT OF CONFLICTS OF INTEREST

14.1. Alaric Securities does not trade in financial instruments for own account.

14.2. The investment firm establishes a structure that allows fair treatment of conflicts of interest between the company and its clients and between clients themselves. One of the fundamental principles on which the internal structure is limiting the movement of information within the company through "Chinese walls".

14.3. Controlling the flow of information within the investment firm for the purposes of these rules will mean building and maintaining mechanisms to enable information held by a person in connection with the implementation of one of the activities inherent in the investment firm, not to be shared or used the occasion to work with persons with or for whom the firm also works (partners or clients). To achieve this objective, the investment firm can:

- a) keep for itself or to not use the acquired information;
- b) allow its employees that have acquired information initially during the performance of their duties, to not share this information with other employees engaged in other activities of the investment firms or working with other clients or partners.

The above limit for the dissemination of information applies only if one or both activities are related to the performance of investment services or activities included in the scope of the investment firm or related activities.

14.4. Based on the above, no employee of the investment firm will have the right (or this option will be limited) to act to protect the interests of one client at the expense of the interest of another.

14.5. Further detailed information on the policy for handling conflicts of interest is available to clients and potential clients at their request.

XV. RISK AND RESPONSIBILITY

15.1. All actions carried out by the investment firm are at the expense and risk of the client. The transactions in financial instruments may be associated with a high risk of loss of the entire investment and even cause further liabilities to the client. As a party to the contract the client acknowledges and accepts in full the risk associated with transactions in financial instruments described in Annex 2.

15.2. The client is aware that the investment firm is not liable in case of communication breakdown that impede the acceptance and execution/transmission of client orders, their change or cancellation, provided that the investment firm has taken all necessary and sufficient measures in accordance with its risk management rules but nonetheless cannot make a contact (via Internet, telephone, etc.) with the person, which holds clients financial instruments/money with the execution venue and/or the client.

XVI. PERSONAL DATA PROTECTION

16.1. The investment firm collects and processes personal data of the client, his directors, shareholders, employees, agents or clients as necessary, under the conditions of the Personal Data Protection Act and the General Data Protection Regulation (GDPR). Alaric Securities Privacy Policy is published on its website www.alaricsecurities.com.

16.2. The collection and processing of personal data is required by the investment firm in order to fulfill its contractual and legal obligations. In case the client refuses to provide his personal data, the investment firm will not be able to perform any activity on behalf of the client.

16.3. By accepting these General Terms and Conditions the client acknowledges and agrees that Alaric Securities may use, store or otherwise process client information and may disclose any such information (including the information about client's account balances and transactions) as either the investment firm shall be obliged to under or pursuant to any applicable law or by any regulatory authority or as may be required to provide services to the client. The client authorizes Alaric Securities, directly or through third parties, to make any enquiries that Alaric Securities considers necessary to perform the services under these General Terms and Conditions. This may include verifying the information provided by the client against third party databases.

16.4. Alaric Securities retain the client information on its computer systems or on paper files in accordance with investment firm's policies and procedures regarding the retention, handling and disposition of client information. The client information is retained as long as necessary to meet the legal, regulatory and contractual requirements. Retention period may be extended if Alaric Securities is required to preserve the information in connection with litigation, investigations and other proceedings.

16.5. To the extent provided by applicable law, the client has the right to request access to and rectification or erasure of client information; to obtain restriction of the processing of his information; to object to the processing of his information; and to data portability.

16.6. By accepting these General Terms and Conditions the client declares that, when any personal data of client's directors, shareholders, employees, agents or clients is provided to Alaric Securities, each such person is aware of and consents to the use of such data as set out in this section and the client agrees to indemnify the investment firm against any loss, costs or expenses arising out of any breach of his obligations to these persons.

16.7. Alaric Securities or other person on its behalf may use cookies or similar mechanisms to collect information about the client as part of and/in connection with the services provided by the investment firm. By accessing or using the services, the client consents to Alaric Securities to processing the information in accordance with the terms set out in the investment firm's Privacy Policy.

XVII. SETTLEMENT OF DISPUTES

17.1. The investment firm adopts Complaints handling procedure which is published on its website www.alaricsecurities.com

17.2. All disputes between the investment firm and its clients shall be settled, based on the principles of good faith and justice, by mutual agreement between the parties.

17.3. In case the parties fail to reach mutual agreement, all disputes, arising from the contract with client or related to it, including those arising from or concerning its interpretation, invalidity, performance or termination, as well as the disputes for filling gaps in this contract or its adaptation to newly established facts, shall be referred for resolution to the Court of Arbitration at the Bulgarian Chamber of Commerce and Industry in compliance with its Rules for Litigations, based on arbitration agreements.

ADDITIONAL AND FINAL PROVISIONS

§1. Alaric Securities shall announce on its website any amendments and supplements to the General terms and conditions one-month prior to effective date of these changes. If, within the above stated one-month period, the client does not expressly refuse with letter or via e-mail to accept such changes in the General Terms and Conditions, they will be considered binding for the client, with no need of further formal approval or consent by the client. In case the client has refused to accept the change, the procedure for termination of the contract, stipulated in these General terms and conditions, shall apply.

§1. These General Terms and Conditions are adopted pursuant to the requirements of art. 82, par. 3 of the MFIA on 14.05.2018 and enter into force on 20.06.2018.

CLIENTS CLASSIFICATION POLICY

The purpose of this Clients Classification Policy of Alaric Securities is to establish internal rules for classification of clients pursuant to the criteria and the requirements of the Market in Financial Instruments Act (MFIA) and Regulation No 38 on the requirements to the activities of the investment firms (Regulation No 38).

Depending on their features the clients of Alaric Securities 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 it incurs. In order to be considered a professional client, the client must comply with the following criteria.

1. Categories of client who are considered to be Professional clients in all investment services and activities and financial instruments:

1.1. Entities which are required to be authorized or regulated to operate in the financial markets. The list below should be understood as including all authorized entities carrying out the characteristic activities of the entities mentioned: entities authorized by a member state under EU Directive, entities authorized or regulated by a member state without reference to EU Directive, and entities authorized or regulated by a third country:

- (a) Credit institutions
- (b) Investment firms
- (c) Other authorized or regulated financial institutions
- (d) Insurance companies
- (e) Collective investment undertakings and their management companies
- (f) Pension funds and management companies of such funds
- (g) Commodity and commodity derivatives dealers
- (g) Locals;
- (h) Other institutional investors.

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

- (a) balance sheet total – at least EUR 20,000,000;
- (b) net turnover – at least EUR 40,000,000;
- (c) own funds – at least EUR 2,000,000.

1.3. National and regional governments, including public bodies that manage public debt on national or regional level, central banks, international and supranational institutions such as the World Bank, the IMF, the ECB, the EIB and other similar international organisations.

1.4. Other institutional investors whose main activity is to invest in financial instruments, including entities dedicated to the securitisation of assets or other financing transactions.

2. Clients who may be treated as Professional clients on request

Two of the following criteria should be satisfied:

- (a) the client has carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous four quarters;
- (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 request treatment as Professional clients subject to the following procedure:

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

(b) the investment firm must give them a clear written warning of the protections and investor compensation rights they may lose;

(c) they must state in writing, in a separate document from the contract, that they are aware of the consequences of losing such protections.

Before deciding to accept any request for waiver, investment firm is required to take all reasonable steps to ensure that the client requesting to be treated as a professional client meets the relevant requirements above.

Professional clients assets are not subject of any compensation from Investor Compensation Fund.

4. The Professional client has the right to require changes in the terms of the agreement in order to secure a higher degree of protection.

The investment firm provides a higher degree of protection of a Professional client upon his request, where the client judges that he cannot properly assess and manage the risks related to the investments in financial instruments.

The higher level of protection is provided on the basis of a written agreement between the investment firm and the client, containing the specific services, activities, transactions, financial instruments or other financial products in respect of which the client will be provided a higher level of protection.

The higher level of protection enables the client to waive the option for Professional client for the purposes of the regulations applicable to the activity of the investment firm.

II. Retail clients

Retail client is a client who does not comply with the requirements for Professional client stated above.

III. Eligible counterparty

The investment firms classifies as eligible counterparty any investment firms, credit institutions, insurance companies, UCITS and their management companies, pension funds and their management companies, other financial institutions authorised or regulated under Union law or under the national law of a Member State, national governments and their corresponding offices including public bodies that deal with public debt at national level, central banks and supranational organisations, as well as such entities from third countries.

Any entity classified as eligible counterparty by the investment firm may request expressly not to be treated as such counterparty in general or in respect of an individual transaction. In this case the investment firm shall treat the client as a professional unless the client request expressly to be treated as a retail client.

FINANCIAL INSTRUMENTS AND RISKS

The investment firm may provide investment services related to all kinds of financial instruments on the Bulgarian and foreign capital markets pursuant to MFIA, in particular:

- Securities (shares, bonds and other securities according to the definitions of Art. 2 of the Public Offering of Securities Act);
- Money Market Instruments;
- Shares of collective investment undertakings;
- Options, futures, swaps, forward contracts and other derivatives, margin contracts according to Art. 4 of MFIA.

1. Shares.

Shares are instruments that give their holders the right to ownership of a certain share of a company. Ordinary shares give their holders the right to vote at the general meeting of shareholders, entitled to dividend and liquidation share proportionate to the nominal value of the share. The preferred shares issued by public companies, may entitle to additional or guaranteed dividends, or guaranteed liquidation share or redemption privilege. Private companies may issue shares with other privileges. The preferred shares may not have voting rights. By increasing the capital of the company, the shareholders are also entitled to the right to subscribe for new shares in proportion to their holdings before the increase. Holders of shares in a company can earn income from dividend, if the company distributes such, as well as from the rise of the market price of shares.

Risk related to transactions with shares:

a) Price risk

Price risk arises from changes in the prices of certain shares, as a result of which shareholders could realize loss from re-sale of their holdings of securities. The change in the price of shares depends on the impact of various types and degrees of influence factors: net asset value of the company, financial results, reputation, supply and demand, economic conditions and forecast for development of the country and others. The issuer cannot guarantee that the price of the offered securities will retain and increase its value. It will buy back their securities in order to maintain current market prices.

b) Liquidity risk

Liquidity risk arises from the uncertainty about the presence of active market demand and supply of shares for a certain period. Poor liquidity would hamper the prevention of possible losses or realization of capital gains due to the inability to dispose of shares. This risk is relatively less in stocks that are traded on a regulated market than non-traded publicly.

c) Inflation risk

Inflation risk is likely to increase the general level of prices in the economy, due to which the purchasing power of the local currency. Inflation processes lead to a decrease in the real rate of return that investors receive. There is also an inflation risk in the purchase of instruments in foreign currency, if the general price level of the economy improved, but a company in which the investor owns shares fails to pass the increased costs to their customers by increasing prices.

d) Currency risk

The currency risk associated with shares relates to the fact that they are denominated in a foreign currency. The change in the exchange rate would alter the return that investors expect to receive, compared to the return they would receive from an investment denominated in other currencies. On the other hand, the decrease in profitability would lead to a decline in investor's interest and thus to a reduction in stock prices. Currency risk can be controlled with derivative instruments that eliminate most of the risk but also a potential profit in a favorable movement in the FX.

e) Lack of guarantee for the payment of dividends.

The financial result depends on many factors - the professional experience of the management of the issuer, the development of the market in which the issuer operates, as well as the overall economic development in the country and region. Moreover, the decision to distribute the profit as dividend is adopted by the General Meeting of

Shareholders of the Issuer. Investors should be aware that it is possible for a given year the issuer not to make profit, and even if any, the General Meeting may not adopt a decision for distribution as dividend.

e) Macroeconomic risk

This type of risk is determined by the fact that although a company may be functioning properly, operational, macroeconomic and systemic unforeseen circumstances and financial results worsen and even lead to bankruptcy. Macroeconomic risk can be reduced through diversification of the investment portfolio.

g) Risk of accounting fraud

Although the international organizations (IASB, AICPA, ICAEW, etc.) that govern auditing and accounting companies are making efforts to prevent accounting fraud and misleading data, the risk of accounting fraud still exists when trading shares.

h) Brokerage risk

Brokerage risk includes several possibilities for failure in carrying out a transaction. It is possible that the agent is not sufficiently capitalized and in a given moment cannot meet its obligations to its counterparties. There is a possibility for problems in settlement of a transaction and the transaction to be declared invalid.

2. Corporate bonds.

Corporate bonds are means of raising financial resources by the shareholders in the form of loan. The risk of each bond issue depends on the performance, financial condition and credit rating of the issuing company, as well as the presence or type of collateral at issue. Incomes from them are usually higher than income from government securities, mortgage or municipal bonds.

Risks related to bonds:

a) Credit risk

Credit risk is the risk of default in payment (interest and/or principal) or non-payment by the issuer of the due interest and/or principal on the bond on maturity. This risk is minimized when the bonds are secured; the issuer has a "clean credit history". This risk decreases proportionally with the approach of the maturity date of the bond.

b) Inflation risk

Fixed income bonds could expose to risk associated with a decrease in the profitability of investment in raising inflation. The increase in inflation reduces the purchasing power of income generated by the bonds (interest payments). Because of this bondholders should set their expectations for nominal and real inflation rate for the term of the bonds, as well as their expectations for the real return on the investment made on the basis of nominal income. Should inflation be higher than expected for the period, investors will realize a lower real income than projected. In such a situation, is a normal bond price in the secondary market to suffer a fall, as investors in the higher levels of inflation will require higher nominal return on investments in order to achieve the same or similar real returns. Inflationary risk can be limited through bonds, which are risk protected (such as US government bond), as well as through the purchase of shares.

c) Interest rate risk

Interest rate risk relates to possibility of changes of market interest rates by the central bank. The interest rates fluctuations directly affect the supply and demand of debt instruments, fixed income, due to the inverse relation between prices and bond yields. When the interest rates increases, the price of fixed income bonds decreases. Lower market interest rates bonds at a fixed price bear lower yield compared to alternative investments which is the reason investors to sell securities, which under the new conditions would be expected to be at a lower price than the acquisition price, and to seek alternatives to investing in other types of instruments. The opposite situation is in lowering market interest rates when the price of bonds with fixed income rises. In this situation, investors would benefit from increased bond yields compared to alternative options for investment and the higher price of bonds on the secondary market.

The assessment of interest rate risk for investors is a measurement of relationship between the change in the bonds prices and their profitability, indication of which is bond duration representing the level of change of the price under one basic point change in the interest rate for all terms of the maturity curve of key interest rates.

d) Liquidity risk

Liquidity risk in bonds is similar to that of shares. This risk is directly related to the liquidity on the securities market, where bonds are traded and expresses the possibility for buying or selling in the short term. Lack of liquidity in the secondary market is a serious issue for any investor whose investment horizon is shorter than the maturity of the bonds.

Because in most cases the bonds are traded outside the stock exchange and there is no ongoing assessment of their value, as for the shares, liquidity risk is higher.

e) Currency risk

Currency risk on bonds is similar to currency risk in the shares, except for the fact that the bonds are much more related to interest rates and currencies, which can make them more vulnerable to movements in volatile courses.

f) Risk of change in credit rating

Many bonds are valued by rating agencies based on the financial performance. Because of the credibility of the major rating agencies (Moody's, Standard and Poor, Fitch) changes in credit ratings can affect noticeably the price of a bond. Bond investors can be protected from the risk of sudden change in the credit rating by periodical analyses.

g) Risk of redemption

In bonds, which has a built-in option that gives the issuer the right of the issuer to redeem the bond at a given price. If the fair market value exceeds a certain price there has a risk to redeem the bond.

h) Risk of re-investment

The risk of re-investment is linked to risk of decreased interest rates and risk of redemption. If interest rates falls there is a probability the issuer to redeem the bonds in circulation and to replace them with new ones with a lower interest rate. However, at low interest the investors in bonds have to seek profitable investment for capital, which it has received through redemption.

i) Risk of bankruptcy

The risk of bankruptcy is associated with reduced risk of credit rating and credit risk. The bankruptcy of the company that issued bonds shall compensate investors with a certain portion of collateral or other assets of the company. However, there is no guarantee that such security will cover hundred percent the invested money.

3. Mortgage bonds.

Specifics of mortgage bonds are that they are secured by mortgage loans. Although the mortgage bonds are identical as risk profile to the corporate ones, the risks related to them are different because some of them have partial or full guarantee. The collateral for mortgage bonds is the real estate which value can sharply decrease in general economic crisis.

4. Government securities.

Government bonds are debt securities issued and guaranteed by the government's ability to collect taxes. Investors in government securities remain creditors of the country issuing securities to cover the short, medium or long-term needs of financial resources. Government securities may be nominated in local or foreign currency. Local currency securities have lower risk of bankruptcy because of the ability of many countries to print additional money supply, although there are cases in history when countries fail to bonds in their local currency. Government securities are considered a low-risk or risk-free financial instrument in theory.

5. Securities (bonds) issued by regional or local authorities of a country.

Such securities aimed to raise funds for the implementation of the investment program, improvements of municipal infrastructure and similar activities. Could be secured (by municipal real estate or other assets) and unsecured (only guaranteed by the reputation of the issuing municipality). In good financial situation of the municipality - issuer or collateral quality, this type of debt securities is also considered as low-risk financial instruments. In general, the risks associated to debt securities also relate to municipal bonds. Cases of bankruptcy of a municipality are rare because of government support.

6. Exchange-traded funds (ETFs).

ETFs are investment means on the main stock exchanges mainly stocks and bonds. ETF is a set or "package" of assets - stocks, bonds, futures or other instruments. Institutional investors may buy shares of the ETF against shares of the underlying assets or, conversely, to exchange shares of the underlying assets with shares of the ETF. This issue and redemption of shares enables institutions to carry out arbitrage and binding value of the ETF with total value of the underlying assets. Most ETF are attached to an index such as the Dow Jones Industrial Average or the S&P500. ETF in

the form of a collective investment scheme is traded on the securities exchange at prices close to net asset value. Thus, ETF combines the evaluation function of the mutual fund or the separate investment fund opportunities for trading, typical of the closed fund. ETF exist in the US since 1993 and in Europe since 1999. ETFs are traditionally index funds, but in 2008 the Securities and Exchange Commission of the United States had allowed actively managed ETFs. ETF allows you to easily diversify and reduce risks arising from trading only in certain shares. ETF also allows individual investors to participate in the economic growth of a particular industry or economic sector. All investments are associated with a particular type of risk and therefore ETF is no exception. Some of the risks associated with investing in the ETF are listed below:

a) Market risk

The market prices of securities and stocks of ETF are constantly changing due to the impact of many factors, such as economic situation, world events, investors' preferences and specific securities themselves. Possible market crisis and its subsequent impact on the prices of traded securities and, consequently, the prices of shares of the ETF can be considered as general market risk associated with investing in the ETF.

b) Credit risk

Credit risk relates to the inability of the issuer to make payment of principal or interest. Suspension of payment by company in which the ETF is investing, may adversely affect the value of the shares of the ETF or its ability to pay dividends. It is important to remember that equity investments (including investments in the ETF, based on equity) bear credit risk. Insofar a company, in which the ETF has invested, is in default or bankruptcy, the equity securities of this company may lose value. Thus, ETF will bear the credit risk associated with these shares.

c) the risk of incompatibility between the price of the fund and the tools in it

Although the arbitrage opportunities attract investors who by buying and selling instruments equalize the price of the fund, there is a risk that in some periods these two prices will be the same

d) Liquidity risk

Liquidity risk in the ETF is similar to shares.

e) Currency risk

Currency risk at ETF is similar to that in the shares.

7. Money Market Instruments

Money market instruments are debt securities with maturities under 1 year. They have a lower credit risk than other debt in the long maturity and are more liquid. They are used by companies and others people for short-term investments of equity.

a) Currency risk

The currency risk in money market instruments is similar to that in the shares.

b) Inflation risk

Due to the relatively low yields of these instruments there is a risk that unexpected inflation will reduce the real value of capital invested in them.

c) Price risk

Price risk arises from changes in interest rates and the credit rating of issuers of the instruments in the money market, which can reduce the price of these instruments.

8. Shares of undertakings for collective investments.

Undertakings for collective investments - mutual funds, hedge funds and other aim of pooling of investors capital to a fund managed by experienced investment professionals. Various types of collective investment undertakings have different characteristics and therefore the risks may defer, but major risks in this type of investment are the financial instruments in which to invest. The following risks (explained in detail above) apply also to collective investment undertakings.

a) Currency risk

- b) Inflation risk
- c) Price risk
- d) Liquidity risk
- e) Credit risk
- f) Risk of bankruptcy
- g) Market risk
- h) Inflation risk
- i) Risk of accounting fraud
- k) Macroeconomic risk
- l) Brokerage risk

9. Options, futures and other derivatives in accordance with Article 4 of MFIA.

Derivative financial instruments are used for speculation and hedging of risk when investing in securities., although derivatives that are considered as high-risk instruments. The main risks are:

- a) Risk of default of the counterparty.

When the derivatives are traded off-exchange, there is a risk of default of the counterparty and uncovered obligations.

- b) Currency risk
- c) Price risk
- d) Liquidity risk

Derivatives are complex financial instruments and might not be suitable for all clients.

9.1. Futures

Futures are derivative financial instruments, which incorporate the right and the obligation to purchase or sell a certain number of securities, currencies, commodities or other instruments (underlying asset), at a pre-agreed fixed price, on a given future date. Futures are standardized agreements which are traded on the exchanges.

9.2. Options

Options are derivative financial instruments, the buyer of which has the right, but not the obligation, to purchase or sell a certain number of securities, other financial instruments, or currencies, at a pre-agreed fixed price, until the expiration of a fixed term, or on a fixed date. The seller of an option has the obligation to purchase or sell the relevant underlying under the same conditions.

10. Risks from the leverage effect

When trading using leverage, the invested amount is relatively smaller to the notional value of the position in the financial instrument. In the same time the market exposure for the investor is with the magnitude of its notional value. Therefore, any market move will have a greater effect over the client's capital than if the client has opened position without leverage. The client may lose more than his initial investment. Trading with leverage involves high risk and is not suitable for all clients.