

# Information document concerning the order execution policy of United Bulgarian Bank AD

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# Information document concerning the order execution policy of UBB AD

## A. PROVISIONS COMMON TO ALL ORDERS RELATIVE TO FINANCIAL INSTRUMENTS

### 1. Context

#### 1.1. Purpose of this document

UBB AD has a policy on the execution of orders enabling it to consistently attain the best possible result for its clients' orders. In conjunction with this, UBB AD implements rules contained in the European Markets in Financial Instruments Directive (MiFID) and the provisions by which those European rules have been transposed into Bulgarian Market in Financial Instruments Act.

The order execution policy applies to both retail and professional clients.

In this information document, clients will find the essential information concerning the order execution policy of UBB AD.

Within UBB AD orders can be executed only by certified broker/ trader in "Markets and investment banking" Directorate. Only orders for UCI are executed by transfer agent for the relevant asset Management Company

Orders can be accepted by authorized front-office employees or via electronic platform.

#### 1.2. What is "Best Execution"?

Executing orders under the conditions that favor the client the most is what is known as "best execution". This does not mean that the best possible result has to be achieved for each single execution but it does mean that UBB AD has and applies a policy to consistently strive for the best possible result for its clients' orders

UBB AD takes adequate measures to achieve this, lays down effective rules and upholds them.

With regard to the execution of an order, various factors are of relevance, such as price, cost, speed, likelihood of execution, and settlement, size and nature of the order. To determine the best possible result UBB AD proceeds on the basis of the total consideration that the client has to pay, meaning that the price of the financial instrument and the costs of execution are the decisive factors. The other factors will only take priority insofar as they contribute to a better overall consideration.

This procedure applies to all financial instruments that fall within the scope of application of the MiFID rules.

#### 1.3. Difference between UBB AD executing orders itself and submitting orders to others

UBB AD, "Markets and investment banking" Directorate executes some orders itself and can submit some orders to another party, or "Broker" for execution. UBB AD executes orders in one of the following ways:

- By executing the order directly on a Regulated Market, MTF or OTF;
- By executing the order with other liquidity providers, including systematic internalizers; or
- By dealing on own account, where we execute your order against our own book.,

UBB AD, "Markets and investment banking" Directorate selects the Execution Venue taking into account the relevant factors as set out in 1.2. However, if the financial instrument can be traded on only one Execution Venue, UBB AD, "Markets and investment banking" Directorate complies with its "Best Execution" obligation by executing the order on that Execution Venue. If the financial instrument can be traded on two or more Execution Venues, UBB AD can still opt to include a single Execution Venue in its policy if it reasonably expects that that Execution Venue will at least consistently deliver results as good as those that it can reasonably expect from other Execution Venues. Annex 2 contains a list of the most important Trading Venues. UBB AD, "Markets and investment banking" Directorate may use a Trading Venue that is not included in the order execution policy, for instance when executing an order for a financial instrument in which UBB AD does not usually deal.

#### 1.4. Specific client instructions

If the client gives a specific instruction, UBB AD, "Markets and investment banking" Directorate executes the specific instruction. In this information document, clients will find the instructions that UBB AD, "Markets and investment banking" Directorate regards as specific instructions.

It is possible that a specific instruction might not allow UBB AD, "Markets and investment banking" Directorate to take all steps for execution of those orders and with respect to the aspects to which the specific instruction relates that it has set down in its order execution policy for consistently achieving the best possible result.

### 2. Supervision, revision and amendments

UBB AD monitors the effectiveness of its order execution regulations and policy in order to identify possible shortcomings and, where necessary, to rectify them.

UBB AD reviews its order execution regulations and policy at least once a year and any time there is a major change having an effect on the possibility of consistently achieving the best possible result for its clients' orders.

UBB AD will adjust this information document if there are material changes in the order execution regulations or policy. Any client may get a copy of this information document at any UBB AD branch. The document is also available on UBB AD's website ([www.ubb.bg](http://www.ubb.bg)).

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## 3. Consent

### 3.1. **Concurrence with the order execution policy**

By placing an order with UBB AD, clients declare that they agree with UBB AD's order execution policy.

### 3.2. **Consent for execution of orders other than on a trading platform**

UBB AD's order execution policy provides for the possibility that it can execute orders other than on a Trading Venue where this is permitted by law. In that case, counterparty exposure can arise due to the order not being executed through the intermediation of a central counterparty. Clients give their express authorization in this regard.

## 4. Further information and contact details

Clients can get more information about financial products, order execution, the order execution policy, etc. at UBB AD's Head Office (Markets and Investment Banking Directorate).

## B. **ORDERS FOR SHARES AND FINANCIAL INSTRUMENTS INCLUDED THEREIN**

### 1. Ambit

In this part of the information document, clients find essential information on the execution of orders for shares and other financial instruments that, under the order execution policy, are treated the same way as shares. Those other financial instruments include listed structured products including exchange traded notes (ETNs), exchange traded funds (ETFs), units in real estate closed- end funds.

Whenever reference is made to the word "shares" in this information document, the provisions also apply to other financial instruments.

### 2. UBB AD's procedure

#### 2.1. **General procedure**

UBB AD offers one Trading Venue for the execution of orders in shares: **The Bulgarian Stock Exchange**.

If the size of the order could disrupt the market, UBB AD will take appropriate measures.

#### 2.2. **Orders with a specific instruction regarding the Trading Venue**

The client can instruct UBB AD to execute the order on a specific Trading Platform. The Trading Platforms that the client can choose are limited. Per order, the client receives information on the possibility of choosing a Trading Platform.

### 3. Types of orders<sup>1</sup>

#### 3.1. **Market orders**

Market orders are orders that are executed at the next following price on the market regardless of the level of that price. Partial executions at different prices are therefore possible.

The price at which the market order is executed can differ greatly from the last known price at the time when the client gives the market order. Market orders thus offer the client no certainty as to the price at which the order is executed. However, execution of the order is still more likely than if the client issues a specific instruction regarding the price.

#### 3.2. **Orders with a specific instruction regarding price**

The client can give UBB AD, "Markets and investment banking" Directorate the following specific instructions regarding price.

##### *Limit orders*

Clients are able to issue limit orders, which means that they set the maximum purchase price or minimum selling price. Limit orders are therefore executed at a specific limit or better.

Limit orders offer clients more certainty about the price at which the order is executed, but the price has to reach the limit and the order has to come within the useful range in the order book in order to be executed. For this reason, a limit order is less likely to be executed than a market order.

UBB AD in accordance with its order execution policy makes public a limit order that is not immediately executable (a "passive limit order") by entering the limit order on the Regulated Market.

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<sup>1</sup> Insofar as UBB AD allows this type of order for the relevant share.

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## 4. Validity of orders

Market orders are only valid on the trading day on which the order is entered. Once the Venue closes, the order automatically lapses if it has not yet been executed.

Limit orders are valid for up to one year unless otherwise provided in the rules of the Bulgarian Stock Exchange. Clients can issue specific instructions stipulating a shorter validity period. Giving specific instructions regarding validity does not affect the steps that UBB AD, "Markets and investment banking" Directorate takes to achieve the best possible result.

## C. **ORDERS IN DEBT INSTRUMENTS**

### 1. **Ambit**

In this part of the information document, clients find essential information about the execution of orders for debt instruments. These include bonds, government bonds and structured debt instruments.

### 2. UBB AD's procedure

UBB AD, "Markets and investment banking" Directorate typically executes client orders by dealing on its own account. In such a case, UBB AD is executing orders outside a trading venue (OTC).

Under certain circumstances, depending on the securities, UBB AD, "Markets and investment banking" Directorate may also make use of other execution venues, e.g. to execute an order that is not typical for UBB AD.

Execution venues used by UBB AD:

- a) UBB AD (OTC);
- b) Bloomberg MTF (Multilateral Trading Facility), EBND;
- c) Regulated market – Bulgarian Stock Exchange

As regards bonds, UBB AD approaches executing orders from retail and professional clients in the same way.

When a client (retail or professional) calls to leave an order for buying or selling of bonds, UBB AD, "Markets and investment banking" Directorate may decide, at its discretion, whether to go on the Bloomberg platform BMTF and asks for prices from different parties either in a competition way or directly with the best price provider or to go OTC and checks for prices with one or more parties separately. After price is obtained UBB AD, "Markets and investment banking" Directorate propose it to the client. The client's agreement with the proposed price must be confirmed immediately. In the absence of a confirmation, the order is cancelled.

In case of BMTF, the execution happens with the party that provides the best price during a pre-set period of time or directly with the best price that is on screen if this price is executable.

In case of OTC, the execution happens in a negotiable manner. The second option is especially applicable when there is lack of liquidity on the specific bond market. The crucial factors, i.e. liquidity, price and costs, are considered when executing the client's order in this manner.

The client expressly agrees that the client's order may be executed on an OTC market under the conditions specified above for liquidity.

## 3. Types of orders

### 3.1 **Market orders**

Market orders are orders that are executed at the market price regardless of the level of that price.

The price at which the market order is executed can differ from the indicative price at the time when the client gives the market order. Market orders thus offer the client no certainty as to the price at which the order is executed. However, execution of the order is still more likely than if the client issues a limit order.

### 3.2. **Limit orders**

Clients are able to issue limit orders, which means that they set the maximum purchase price or minimum selling price. Limit orders are therefore executed at a specific limit or better.

Limit orders offer clients more certainty about the price at which the order is executed, but the price has to reach the limit for the order to be executed. For this reason, a limit order is less likely to be executed than a market order.

Limit orders imply a specific instruction regarding price. As a result, UBB AD, "Markets and investment banking" Directorate may not be able to take all steps to consistently obtain the best possible result.

## 4. Validity of orders

Market orders given on working day are valid until the end of that working day.

Limit orders are good until the order is executed or the client cancels the order (OTC and BMTF) or valid for twelve months if executed on a Regulated Market, unless otherwise provided in the rules of the Regulated Market. Clients can issue specific instructions stipulating a shorter validity period. Giving specific instructions regarding validity does not affect the steps that

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UBB AD, "Markets and investment banking" Directorate takes to achieve the best possible result.

## D. ORDERS FOR UNITS IN UCIs

UBB AD will always transmit orders for units in UCIs managed by a KBC-group company (UBB Asset Management and KBC Asset Management) to the Transfer Agent for the relevant UCI.

Each UCI has a cut-off time that is determined on the basis of the official cut-off time appearing in the prospectus and the technical possibilities of placing the order with the Transfer Agent or correspondent before that official cut-off time. Orders received after the cut-off time will be deemed to have been received on the next day on which units of the UCI concerned may be traded.

## E. ORDERS FOR HEDGING PRODUCTS

### 1. General

UBB AD deals only with KBC Bank NV for execution of hedging products. KBC Bank NV adheres to following best execution policy with regards these financial instruments unless special circumstances prohibit UBB AD, "Markets and investment banking" Directorate to transact with KBC Bank NV, in the latter case, UBB AD, "Markets and investment banking" Directorate will contact other market participants to execute the order of the client.

### 2. Pricing Foreign Exchange Derivatives

#### 2.1 FX Swaps

The FX Swap price, also called the swap pips, is the price for the interest rate difference for a currency pair for the given tenor. An FX Swap will be priced as a result of a weighted average of prices ("blended price") collected from a selection of at least 5 independent price feeds from leading internationally recognized providers. This blended price is the result of selected feeds which have been considered by KBC Bank NV as providing the best market prices at any given time. The selection of those feeds is subject to a continuous internal analysis to provide prices reflecting the prevailing market conditions.

The quoted price for the client of UBB AD is an all-in price comprised of the FX Forward price and a sales margin.

#### 2.2 FX Forwards

An FX Forward will be priced out of an FX Spot price and an FX Swap price.

KBC Bank obtains the FX Spot price from different external systems. These systems extract on a real-time basis the best price for available currency pairs from at least 5 monobank platforms and 2 multibank platforms. The selection of a best aggregated price ensures market conformity.

A spread can be added to this FX Spot price. This spread will mainly take into account the following aspects:

- The nature and the characteristics of the transaction
- The size/volume of the transaction
- The time of receipt of the transaction

Together, the FX Spot price and the FX Swap price form the FX forward price.

The quoted price for the client of UBB AD is an all-in price comprised of the FX Forward price and a sales margin.

#### 2.3 Type of orders

In case of FX Swaps and FX Forwards, UBB AD, "Markets and investment banking" Directorate may accept orders to deal in a specific way regarding the price, as per client instruction. UBB AD's regulatory duty of best execution in these circumstances will be affected by the specifics of the order and the instructions to UBB AD, "Markets and investment banking" Directorate.

#### 2.4 Validity of orders

A client can give a specific date and time as validity period for the order. If the order has not been executed by then, the order is cancelled. If the client does not give a specific date and time as validity period, the order will always remain open until the order is executed or the client cancels the order. Giving specific instructions regarding validity does not affect the steps that KBC takes to achieve the best possible result.

### 3. Pricing for Interest Rate Derivatives (IRD)

IRD are priced to the customer on a 'request for quote' basis.

The requested instrument is quoted as an interbank mid-market to which hedging cost and sales margin is added. The hedging cost is the cost UBB AD would incur if and when the market risks caused by the client transaction, are hedged in the financial markets (mainly bid-offer spreads and transaction costs). This cost is subject to the level of market liquidity of the particular

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instrument.

## 3.1 Interest Rate Swaps (IRS) and Cross Currency Interest Swaps (CCIRS)

IRS and CCIRS are priced (calculated) on a request for quote basis, using a licensed pricing tool.

The calculation is based on interest rate curves in the relevant currencies. Building blocks to these interest curves are collected in real time from the most liquid MTF's (e.g. Tradeweb, Bloomberg) and OTF's (e.g. Interdealer Brokers as TP ICAP). These Trading venues cover all dealers/market makers relevant to the instrument.

Liquid instruments have a minimal hedging cost, less liquid instruments have a higher hedging cost.

UBB AD deems the following instruments to be liquid: constant notional IRS and CCIRS in EUR, USD, GBP, JPY provided the following conditions are met:

- The trade start type is spot and the tenor is not a broken date
- The notional size is standard to the instrument
- The quote occurs during normal market hours and during normal market functioning

IRS and CCIRS which are tailor-made and more complex (variable notional, forward start, broken dates, ...) are considered to be less liquid and have a higher hedging cost.

IRS and CCIRS in other currencies than the above are also less liquid.



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## ANNEXES

- Glossary
- Trading Venues for listed derivatives and Transfer Agents for UCIs

## ANNEX – GLOSSARY

- **Broker:** the financial institution to which orders are passed with the aim that the investment firm or bank should execute the orders.
- **CMS:** abbreviation of “constant maturity swap”: an interbank reference rate for a fixed-for-floating swap in a specified currency for a specified term.
- **Regulated Market:** a system (market) that brings together or facilitates the bringing-together of multiple (multilateral) buy and sell intentions with regard to financial instruments according to non-discretionary rules, such that a transaction results, as defined in MiFID.
- **Trading Venue:** a Regulated Market, MTF or OTF.
- **UCI:** undertaking for collective investment, more commonly referred to as a "fund".
- **Market Maker:** an operator that stands ready to trade on the financial markets on its own account and using its own resources at quoted bid and ask prices.
- **MiFID:** Directive 2014/65/EU on markets in financial instruments (also called MiFID II, because it supersedes the previous MiFID Directive 2004/39/EC of 21 April 2004)
- **MTF:** abbreviation of "multilateral trading facility": a system (market) that is not a regulated market and brings together multiple (multilateral) buy and sell intentions with regard to financial instruments according to non-discretionary rules, such that a transaction results, as defined in MiFID.
- **Public Auction:** “Expert Market”, an MTF organized by Euronext Brussels on which illiquid securities are traded through an auction system.
- **OTC:** Over The Counter, i.e. not on a Regulated Market or MTF.
- **OTF:** abbreviation of "organized trading facility", which is a multilateral system different from a regulated market or MTF, on which multiple buy and sell intentions of third parties can interact with each other with regard to bonds, structured financial products, issue rights and derivatives such as to result in an agreement.
- **Execution Venue:** any place within the framework of the provision of services by UBB AD or KBC Bank NV where an order in a financial instrument can be executed, including Trading Platforms, SIs, Market Makers or other liquidity providers or an entity in a non-EEA (European Economic Area) country that performs a role similar to one of the aforementioned parties.
- **SI:** abbreviation of "systematic Internalizer": any investment firm or bank with authorization to systematically process orders internally (i.e. it acts itself (for its own account) as counterparty on the buy and sell side off a regulated market or MTF), as defined in MiFID.
- **Transfer Agent:** administrator that is appointed by a fund and is responsible for settling orders in its units.
- **UBB Asset Management:** The asset management firm of UBB Asset Management
- **KBC Asset Management:** The asset management firm of KBC Asset Management

§ This Policy was approved by UBB AD Executive Directors on pursuant to Minutes № 43/27.08.2018 and approved by Management board on 27.08.2018. § This policy replaces “BEST EXECUTION POLICY” from 26.09.2009 and approved by UBB BoD on 10.03.2010

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## **ANNEX – TRADING VENUES FOR LISTED DERIVATIVES AND TRANSFER AGENTS FOR UCIs**

List of the main Trading Venues and Transfer Agents used by UBB AD to comply with its obligation to take all reasonable steps to consistently obtain the best possible result:

### **1. LISTED DERIVATIVES**

<b>STOCK EXCHANGE</b>
Bulgarian Stock Exchange

### **2. OPEN AND CLOSED UCIs**

<b>TYPE OF FUND</b>	<b>TRANSFER AGENT</b>
UBB Funds	UBB Asset Management
Belgian KBC funds	KBC Asset Management
Luxembourg KBC funds	BBH
Irish KBC funds	BBH

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## F. BEST EXECUTION POLICY – SUMMARY WITH FOCUS ON OVERALL COST

### BACKGROUND

The purpose of this document is to inform the reader about the costs due when orders are executed by the bank. It draws on relevant parts of the 'Information Document on UBB AD's Best Execution Policy,' which it combines with details of costs borne by clients.

### 1. PROVISIONS COMMON TO ALL ORDERS RELATIVE TO FINANCIAL INSTRUMENTS

To determine what the best possible result is, UBB AD proceeds on the basis of the total consideration that the client has to pay (the 'total consideration'). That means that the price of the financial instrument and the costs of execution are the prime elements.

In the case of certain client instructions covered by the Best Execution Policy, UBB AD bills no additional charge (e.g., for choosing a given Venue within the limitations laid down by UBB AD, or for limit orders or stop loss-orders).

The transaction fees due and the conditions for charging them are set down (and if need be reviewed) by UBB AD. Clients can find relevant information in this regard in the Schedule of investment-related fees applying to the market segment that the client falls into. The schedule is available at all UBB branches or can be downloaded from [www.ubb.bg](http://www.ubb.bg).

### 2. SHARES AND FINANCIAL INSTRUMENTS INCORPORATED HEREIN

The fees for executing orders on the secondary market depend on the extent of the order as set down in the Schedule of investment-related fees.

### 3. DEBT INSTRUMENTS

The fees for executing orders on the secondary market are set down in the Schedule of investment-related fees. The same charges also apply when orders are executed OTC. How UBB AD executes orders has no bearing on the charge.

### 4. UNITS IN UCIs

How UBB AD executes orders has no bearing on the charge.

### 5. HEDGE PRODUCTS

The fee comprises a margin charged by UBB AD. How UBB AD executes orders has no bearing on the charge.

### 6. LISTED DERIVATIVES

Transaction charges are applied per contract and vary according to the place of execution and the amount of the premium.