

POLICY FOR TREATMENT OF A CONFLICT OF INTERESTS

(The present Policy is included in the Internal Regulations of Investment Intermediary BULBROKERS PLC, approved by a Resolution of the Board of Directors under Minutes dated 22.02.2008 and takes effect as from 25.02.2008)

Concept of Conflict of Interests

Art.1. (1) Conflict of interests is a situation, which arises in relation to provision of investment and/or additional services by the investment intermediary and which may harm the customer's interest.

(2) Conflict of Interests shall be present, when:

1. the interests of the investment intermediary or person working under a contract with the investment intermediary may be (potential conflict) or are (specific conflict) in conflict with the interests of a customer of the investment intermediary;
2. the interests of a customer of the investment intermediary may be or are in conflict with the interests of another customer.

(3) Upon establishment of the types of conflicts of interests arising as a result from the provision of investment and/or additional services and the presence of which may harm the interest of a customer, the investment intermediary shall take into account, applying a minimal set of criteria, the circumstance whether the investment intermediary, a person working under a contract for the investment intermediary or a person directly or indirectly related to the investment intermediary via control falls into any of the following hypotheses as a result from the provision of investment and/or additional services or otherwise:

1. is able to make financial profit or avoid financial loss on account of the customer;
2. has interest in the result from the service provided to the customer or from the transaction performed on account of the customer, this interest being different from the customer's interest in the this result;
3. has a financial or another stimulus to prefer the interest of a customer or a group of customers to the interest of another customer;
4. performs the same activity as the customer;
5. receives or shall receive from a person, other than the customer, benefits in relation to a service provided to the customer, in the form of cash, commodities or services in violation of art.14 of Ordinance № 38 or other than the standard remuneration or a commission for this service.

Art.2. The investment intermediary establishes that upon provision of investment services to customers the following situations shall constitute conflict of interests, and namely where the investment intermediary or person working under a contract with the investment intermediary:

1. is able to make financial profit or avoid financial loss on account of the customer, including by recommending certain transaction to a customer or entering into such transaction in the management of a customer portfolio;
2. has interest in the result from the service provided to the customer or from the transaction performed on account of the customer, this interest being different from the customer's interest in the this result;
3. has a financial or another interest to prefer the interest of a customer or a group of customers to the interest of another customer or group of customers;
4. receives or shall receive from a person other than the customer benefits in relation to a provided service;
5. performs the same activity as the customer;
6. acquired or may acquire, or enter into a transaction on own account with financial instruments, the purchase whereof he/she/it recommends to its customers, if the customer's purchase shall result in personal benefit for the investment intermediary, respectively the person, who works under a contract with it;
7. advises a customer to buy or sell certain financial instruments, respectively decides to enter into a transaction in the course of portfolio management with financial instruments that the investment intermediary, the person working under a contract with it, or another of its customer wants to sell or buy;
8. advises a customer to buy or sell to a certain person share securities in order to exert influence on the exercising of the voting right materialized in such securities;
9. recommends the entry into, takes investment decisions in the course of portfolio management for the entry into and/or enters into transactions with financial instruments on account of a customer in such volume or frequency, at such prices or with such definite counterparty, which, given the specific circumstances may be considered being exclusively in the interest of the investment intermediary, respectively of the person working under a contract with it;
10. simultaneously or consecutively one person participates in the provision of separate investment or additional services and this harms the customer's interests;
11. there is a connection in the determination of the remunerations of different organizational units in respect of their work with customers;
12. there is an exchange of information between persons, who participate in the provision of different services for one or more customers, in respect of such customers, the orders placed by them, concluded transactions and assets held.

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The listing under par.2 is not exhaustive, as it only gives examples of some cases of conflict of interests. In the course of work of the investment intermediary other situations, which may be qualified as a conflict of interests, may occur and their settlement shall be carried out in conformity with these rules.

Principles of Treatment of a Conflict of Interests

Art.3. (1) In the provision of investment and additional services the investment intermediary shall undertake all necessary acts for management of conflicts of interests, including:

1. establishment of the potential conflicts of interests
2. avoidance of the established conflicts of interests
3. refraining from performance of activity for a customer, if still there is a risk for the interests of the customer and the investment intermediary did not inform the customer on a durable media for the general nature and/or sources of the potential conflicts of interests in such manner and to such degree as are sufficient in accordance with the customer's characteristics for the customer to make an informed decision about the investment or additional service, in relation to which conflict of interests occurs.

(2) In order to avoid conflicts of interests the persons working under a contract for the investment intermediary shall be bound to observe the following principles:

1. avoidance of conflicts – the investment intermediary and the persons working for it must not put themselves in a situation where a conflict of interests with a customer of the investment intermediary may take place or takes place, and if it happens, the customer's interests must always prevail.
2. equal and fair treatment and loyalty to the customers – the investment intermediary and the persons working for it must not put themselves in a situation, where the interest of a customer may enter into a conflict with the obligations to another customer;
3. confidentiality – the investment intermediary and the persons working for it must not use in their favour or in favour of any other person, including another customer, the information received in the course of performance of acts for a customer.

Treatment of a Conflict of Interests

Art.4. (1) The methods for avoidance of the occurrence of a conflict of interests, or when such conflict has already arisen, for ensuring of fair and equal treatment of all customers, shall be:

1. full and advance disclosing of information for potential and specific conflicts of interests by the persons working under a contract for the investment intermediary;
2. refusal to act upon occurrence of a conflict of interest in the cases, when the principles specified hereinabove may not be observed;
3. non-admission of simultaneous or consecutive participation of one person in the provision of separate investment or additional services or performance of several functions, when such performance of several functions may be prejudicial to the proper management of the conflicts of interests;
4. exchange of information (for financial capacities of customers, portfolio structure, investment intentions, prepared but not disseminated recommendations or investment consultations, etc.), which may give rise to a conflict of interests or be prejudicial to the interests of a customer, between different employees and organizational units, shall only be carried out in compliance with the requirements established in these rules, as upon establishment of a conflict of interests the Head of the Internal Control Department shall be notified thereof and shall exert control over the exchange of such information;
5. lack of direct connection between the remuneration of the persons performing mainly one activity and the remuneration of the persons performing mainly another activity for the investment intermediary or the incomes made by the latter, if there may occur a conflict of interests in relation to these activities;
6. fair determination of the employment salary and of all additional payments to the persons working under a contract for the investment intermediary in a manner that does not create conditions for bad faith performance of the functions appointed to these persons;
7. separate control over the persons, whose main functions include the provision of services on behalf of and/or on account of customers or the provision of services to customers, when a conflict may arise between the interests of the customers, or which otherwise constitute different conflicting interests, between which a conflict may arise, including the interest of the investment intermediary.

(2) For effective management of the conflicts of interests the investment intermediary establishes the following requirements:

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1. disclosure of information by the persons working under a contract with the investment intermediary for the financial instruments held by them and persons related to them, participations in companies' authorities and other circumstances established by the Board of Directors;

2. strict observance of the restrictions and requirements for access to and exchange of information set forth in these rules;

3. disclosure of a conflict of interests arisen in respect of a person working under a contract for the investment intermediary and refraining from acts in relation to services in respect of which such conflict arises.

Art.5. (1) In the cases, when the investment intermediary prepares or organizes the preparation of investment surveys designated for dissemination or which are possible to be disseminated later in public or among the customers of the investment intermediary, the investment intermediary shall on responsibility of the investment intermediary apply all measures provided for in art. 75, par. 3 of Ordinance № 38, for treatment of conflicts of interests in respect of the financial analyzer participating in the preparation of the survey and of other persons working under an investment intermediary contract, whose responsibilities or business interests may enter into a conflict with the interests of the persons, to whom the investment survey is provided.

(2) In the cases under par.1 the investment intermediary shall also ensure the observance of the following additional conditions:

1. the financial analyzer and the other persons working under an investment intermediary contract must not enter into personal transactions or transactions on account of another person, including for the investment intermediary, with financial instruments, to which the investment survey refers, or with financial instruments related thereto, with the knowledge of the probable moment of announcement or of the contents of the investment survey; the first sentence shall apply when the investment survey is not sufficient for the public or for the customers and may not be easily made on the grounds of information accessible to the public or customers; the prohibitions under the first sentence shall apply until a reasonable opportunity is provided to the addressees of the investment survey to act in accordance with it; the prohibition under the first sentence shall not apply to the market-makers who act in good faith and in the course of normal performance of such activity, as well upon the execution of customer's orders placed upon their initiative;

2. apart from the cases under item 1 the financial analyzer and the other persons working under an investment intermediary contract and participating in the preparation of the investment survey must not perform personal transactions with financial instruments, to which the investment survey refers, or with financial instruments related to them, in conflict with recommendations given in the period for which they are valid, except in case of exceptional circumstances and with the preliminary approval of a person from the internal control department or from the legal department of the investment intermediary;

3. the investment intermediary, the financial analyzer and the other persons working under a contract for the investment intermediary and participating in the preparation of the investment survey may not receive remuneration, commissions or in-kind benefits in violation of art. 14 of Ordinance № 38 from persons having a significant interest in relation to the subject-matter of the investment survey;

4. the investment intermediary, the financial analyzer and the other persons working under a contract for the investment intermediary and participating in the preparation of the investment survey may not promise to the issuers, that it refers to, their favourable presentation in the survey;

5. issuers, all persons working under a contract for the investment intermediary, except the financial analyzer, as well as all other persons must not have the right prior to the dissemination of the investment survey to review the draft thereof in order to establish the veracity of the facts presented in the survey or for any other purpose, except in order to verify the fulfillment of the legal obligations of the investment intermediary, if the draft includes recommendation or expected price.

(3) A related financial instrument within the meaning of par.2 shall be a financial instrument, whose price is directly influenced by the changes in the price of another financial instrument, which is an object of the investment survey, including a derivative instrument of this other financial instrument.

(4) The requirements under par.1-3 shall not apply, when the investment intermediary disseminates publicly or among its customers investment surveys prepared by another person, if the following conditions are met:

1. such investment survey is prepared by a person that is not a member of the group, to which the investment intermediary belongs;

2. such investment intermediary does not change significantly the recommendations contained in the investment survey;

3. such investment intermediary does not present the investment survey as prepared by it;

4. the investment intermediary certifies that in respect of the person that prepared the investment survey the requirements provided for in this ordinance in respect of the preparation of this survey apply or this person established and applies a policy establishing the same requirements.

(5) An investment survey within the meaning of par.1-4 is an examination or other information containing a direct or indirect recommendation or proposal for investment strategy about one or more financial instruments or about the issuers of

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financial instruments, including an opinion about the present or future value or price of such instruments, designated for distribution channels or for the public, in respect of which the following conditions are present:

1. the information is determined or described as an investment survey or under similar conditions or otherwise is presented as objective and independent explanation of the issues contained in the recommendation;

2. if the recommendation is presented by the investment intermediary to an investment intermediary's customer, it must not represent provision of investment consultation.

(6) A recommendation within the meaning of the Measures against Market Abuse of Financial Instruments Act, which refers to financial instruments within the meaning of art.3 of the Markets in Financial Instruments Act and does not satisfy the conditions of par. 5 shall be considered as advertising materials for the purposes of the Markets in Financial Instruments Act and the investment intermediary that prepares or disseminated this recommendation must have clearly determined it as such, as well as to include in the recommendation a clear and explicit statement that it is not prepared in compliance with the legal requirements ensuring the independence of the investment survey and that it is not a subject of any prohibition for entry into of transactions prior to dissemination of the investment survey.

Art.6. The investment intermediary shall keep and update information for the types of investment or additional services or investment activities performed by the investment intermediary or on account thereof, whereupon in the process of performance of the service or activity a conflict of interests arises or may arise, which results in significant damaging of the interest of a customer or customers of the investment intermediary.