



**Euro  
Finance**  
Member of Eurohold

# Customer Categorization Procedure

This document sets out the policy, criteria and procedure on the basis of which investment firm EURO-FINANCE AD categorises its clients as retail, professional or eligible counterparty in accordance with the requirements of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (MIFID II), Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and the definitions for the purposes of said Directive/Delegated Regulation (EU) 2017/565/and the Markets in Financial Instruments Act (MiFID).

EURO-FINANCE AD categorises its customers as retail, professional or eligible counterparty as follows:

**I. Professional clients:** Professional clients: A professional client is a client who has experience, knowledge and skills to make investment decisions independently and to properly evaluate the risks associated with investing and who meets the criteria set out in the Annex to the Markets in Financial Instruments Act.

1. On its own initiative EURO-FINANCE AD will categorise the following categories of clients as professional in respect of all investment services and activities and financial instruments, whenever not explicitly requested otherwise:

1.1. All persons who require authorisation to carry on business on financial markets or whose activities on those markets are otherwise regulated by the national law of a member state, irrespective of whether it complies with a Union Directive, and persons authorised to pursue those activities or otherwise regulated by the law of a third country, as follows:

- Credit institutions
- Investment firms
- Other financial institutions which are subject to authorisation or otherwise regulated
- Insurance companies
- Collective investment undertakings and their management companies
- Pension funds and pension insurance companies
- Persons who trade on their own account in commodities or commodity derivatives
- Local firms
- Other institutional investors

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

- A balance sheet figure of at least the BGN equivalent of EUR 20 000 000
- A net turnover of at least the BGN equivalent of EUR 40 000 000
- Own funds - at least the BGN equivalent of EUR 2 000 000

1.3. National and regional public authorities, public bodies involved in the management of public debt, central banks, international and supranational institutions such as the World Bank, the International Monetary Fund, the European Central Bank, the European Investment Bank, and other similar international organisations.

1.4. (As amended by decision of the Board of Directors as per Minutes No. 365 dated 22.04.2020)  
Other institutional investors whose principal activity is investment in financial instruments, including entities that engage in asset securitisation or other financing transactions.

1.5. To categorize clients under item 1.1. - 1.4 as professional EURO-FINANCE AD relies on publicly available information (including on the internet), public registers, official documents such as licenses, permits, etc., and for the customers under 1.2 above, and on available financial statements. Where publicly available information is insufficient, at the discretion of the Head of the Regulatory Compliance Unit, EURO-FINANCE AD may request additional information from the client. Until the relevant information is received, such a client will be treated as a retail client.

2. (as amended by decision of the Board of Directors as per Minutes No. 394 dated 14.10.2021)  
EURO-FINANCE AD may also categorise as a professional client in respect of all investment services and activities and financial instruments, or in respect of certain investment services and activities and financial instruments, any other person who has the experience, knowledge and skills to make investment decisions independently and properly assess the risks associated with the investment, who requests to be categorised as a professional client and who meets at least two of the following criteria:

- The person has, on average, executed 10 trades per quarter of significant volume in a relevant market during the preceding 4 quarters.
- The value of the person's investment portfolio, which includes financial instruments and cash, exceeds the BGN equivalent of EUR 500 000.
- The person works or has worked in the financial sector for at least one year in a position requiring knowledge of relevant transactions or services.

A transaction in contracts for difference shall be deemed by EURO-FINANCE AD to be of significant volume if it has a notional amount greater than or equal to EUR 50 000 where the transaction is in contracts for difference in currencies, indices or commodities and EUR 10 000 where the transaction is in contracts for difference on shares. In respect of all financial instruments that are not leveraged, EURO-FINANCE AD assumes that a transaction in such financial instruments is of significant volume if it has a value of more than or equal to EUR 50 000.

3. In case the persons referred to in item 2 wish to be categorised as professional, EURO-FINANCE AD shall apply the following procedure:

- Clients must request in writing to EURO-FINANCE AD (Annex No 1) to be treated as professional clients generally or in respect of certain investment services or transactions, or in respect of a particular type of transaction or investment product, and they must certify to EURO-FINANCE AD by submitting documents, declarations, etc. that they meet at least two of the criteria set out in item 2.
- EURO-FINANCE AD shall assess the knowledge and experience of the client in terms of whether the client can make investment decisions and take on the risks associated with the specific transactions and services /Service Relevant Assessment template/. The assessment shall be carried out in relation to the persons who manage and represent the client or who are entitled to carry out the relevant transactions on behalf and for the account of the client.
- EURO-FINANCE AD shall warn the client in writing that the client will not benefit from the relevant protection in the provision of services and activities by the investment firm, as well as from the

right to be compensated by the Financial Instruments Investor Compensation Fund, in the event that the client is designated as a professional client generally or in relation to certain investment services or transactions or a certain type of transaction or investment product.

- The client shall declare in a document separate from the contract that he has been informed of the consequences of the preceding point. A specific document for this procedure and policy shall be drawn up to implement the provisions of this and the previous two sub-clauses.
  - Before deciding to treat a client as a professional client, EURO-FINANCE AD shall take the necessary steps to make sure that the client meets the requirements of item 2.
  - EURO-FINANCE AD shall adopt a decision whether to classify a client as a professional client.
  - EURO-FINANCE AD may refuse to categorise as professional a client who formally meets the criteria set out in item 2 but after the assessment has been carried out the Regulatory Compliance Unit Manager considers that the client does not have sufficient experience, knowledge and skills to make investment decisions independently and to properly assess the risks associated with investing.
4. Professional clients are responsible for informing EURO-FINANCE AD of any change that could affect their categorisation. However, if the investment firm becomes aware that the client no longer meets the original conditions under which they were categorised as a professional client, the investment firm shall take appropriate steps to recategorize the client as a retail client.
5. (as amended by decision of the Board of Directors as per Minutes No. 365 dated 22.04.2020) Each professional client shall have the right to request to be categorised as a retail client in order to get a higher level of protection should the client consider that it lacks the experience, knowledge and skills to make investment decisions independently and to properly manage and evaluate the risks associated with investing in financial instruments. The higher level of protection shall be provided on the basis of a written request and agreement between the investment firm and the client /Annex No. 2/, provided that such an agreement has been reached, specifying expressly if the client will be treated as a retail client and provided with a higher level of protection in respect of all investment services and activities and financial instruments or in respect of specific services, activities and financial instruments. A person who meets the criteria for a professional client under items 1.1 - 1.4 above shall be obliged to request a higher level of protection if he considers that it is impossible for him to properly assess or manage the risks associated with the investment.

## **II. Retail clients**

1. EURO-FINANCE AD categorises as non-professional all clients who do not meet the criteria and conditions in Section I, item 1 for categorisation as professional and the criteria and conditions in Section III for categorisation as an eligible counterparty.

## **III. Eligible counterparty**

1. EURO-FINANCE AD will consider and treat as an eligible counterparty any investment firm, credit institution, insurance company, collective investment scheme, management company, pension insurance company, pension fund, pension insurance company, other financial institutions licensed or regulated by the laws of the European Union and member states, national governments, public authorities that manage public debt, central banks and international

institutions, and such third-country entities to which requirements equivalent to those of EU law apply.

2. Other persons that meet the requirements set out in Art. 71 of Delegated Regulation (EU) 2017/565, including persons from third countries, may also be considered as eligible counterparties.
3. Any person designated as an eligible counterparty under this law may expressly request not to be so treated in full or for a specific transaction.
4. Where an eligible counterparty requests to be treated as a client whose business relationship with EURO-FINANCE AD is subject to Articles 24, 25, 27 and 28 of Directive 2014/65/EU, the request shall be made in writing /Attachment 3/ and shall indicate whether the treatment as a retail client or as a professional client applies to one or more investment services or transactions or to one or more types of transactions or products.
5. Where an eligible counterparty requests treatment as a client whose business relationship with EURO-FINANCE AD is subject to Articles 24, 25, 27 and 28 of Directive 2014/65/EU but does not explicitly request treatment as a retail client, EURO-FINANCE AD shall treat that eligible counterparty as a professional client.
6. Where an eligible counterparty explicitly requests treatment as a retail client, EURO-FINANCE AD shall treat the eligible counterparty as a retail client applying the provisions in respect of requests for retail client treatment set out in paragraphs 2, 3 and 4 of Section I of Annex II to Directive 2014/65/EU.
7. (as amended by decision of the Board of Directors as per Minutes No. 365 dated 22.04.2020) EURO-FINANCE AD, as an intermediary providing investment services under Art. 6 para 2, items 1, 2 and 3 of the Markets in Financial Instruments Act, may carry out or enter into transactions with an acceptable counterparty without complying with the requirements of Art. 71 para 1, Articles 72, 73, 74, 77, 78, 82, 84, 85, 86 and 87 of the Markets in Financial Instruments Act in respect of the specific orders or ancillary service concerned directly related to those orders.
8. In the case of an order from a client who is established in another jurisdiction, EURO-FINANCE AD shall take into account whether the client is designated as an eligible counterparty under the law of the country in which the client is established.
9. When entering into a transaction with or for an eligible counterparty under items 8 and 14, EURO-FINANCE AD shall have the explicit confirmation from the person that it agrees to be treated as an eligible counterparty. The client's confirmation may be given in the form of a an agreement in principle or on a transaction by transaction basis.

#### **IV. General provisions**

1. EURO-FINANCE AD shall notify new clients and existing clients that it has re-categorised in accordance with the requirements of Directive 2014/65/EU, of their categorisation as retail client, professional client or eligible counterparty.

2. EURO-FINANCE AD may, on its own initiative or at the request of the relevant client, treat the client as follows:
  - treat a client who would otherwise be categorized as an eligible counterparty, for one or more investment services or transactions, or for one or more types of transactions or products, as a professional or retail client.
  - treat a client who is considered a professional client under Section I, item 1 for one or more investment services or transactions, or for one or more types of transactions or products, as a retail client.

## **V. Final provisions**

1. This Procedure and Policy is adopted on the basis of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, Delegated Regulation (EU) 2017/565 and the Markets in Financial Instruments Act.
2. This Procedure and Policy has been adopted by decision of the Board of Directors of EURO-FINANCE AD in accordance with Minutes No. No. 330 of 16.05.2018 and shall take effect on the date of its adoption. It repeals the Customer Classification Procedure and Policy in force at the time of its adoption. This Procedure and Policy has been adopted by a decision of the Board of Directors of EURO-FINANCE AD in accordance with Minutes No. 365 dated 16.05.2018 and Minutes No. 394 dated 14.10.2021 and shall enter into force on the date of adoption.
3. This Procedure and Policy is provided for information and implementation by the employees of EURO-FINANCE AD and other persons working under contract for it. This Procedure and Policy is also applicable by tied agents appointed by the investment firm.
4. In the event that clients of EURO-FINANCE AD have been categorized as professional in terms of parameters and procedure similar to those under this Procedure and Policy, the legal relationship with those clients and the investment firm will not be affected and EURO-FINANCE AD may not carry out a reclassification of these clients.
5. The Board of Directors of EURO-FINANCE AD shall review and assess the compliance of this Procedure and Policy with the services and activities performed by the investment firm at least once a year by 31 January, and shall adopt amendments to it in case of deficiencies and/or the need to improve the internal organisation. Notwithstanding the requirement of the preceding sentence, the Board of Directors shall adopt amendments to this Procedure and Policy and as and when the need for such amendments is identified.

**Annex No. 1**

**REQUEST TO CHANGE THE CATEGORISATION OF A CLIENT FROM RETAIL TO PROFESSIONAL**

I, the undersigned,

<b>Company name/Name</b>	<b>UIC/Civil ID No.</b>	<b>Client number</b>
<b>Representative</b>	<b>UIC/Civil ID No.</b>	<b>Client number</b>

I am aware of my initial categorisation as a retail client by EURO-FINANCE AD. In view of the possibility of change in this classification, subject to certain conditions, I am requesting, on my own initiative, to be treated as a **professional client** by EURO-FINANCE AD:

- ☐ Generally, in respect of all investment services and activities, transactions or investment products.
- ☐ In respect of a particular type of investment service or transaction, or in respect of a particular type of transaction or investment product:
  - ☐ .....
  - ☐ .....
  - ☐ .....

**I declare that I meet at least two of the following three conditions, namely (please tick):**

- ☐ I have, on average, executed 10 trades per quarter of significant volume in a relevant market during the preceding 4 quarters.
- ☐ The value of my investment portfolio, which includes financial instruments and cash, exceeds the BGN equivalent of EUR 500 000.
- ☐ I work or have worked in the financial sector for at least one year in a position that requires knowledge of the transactions and services provided to me by EURO-FINANCE AD.

**Warning!** In relation to this request EURO-FINANCE AD warns you that if you are categorised as a professional client, you will not benefit from the high level of protection afforded to retail clients in the provision of investment services and activities by the investment firm:

1. EURO-FINANCE AD will not be obliged to provide you with information intended for retail clients in respect of the investment services you use and in respect of your investments.
2. EURO-FINANCE AD will assume that you have sufficient experience, knowledge and skills to make investment decisions independently and to understand the risks associated with the relevant investment service or product. EURO-FINANCE AD will assume that you have the financial capacity to bear all the investment risks associated with your investment objectives.
3. EURO-FINANCE AD will not be obliged to put the total cost of a transaction first as the most important factor in achieving "best execution" under the Policy for Execution of Client Orders.
4. EURO-FINANCE AD will not be obliged to inform you of any significant difficulties encountered in the correct and prompt execution of your orders.
5. EURO-FINANCE AD shall be entitled to provide you with regular extracts with information about your transactions less frequently than retail clients.
6. In the event of the insolvency of EURO-FINANCE AD, you will not be compensated by the Investor Compensation Fund as compared to retail investors.

**I declare that I have been advised by EURO-FINANCE AD and acknowledge that in the event that I am categorised as a professional client, I will not benefit from the high level of protection offered to retail clients in the provision of investment services and activities by the investment firm:**

1. EURO-FINANCE AD will not be obliged to provide me with information intended for retail clients in respect of the investment services I use and in respect of my investments.
2. EURO-FINANCE AD will assume that I have sufficient experience, knowledge and skills to make investment decisions independently and to understand the risks associated with the relevant investment service or product. EURO-FINANCE AD will assume that I have the financial capacity to bear all the investment risks associated with my investment objectives.
3. EURO-FINANCE AD will not be obliged to put the total cost of a transaction first as the most important factor in achieving "best execution" under the Policy for Execution of Client Orders.
4. EURO-FINANCE AD will not be obliged to inform me of any significant difficulties encountered in the correct and prompt execution of my orders.
5. EURO-FINANCE AD shall be entitled to provide me with regular extracts with information about my transactions less frequently than retail clients.
6. In the event of the insolvency of EURO-FINANCE AD, I will not be compensated by the Investor Compensation Fund as compared to retail investors.



I am aware that I am obliged to notify EURO-FINANCE AD of any change in the information used as the basis for my designation as a professional client and that EURO-FINANCE AD may request additional information and/or documents in order to categorise me as a professional client.

I provide the following documents and information:

1. ....
2. ....
3. ....

Date: .....

Office: .....

EURO-FINANCE AD: .....

(name and signature)

CLIENT: .....

(name and signature)

**Based on the information provided by the client and the request submitted by the client to be categorized as a professional client, EURO-FINANCE AD acknowledges that:**

☐ **The client can be categorised as professional:**

- Generally, in respect of all investment services and activities, transactions or investment products.
- In respect of a particular type of investment service or transaction, or in respect of a particular type of transaction or investment product, as follows:

.....  
.....  
.....

☐ **The client can be categorised as professional for the following reasons:**

- .....
- .....
- .....

Date: .....

Office: .....

EURO-FINANCE AD: .....

(name and signature)

CLIENT: .....

(name and signature)

**Annex No. 2**

**REQUEST AND AGREEMENT TO CHANGE THE CATEGORISATION OF A CLIENT**

**FROM PROFESSIONAL TO RETAIL CLIENT**

The undersigned,

<b>Name</b>	<b>UIC</b>	<b>Client number</b>
<b>Representative</b>	<b>UIC</b>	<b>Client number</b>

I am aware of my categorisation as a professional client by EURO-FINANCE AD. In view of the possibility of change in this classification and in order to benefit from a higher level of protection, I hereby request to be treated by EURO-FINANCE AD as:

☐ **Retail client**

- Generally, in respect of all investment services and activities, transactions or investment products.
- In respect of a particular type of investment service or transaction, or in respect of a particular type of transaction or investment product, as follows:

.....

.....

.....

I believe that I do not have the experience, knowledge and skills to make independent investment decisions and to properly manage and evaluate the risks associated with investing in financial instruments.

Date: .....

Office: .....

EURO-FINANCE AD: .....

(name and signature)

CLIENT: .....

(name and signature)

**On the basis of the client's request for a change of categorisation and after assessing his experience, knowledge and ability to make independent investment decisions and to properly manage and assess the risks associated with investing in financial instruments, EURO-FINANCE AD:**

☐ **Categorises the client as a retail client:**

- Generally, in respect of all investment services and activities, transactions or investment products.
- in respect of a particular type of investment service or transaction, or in respect of a particular type of transaction or investment product, as follows:

.....  
.....  
.....

☐ **Refuses to categorize the client as a retail client:**

- Generally, in respect of all investment services and activities, transactions or investment products.
- in respect of a particular type of investment service or transaction, or in respect of a particular type of transaction or investment product, as follows:

.....  
.....  
.....

For the following reasons:

.....

.....

.....

Date: .....

Office: .....

EURO-FINANCE AD: .....

(name and signature)

CLIENT: .....

(name and signature)

**Annex No. 3**

**REQUEST TO CHANGE THE CATEGORISATION OF A CLIENT**

**FROM AN ELIGIBLE COUNTERPARTY TO PROFESSIONAL OR RETAIL CLIENT**

The undersigned,

<b>Name</b>	<b>UIC</b>	<b>Client number</b>
<b>Representative</b>	<b>UIC</b>	<b>Client number</b>

I am aware of my initial categorisation as an eligible counterparty by EURO-FINANCE AD. In view of the possibility of change in this classification and in order to benefit from a higher level of protection, I am requesting, on my own initiative, to be treated by EURO-FINANCE AD as:

☐ **Professional client**

- Generally, in respect of all investment services and activities, transactions or investment products.
- In respect of a particular type of investment service or transaction, or in respect of a particular type of transaction or investment product, as follows:

.....

.....

.....

☐ **Retail client:**

- Generally, in respect of all investment services and activities, transactions or investment products.
- In respect of a particular type of investment service or transaction, or in respect of a particular type of transaction or investment product, as follows:

.....

.....

.....

Date: .....

Office: .....

EURO-FINANCE AD: .....

(name and signature)

CLIENT: .....

(name and signature)

**Based on the client's request for a change in categorization, EURO-FINANCE AD categorizes the client as:**

☐ **Professional:**

- Generally, in respect of all investment services and activities, transactions or investment products.
- In respect of a particular type of investment service or transaction, or in respect of a particular type of transaction or investment product, as follows:

.....

.....

.....

☐ **Retail:**

- Generally, in respect of all investment services and activities, transactions or investment products.
- In respect of a particular type of investment service or transaction, or in respect of a particular type of transaction or investment product, as follows:

.....

.....

.....

Date: .....

Office: .....

EURO-FINANCE AD: .....

(name and signature)

CLIENT: .....

(name and signature)





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