Internal rules for risk management
of mutual fund "UBB Global Child Fund"

The current rules govern the organizational structure and levels of responsibility in risk management in the management company (MC or AMC) the rules and procedures for identifying, assessing, managing and monitoring the risks to which it is exposed or could be exposed managed by "UBB Asset management" JSC "UBB Global Child Fund"(MF or the Fund).

I. BASICS

Art. 1. These rules govern the model for identification, measurement, analysis and management of risks associated with the portfolio of "UBB Global Child Fund" managed by "UBB Asset Management" JSC.

Art. 2. The rules for risk management are part of the investment policy of the Fund.

Art. 3. The management company identifies and measures all risk factors associated with individual instruments in the portfolio under Art. 1, then measures the total exposure of the portfolio to these factors and decide on limits, tolerance and risk management at portfolio level.

II. ORGANIZATIONAL STRUCTURE

Art. 4. *(Am. with decision from 21.11.2018)* **(1)** The organizational structure in the management company, related to risk management, is as follows:

1. Board of Directors.
2. Senior Management.
3. Department „Risk management".
4. Employees working under contract with MC, namely:

4.1. Department „Investments and Analyses";
4.2. Department "Regulatory Compliance";
4.3. Department "Accounting";
4.4. Department "Legal";
4.5. Department "Operations".

(2) When the organizational structure, defined in par. 1, or other changes should ensure that the fundamental principle of the division of responsibilities between officials in order to prevent conflicts of interest.

Art. 5. *(Am. with decision from 21.11.2018)* The Board of Directors of MC has the following responsibilities of risk management:

1. Holds respectively change and modify these rules and monitors need of updating.
2. Determine the risk profile of the Fund, respectively its risk policy. The risk policy can be:

a/ conservative;
b/ moderately conservative;
c/ moderate-risk;
d/ risk.

3. Controls the risk factors for the Fund through discussion of reports, submitted by the Senior Management and take decisions within the limits of its powers.
4. Performs periodic, annual review of policies and strategies for risk management.
5. Makes decisions on personnel, software and other support activities under risk management.
6. Monitors the compliance with these rules and participate actively in the process of risk management.

Art. 6. *(Am. with decision from 21.11.2018)* The Senior Management of the Management Company have the following responsibilities in risk management:

1. organizes the work on properly conduct adopted by the Board policy on risk management.
2. monitors compliance with the risk policy determined by the Board of Directors.
3. the organization of work, which ensures compliance with the prescribed limits and risk levels.
4. monitors the compliance used by the officials procedures for measuring, monitoring and risk assessment adopted internal company documents by Board of Directors.
5. decides on staffing, logistical and methodological support of the activities of risk management.
6. provides department "Risk Management" the appropriate authority and access to all information necessary for the performance of its functions under Art. 7.

Art. 7. *(Am. with decision from 21.11.2018)* **(1)** Department "Risk Management" act independently by other departments in the management company, reports directly to the governing body and has the following functions:

1. develop and implement a system of risk management of the Fund;
2. implement the rules and procedures for risk management;
3. ensure compliance with approved internal system to limit the risk of CF, including statutory limits on the value of overall risk exposure and risk of the counterparty.
4. advise the governing body of the management company determining the risk profile of CF;
5. regularly report to the Board of Directors, Executive Director and Procurator, where applicable, on:

   a) consistency between the current level of risk to which it is exposed MF and approved risk profiles of the Fund;

   b) compliance of MF with its internal system to limit risk;

   c) the adequacy and effectiveness of processes for risk management and in particular showing whether appropriate remedial measures where shortcomings have been identified;
6. report regularly to the Senior Management, representing the current level of risk to which it is exposed CFs and current or anticipated violations of the restrictions, thus ensuring a timely and appropriate action;
7. review and support the organization and procedures for assessment of OTC derivatives.

(2) The employees of department "Risk Management" should have appropriate qualifications to perform their assigned activities.

Art. 7a. *(New, with decision from 10.02.2016)* **(1)** Department "Regulatory Compliance" function separately and independently from other functions and activities in MC. The department has the functions of " Compliance Unit" within the meaning of CISOUCI ACT and Ordinance № 44.

(2) Department "Regulatory Compliance" is headed by the Head of Department. The functions of the department "Regulatory Compliance" in connection with the process of risk management are specified in Art. 28 of these rules.

Art. 7b. *(New, with decision from 10.02.2016)* Department "Accounting" in MC is responsible for the proper application of accounting procedures in relation to the process of risk management, detailed in Chapter VII of these Rules.

Art. 8 *(Repealed with decision from 21.11.2018)*

III. IDENTIFICATION OF RISKS ASSOCIATED WITH THE ACTIVITY AND INVESTMENTS

Art. 9. (1) The process of establishing, managing and monitoring risks aims to reduce the influence of external and internal risk factors on investment, including the risks arising from the macroeconomic environment.

(2) The procedures for risk management include:

a) identification of risk;

b) risk assessment;

c) the selection of strategy in terms of risk;

d) choice of ways to decrease the degree of risk;

e) monitoring the level of risk.

(3) The assessment, analysis and monitoring of risk factors is performed daily by the employees in the "Risk Management" department.

Art. 10. Risk factors that influence investments managed by MC are:

a) Market risk - the possibility of incurring losses due to adverse changes in the prices of securities, market interest rates, exchange rates and more. Components of market risk are:

aa) interest rate risk - the risk that the value of the investment in a security due to changes in interest rates.

bb) currency risk - the risk that the value of an investment in a security or deposit denominated in a currency other than lev and euro, due to changes in the exchange rate between that currency and lev or euro.

cc) price risk, associated with investment in shares or other equity securities - the risk that the value of the investment in a security due to adverse changes in market prices.

b) Credit risk - the possibility of reducing the value of the position in a financial instrument at unexpected credit events related to issuers of financial instruments, the counterparty in exchange and OTC transactions, as well as the countries in which they operate. The components of credit risk are:

aa) Counterparty risk - the risk of default by the counterparty to the OTC transactions;

bb) settlement risk - the risk of the possibility that the Fund will not receive cash or financial instruments of counterparty on the settlement date after he has fulfilled the obligations to the counterparty;

cc) investment credit risk - the risk that the value of an investment in a debt security because of credit event with the issuer of the instrument;

c) operational - the possibility of incurring losses related to errors or flaws in the organization, inadequately trained staff, unfavorable external non-financial events, including legal risk;

d) Liquidity risk - the possibility of loss due to asset sales under adverse market conditions to meet unexpected short term obligations.

e) concentration risk - the possibility of loss due to inadequate diversification of exposures to issuers, groups of related issuers, issuers from the same economic sector or geographic area or arising from the same activity that can cause significant losses and risk large indirect credit exposures.

IV. MEASURING THE RISKS

1. MARKET RISK

Art. 11. MC applies short and long term strategy for management of the market risk associated with the activities of the Fund.

Art. 12. *(Am. with decision from 21.11.2018)* **(1)** The asset management company measures the interest rate risk by calculating the duration. Duration is the main measure of sensitivity of a security to the change in the level of interest rates. The MC uses the modified duration method to measure the interest rate risk associated with each interest-based security such as bonds, interest rate swaps, interest rate futures, and bond-based futures. The MC applies a short-term and long-term strategy for interest rate risk management.

(2) The long-term strategy for managing the interest rate risk includes the setting of portfolio sensitivity targets to the change in the interest rate level according to the investment objectives and policy of the Fund.

(3) The short-term strategy includes the daily determining sensitivity of a security to the change in the level of interest rates.

Art. 13. *(Am. with decision from 21.11.2018)* **(1)** The asset management company shall measure the currency risk for each currency other than BGN and EUR, applying a short-term and long-term strategy.

(2) The short-term strategy includes the following procedures:

1. Identification of assets exposed to currency risk.
2. Daily measurement of foreign exchange risk by using the historical volatility of the exchange rate of the respective currency to the BGN or EUR.
3. Whenever necessary and possible hedging the foreign exchange risk by using foreign exchange futures, forwards, options or appropriate ETF funds.

(3) The long-term strategy for currency risk management includes the determination of target weights of the different weights in the MF portfolio in order to reduce the impact of a given currency.

Art. 14. *(Am. with decision from 21.11.2018)* **(1)** The asset management company applies a short-term strategy to manage the price risk associated with equity investments by measuring and analyzing the results obtained through one of the quantitative methods applicable to the relevant securities market:

a. Historical volatility, measured by standard deviation;

b. the β-ratio to the indices of the relevant markets;

c. In the event of failure to apply point (a) and (b), the Management Company shall use the standard deviation of the selected index of the regulated market on which the shares are traded as a substitute for the overall analysis of the portfolios.

(2) The portfolio's overall risk is measured by the historical volatility of unit prices measured by standard deviation.

(3) The long-term strategy for price risk management includes:

a. Assessment of the feasibility and effectiveness of the methods used to measure price risk;

b. Drawing up proposals to the Board of Directors of the Management Company when it is necessary to change the methods used for measuring the price risk.

Art. 15. *(Am. with decision from 21.11.2018)* **(1)** The head of the department "Risk Management" monitored daily investment restrictions by class of financial instruments described in the Rules of the Mutual Fund, thereby ensuring compliance with the defined risk policy of MF under Art. 5, p. 2. Any crossing the limits of the previous sentence document by the "Risk Management" and reported to the Senior Management of the management company to take corrective action.

(2) The total risk exposure of MF is calculated once a day.

2. CREDIT RISK AND RISK OF COUNTERPARTY

Art. 16. Credit risk is the general risk of reducing the value of the investment in certain securities in case unexpected credit events relating to issuers of securities, counterparties in exchange and OTC transactions, and unexpected events in the countries in which they operate.

Art. 17. MC identifies three main types of credit risk:

1. Counterparty risk is the risk of default by the counterparty to the OTC transactions. MF exposure to a counterparty in a transaction in OTC derivative instruments can be reduced using collateral must be sufficiently liquid. The collateral is liquid if it can be sold at a price that is close to its assessment before the time of the sale.
2. Settlement risk is the risk the possibility that the Fund will not receive the cash or financial instruments of counterparty on the settlement date after they have fulfilled their obligations

arising from that trade. MC measures this risk through the value of all trades with a counterparty as a percentage of the managed portfolio. Not included are transactions concluded on condition of DVP (delivery versus payment) and on markets with functioning clearing mechanism.
3. Investment credit risk is the risk of reducing the value of an investment in a debt security because of credit event with the issuer of the instrument. Credit event includes bankruptcy, insolvency, a significant change in the capital structure, reduced credit rating and more. MC performs qualitative and quantitative credit analysis based on:

3.1. The financial statements of the issuer;
3.2. The capital structure of the issuer;
3.3. Security of the issue, where the issue is secured;
3.4. Management and reputation of the issuer.

Art. 18. *(Am. with decision from 21.11.2018)* Transaction limits and risk levels associated with credit risk are prepared, amended if necessary by the head of the Investment and Analyses Department and submitted for approval by the Head of Risk Management. Transaction limits and risk levels associated with credit risk are applied by the Investment and Analyses Department if the Head of Risk Management has not formally objected.

Art. 19. (1) The management company applies short and long term strategy for the management of credit risk and counterparty risk.

(2) The short-term strategy for the management of credit risk and counterparty risk include:

1. current and subsequent assessment of the credit risk of debt financial instruments in the portfolio through qualitative and quantitative analysis of the financial statements of the issuer, the security of the issue, management and reputation of the issuer or the use of his sentence external credit rating for the purposes of evaluation.
2. current and subsequent assessment of the credit risk of the counterparty to the OTC transactions through qualitative and quantitative analysis of the financial statements of counterparties to OTC transactions, the collateral (if any), management and reputation of the contractor or the use of sentences its external credit rating;
3. Tracking the value and frequency of trades with a counterparty;
4. daily monitoring compliance with legal and internal limits adopted for concentration credit risk;
5. constantly monitoring the development and interconnections between markets and the economy, which helps to identify potential risks of concentrations of credit risk (both at group level and stand alone) and the factors causing them.

(3) Term strategy for managing credit risk and counterparty includes:

1. development of adequate management systems information to allow identification of concentrations of credit risk and counterparty;
2. determining internal limits for credit risk concentration in accordance with the investment objectives and policies of the Fund, if necessary, at the discretion of the department "Risk Management" and department/s responsible for investment and analysis;
3. restructuring of the portfolio in case of an identified risk of deterioration in creditworthiness of an issuer or counterparty or group of issuers or counterparties established an excessive concentration of credit risk and others.The Fund's portfolio is restructured on a proposal of the department "Risk Management" in coordination with the department / s responsible / s for investment and analysis.

3. OPERATIONAL RISK

Art. 20. (1) Operational risks can be:

a. Internal - related to the work of the management company in the management of the Fund.

b. External - related to macroeconomic, political and other factors that have and / or may affect the business of the management company in the management of the Fund.

(2) The internal operating risks comprise but are not limited to:
a. Risks related to personnel;
b. Technological risk.
(3) The external operational risks comprise but are not limited to:
a. Risk environment;
b. Risk of physical interference.

Art. 21. **(1)** The assessment of operational risks associated with the activities of the Fund carried out annually by the "Risk Management".

(2) Risks associated with the Fund's activities are assessed with the following ratings:

1. Low - when all risks are covered with adequate control procedures with high efficiency and missing or there are minor variations;
2. Medium - when all risks are covered to some extent by inadequate control procedures efficiency;
3. High - if not all risks are covered with control procedures and / or procedures of the preliminary control is missing or not working effectively, resulting in a breach of the principles of good governance and transparency.

Art. 22. The management company receives and monitors the implementation of specific methods of management of the main components of operational risk as follows:

(a) Risks relating to staff, these are the risks of losses related to the possibility of mistakes, unscrupulousness, insufficient qualifications, adverse changes in labor legislation.

(aa) Methods for managing risks related to the staff:

- Clearly define the internal rules concerning the rights and obligations of employees;
- Clearly defined internal rules for access to information systems and databases of MC;
- Regular training of staff on topics related to:
  - Financial theory and practice;
  - risk management;
  - legal framework relevant to the activities of the Asset and Fund;
  - Information Technology and Security;
  - others.
- Regular meetings between the departments of MC for exchange of experience, impressions and recommendations regarding the sources of risk and seeking solutions for the management and minimization;
- Annual discussions and assessment of staff;
- Maintain open, open communication between different departments in the management company.

(b) Technological risks are risks associated with losses due to the imperfection of technology - inadequacy of ongoing operations, lack of precision of the methods of data processing, low quality of the data used.

(bb) Methods for the management of technological risks

- archiving of informational system of the MC and the Fund;
- Procedure to restore the operability of the Fund data;
- Organization and management of user access to the information system of the Fund;
  - Definition of different categories of information stored in MC;
  - Defining access levels of employees od according to their job description.

(c) Risk environment, these are the risks associated with possible losses related to changes in the environment of non-financial nature, which operates MC - changes in legislation, political changes, changes in the tax system.

(cc) Methods for managing risks related to environment:

- Keeping up to date database of legal regulations relevant to the activities of the Asset and the Fund;
- Using external consultants and law firms, if necessary, to implement the statutory requirements for the operation of MC in the management of the Fund;

- Active participation in public discussions regarding planned changes in legislation, concerning the activities of the AMC in the management of the Fund;

(d) Risk of physical interference - these are the risks associated with losses as a result of a direct physical interference in the activities of the Fund - robbery, terrorist act, unauthorized intrusion into the information system of MC.

(dd) Methods for managing the risk of physical interference:

- Providing security company to implement 24-hour surveillance and control of the premises where the technological means the archives of UDvav the management of the Fund
- Prevention on a regular basis of the introduced systems for monitoring and control;
- Development of a procedure for evacuation of employees in case of a direct physical interference in the activities of the Fund;
- Procedure for reporting incidents.

Art. 23. *(Am. with decision from 21.11.2018)* **(1)** MC apply short-term long-term strategy for the management of operational risk associated with the activities of the Fund.

(2) The long-term strategy envisages the following principles for the development of operational risk management:

1. Identify the main risk indicators.
2. Create a map of the processes in MC and rules for the distribution of tasks and responsibilities of the departments in each of the processes.
3. Measurement of statistical points are concentrated most events.
4. Improvement of the organization, creating clear rules and instructions for each of the processes.
5. Preparation of a strategy to reduce risk by entering into insurance and other mechanisms for risk transfer.
6. Cooperation of the department "Risk Management" with Department “Regulatory Compliance” of MC.
7. Determination of employees who will be responsible for monitoring processes in the departments of MC-related activities of the Fund.

(3) short-term strategy for the management of operational risk include:

1. The primary objective of short-term strategy is to determine the guidelines that should be followed to identify, assess, monitor, control and mitigate operational risk associated with activities of the Fund and determining the organizational structure at MC occupied with the creation practical application of the system for operational risk management.
2. Identification of operational risk - to detect and distinguish operational risk than other types of risk, MC uses a detailed analysis of business processes in the company, as well as internally for each department study, which represents activity by establishing facts contributing to the detection, identification and locating the sources and concentrations of operational risk in the Fund. Allowed certain (few) risks can not be traced (unidentified). Therefore aims to improve the timely establishment of unidentified risks in each department.

2.1 In order to allocating more accurately operational events by risk classes depending on the root cause of their occurrence in the Fund's activities have been identified as potential four main risk categories:

2.1.1 Risks related to personnel - *example*: errors unscrupulousness, insufficient training.

2.1.2 Technological risk - *example*: inadequacy of ongoing operations, lack of precision of the methods of data processing low quality of data used.

2.1.3 Risk ambient - *example*: changes in legislation, political changes, changes in the tax system.

2.1.4 Risk of physical interference - *example*: robbery, terrorist act, unauthorized intrusion into the information system, natural disasters, fire.

2.2 Business Process - *example*: One or several interconnected procedures or operations that jointly implement a specific business task their realization leads to concrete results. In order to achieve more accurate results in operational risk assessment identified some of the following business processes:

2.2.1 Portfolio management;
2.2.2 Coordination and communication;
2.2.3 Organisation and management of sales and customer service;
2.2.4 Risk management;
2.2.5 Implementation of Internal Control;
2.2.6 Distribution of units of mutual fund;
2.2.7 Accounting of MF;
2.2.8 Accounting of MC;
2.2.9 Logistics;
2.2.10 Human Resources Management;
2.2.11 Management of the MC;
2.2.12 Regulatory process intra reporting, management information;
2.2.13 Assessment of NSA.

3. Evaluation of risks - by comparing the identified risks for business processes in a plane into account and their impact on each type of activity carried out in MC. This defines the so-called risk zone, which is the intersection of risk specific activity. There is concentrated operational risk, most often subject to quantitative measurement. The risk is assessed in terms of the characteristics - frequency of occurrence and impact. The head of the department "Risk Management" assist the heads of various departments by giving them methodological assistance in the process of identification of risk areas.
4. Monitoring of risks - all operating events that bring effective loss, and those with such potential exceeding 500 lev should be reported to the department "Controls Risk" of the respective units and are registered in the database.
5. Management / Reduction of risk - strategy involves the application of rules governing the organizational structure and levels of responsibility and management policies of the risks specified in internal documents for MC. Department "Risk Management" can do more thorough analysis of risk factors and identify new methods to manage / reduce them.

4. LIQUIDITY RISK

Art. 24. *(Am. with decision from 10.02.2016)* **(1)** The management company analyzes the liquidity risk based on historical data for incoming and outgoing cash flows associated with the Fund.

(2) This analysis of the Fund is used to determine the minimum threshold of cash and cash equivalents in its portfolio.

(3) In management of liquidity risk the Asset Management Company complies with the redemption policy laid down in the Rules and the Prospectus of the Fund, to ensure compliance with the requirements of Art. 21 CISOUCI ACT for fulfillment of obligations under repurchase of shares of the Fund as necessary to conduct stress tests which enable to assess the liquidity risk of the Fund in exceptional circumstances.

(4) The Fund is obliged to invest in liquid transferable securities and other liquid financial assets, as well as to maintain a structure of assets and liabilities, which enables it to perform at any time its obligations under repurchase of shares.

(5) The Management Company manages liquidity risk in accordance with Rules for maintaining and managing the liquidity of the fund. The rules state the principles and methods of maintenance and management of liquidity and the rights and obligations of the persons responsible for the management, reporting and internal control over liquidity.

5. CONCENTRATION RISK

Art. 25. (1) MC can not invest more than 5 percent of the Fund's assets in transferable securities or money market instruments issued by one person.

(2) MC may not invest more than 20 per cent of the Fund's assets in deposits with a person under Art. 38, para. 1, p. 6 CISOUCI ACT.

(3) The risk exposure of the Fund to a counterparty in a transaction with OTC derivative financial instruments may not exceed either of the following thresholds:

1. 10 percent of the assets when the counterparty is a credit institution under Art. 38, para. 1, p. 6 or CISOUCI ACT
2. 5 percent of assets - in other cases.

(4) The MC may invest up to 10 percent of the Fund's assets in transferable securities or money market instruments issued by a single person, provided that the total value of these investments in people, in each of which the Fund invests more than 5 percent of their assets do not exceed 40 percent of the assets of the Fund. The restriction under the first sentence does not apply to deposits with credit institutions that are implemented prudential supervision and to transactions with OTC derivative financial instruments with these institutions.

(5) In addition to restrictions under par. 1-3 the total value of the Fund's investments in transferable securities or money market instruments issued by a person deposits with this person, as well as exposure to the same body arising from transactions with OTC derivative financial instruments can exceed 20 percent of the Fund's assets.

(6) MC may invest up to 35 percent of the Fund's assets in transferable securities and money market instruments issued by one person if the securities and money market instruments issued or guaranteed by the Republic of Bulgaria from another Member State the European Union, their regional or local authorities, a third country or of a public international organization in which at least one Member State.

(7) Transferable securities and money market instruments under par. 6 shall be disregarded for purposes of limitation under par. 4.

(8) The investment restrictions under par. 1-6 can be combined. The total value of investments in transferable securities or money market instruments issued by a person deposits with this person, as well as exposure to the same body arising from transactions with derivative financial instruments under par. 1-6 may not exceed 35 percent of the assets of the Fund.

(9) Companies included in the same group for the purposes of preparation of consolidated financial statements in accordance with recognized accounting standards are regarded as a person applying restrictions under par. 1-8.

(10) The total value of investments in transferable securities or money market instruments issued by companies in a group, can not exceed 20 percent of the asset value of the Fund.

(11) In calculating the risk exposure of MF to the other party used the positive market value of the OTC derivative contract with that counterparty. SF positions in derivative instruments with the same counterparty may be netted if the MC can ensure the implementation of netting agreements with the counterparty on behalf of the State Fund. Netting can be done only exposures in OTC derivative instruments with the same counterparty. No netting is permitted in other exposures of the collective investment scheme to the same counterparty.

(12) In calculating the risk exposure of the State Fund to counterparty MC into account the restrictions under par. 1-3 if there is collateral. Security may be reflected at net value if MC can ensure the implementation of netting arrangements with this counterparty on behalf of the State Fund.

(13) MC calculates limits for issuer concentration under par. 1 -10 according to the reference exposure occurred through the use of derivative financial instruments according to the method of commitments.

(14) For the calculation of risk exposure to MF counterparty to the OTC derivative instrument under par. 4 and 5, the MC should include in the calculation any exposure to a counterparty in OTC derivative instrument.

(15) MC, acting on behalf of all managed by it collective investment schemes may not acquire shares with voting out loud, which would enable it to exercise significant influence over the management of the issuer. Fund may acquire no more than:

1. ten percent of the shares without voting aloud issued by one person;
2. ten percent of the bonds or other debt securities issued by one person;
3. twenty-five percent of the units of the same collective investment scheme or undertaking for collective investment, which meets the requirements of Art. 4 para. 1 CISOUCI ACT;

4. ten percent of the money market instruments issued by one person.

(16) MC may invest no more than 10 percent of the Fund's assets in shares of the same undertaking for collective investment Art. 38, para. 1, p. 5 CISOUCI ACT, whether established in a Member State or not.

(17) The total amount of investments in units of collective investment undertakings other than a collective investment scheme may not exceed 10 percent of the Fund's assets.

(18) The Mutual Fund may enter into repurchase agreements for the purchase of financial instruments agreement to repurchase them from the seller at a price and within a period specified in the contract between the parties, subject to the following restrictions:

1. during the contract, the MF may not sell financial instruments covered by the contract before the counterparty is exercised or the deadline for the repurchase has expired, unless she has no other means to perform his obligation under the contract; preceding sentence shall not apply in cases where the counterparty has failed to fulfill its obligations under the repurchase agreement and under the contract breach entitles the State Fund to sell financial instruments;
2. The value of concluded repo by MF should not obstruct the performance of its obligation at any time to buy back shares at the request of their holders.

(19) The financial instruments that may be the subject of a transaction under par. 18, are:

1. money market instruments within the meaning of Art. 38, para. 1, p. 9 CISOUCI ACT;
2. bonds issued or guaranteed by a member state or another state party to the Organisation for Economic Cooperation and Development, their central banks, their local authorities, the European Central Bank, the European Investment Bank or by a public international organization which at least one Member State and qualified debt securities issued or guaranteed by third countries with a credit rating no lower than investment issued by a credit rating agency registered or certified under Regulation (EU) № 1060/2009 ;
3. shares or units issued by collective investment scheme under Art. 38, para. 1, p. 5 CISOUCI ACT;
4. bonds traded on a regulated market in a Member State or another state party to the Organization for Economic Cooperation and Development, the trade in which bonds have sufficient liquidity;
5. shares traded on a regulated market in a Member State or another state party to the Organisation for Economic Cooperation and Development, provided that these shares are included in the index, supported by this market.

(20) The Fund may enter into repurchase agreements for the sale of financial instruments subject to its repurchase by the Mutual Fund at a price and within a period specified in the contract between the parties, and at maturity are required to have sufficient funds to pay the amount agreed for the redemption of financial instruments.

(21) Upon conclusion of repurchase transactions, the risk exposure of the Fund to any single counterparty may not exceed 10 percent of its assets when the counterparty is a bank under Art. 38, para. 1, p. 6 CISOUCI ACT and 5 percent of its assets in other cases.

(22) The restrictions in this section do not apply when exercising subscription rights arising from the transferable securities and money market instruments that are part of the assets of the Fund.

(23) In cases and under the conditions laid down in the Rules of the Fund and in accordance with Art. 50, para. 2 and 3 CISOUCI ACT, some of the limitations of the preceding paragraphs may not apply in the case of transformation in which the Fund participates as host collective investment scheme which the Commission is the competent authority - within 6 months from the date of entry of the merger or takeover in respective register.

(24) In violation of the investment restrictions under this section for reasons beyond the control of MC or as a result of exercising subscription rights MC priority, but not later than two months from the occurrence of the violation through sales transactions aligns the Fund's assets in accordance with the investment restrictions, taking into account the interests of unitholders.

(25) In the cases under par. 24 MC is required within 7 days of the offense to notify the Financial Supervision Commission ("FSC"), providing information on the causes of the accident and taken remedial action.

Art. 26. *(Am. with decision from 21.11.2018)* **(1)** MC regarding all risks to which it is exposed DF takes the following actions:

1. establish adequately documented organizational measures, processes and techniques for risk measurement to ensure that the risks associated with each item and its impact on the overall risk profile are correctly measured based on accurate and reliable data;

2. carries out periodic back tests needed to review the validity of the measures for risk measurement, which include projections and estimates based on model;

3. carries out at appropriate periodic stress tests and scenario analyzes in order to prepare for actions in case of occurrence of risks arising from potential changes in market conditions that could adversely affect the DF.

4. establish, implement and maintain a documented system representing a system of internal risk restrictive thresholds for the Fund that:

a) ensures compliance with the risk profile of the Fund;

b) indicate measures implemented to manage and control the relevant risks for the Fund, taking into account all material risks set out under these Rules;

5. ensure that the Fund's current level of risk corresponds to the level specified by the system of internal risk limits under p. 4;

6. establish, implement and maintain adequate procedures that ensure timely corrective action in the best interest of the unit holders in case of occurrence of the predicted / predictable distortions of the internal risk limits under p. 4.

(2) With these rules are established internal risk restrictive thresholds:

1. risk and moderate risk DF are at a level of 95% of restrictions under Art. 25, para. 1-19;

2. Conservative and moderate conservative DF are at a level of 97.5% of restrictions under Art. 25, para. 1-19.

(3) Each crossing thresholds under par. 2 is documented by the "Risk Management" and reported to the Senior Management for corrective action.

V. MONITORING AND PERIODIC EVALUATION OF CONFORMITY INTERNAL RULES FOR RISK MANAGEMENT

Art. 27. MC must assess risks associated with the Fund's portfolio using data for a fixed period of time (eg. Month, year, etc.) as updated input data on a daily basis.

Art. 28. *(Am. with decision from 10.02.2016)* Section "Risk Management" cooperate closely with the Heads of Department “Regulatory Compliance” and Department “Legal”. This cooperation includes the following non-exhaustive lists of activities:

1. The Head of Department “Regulatory Compliance” informes the Head of Department "Risk Management" of changes in regulations;

2. The Head of Department “Legal” informs the Head of Department "Risk management" for decisions of the Board of Directors which affect the activities of the department;

3. Any employee of MC informs the Head of Department "Risk Management", Head of Department “Rgulatory Compliance” and the line manager for identified abuses, fraud, errors and / or irregularities to manage operational risk;

4. Head of Department "Regulatory Compliance" assists by giving an opinion on the compliance with the legal acts of proposed by the department "Risk Management" amendments and / or additions to these Rules;

5. Department "Risk Management" informs the Senior Management of irregularities, errors, fraud or abuses to take the necessary action to prevent and / or eliminate negative consequences.

6. Department "Regulatory Compliance " carried out annually inspection process management and risk measurement, which includes at least check:

a) the completeness of the documentation relating to the rules on risk management and organization of the control unit of risk;

b) reporting on risk assessments in daily risk management and the integrity of the management information system;

c) approval process methods and systems for risk assessment;

d) the scope of the main risks and validation of any significant changes in the process of risk measurement;

e) the accuracy and completeness of position data, the accuracy and appropriateness of the assumptions about volatility and correlation, and the accuracy of the assessment and calculation of risk sensitivity;

f) consistency, timeliness and reliability of data sources, including the independence of such data sources;

g) test results for validity and accuracy of the methods used.

7. Department "Regulatory Compliance" examines and evaluates the adequacy and effectiveness of measures adopted by the management company measures, policies and procedures to identify any risk of non-compliance with obligations of the MC and its employees under CISOUCI ACT and regulations for its implementation, as well as related risks and actions taken to remedy any deficiencies in compliance on the part of MC.

8. Department "Regulatory Compliance" report promptly in writing to the Board of Directors in detecting errors, irregularities, misuse, fraud or abuse in connection with the Fund.

9. Department "Regulatory Compliance" prepare and submit to the Board of Directors for approval by the 10th day of the month following each semester, a report on their activities for that period. The report on the first sentence specifying identified risks, gaps and inconsistencies that may exist, and the measures taken to remedy them. The report includes the conclusion of the department on compliance or non-compliance with legal requirements regarding managed by MC individual client portfolios.

10. Department "Regulatory Compliance" prepare and submit to the Board of Directors for approval by the 10th of the month following the reporting year, an annual report on its activities for that period. The report on the first sentence states evaluate compliance with regulatory requirements and internal regulations governing the management company specifically states that have been taken appropriate remedial measures in case of omissions.

11. Other functions of the Department "Regulatory Compliance" is provided in the rules of internal organization of the "UBB Asset Management" JSC.

VI. TYPES OF DERIVATIVE FINANCIAL INSTRUMENTS TYPES OF RISKS

Art. 29. *(Am. with decision from 19.12.2018)* **(1)** MC concludes transactions with derivative instruments on behalf of the Fund:

a) for investment purposes, according to the investment policy and risk profile of the Fund as defined in its Rules;

b) to manage risk - to hedge against market and credit risk.

(2) MC concludes on behalf of the Fund (as a buyer or seller) only derivative contracts that meet the following criteria:

1. derivative financial instruments, including equivalent instruments, obligations that can be settled in cash, traded on regulated markets in Art. 38, para. 1, p. 1-3 of CISOUCI ACT and / or derivative financial instruments traded OTC, subject to derivative financial instruments traded on OTC markets that:

a) the underlying assets are securities, financial indices, interest rates, currency exchange rates or in which the Fund may invest according to its investment policy laid down in its rules;

b) the counterparty to these derivative financial instruments is an institution - subject to prudential supervision and meets the requirements approved by the Commission for Financial Supervision on a proposal of Deputy Chairperson;

c) are subject to reliable and verifiable daily valuation and at any time at the initiative of the State Fund can be sold, liquidated or closed by an offsetting transaction at fair value.

Art. 30. Derivative financial instruments in which the MC invests on behalf of the Fund are:

- interest rate futures, futures on interest rate indexes, futures on bonds, currency futures, futures on shares - up to 20 percent of the Fund's assets;
- contracts for forward rates - up to 20 percent of the Fund's assets;
- forward commitments to purchase or sell debt instruments - up to 20 percent of the Fund's assets;
- options on interest rates - up to 30 percent of the Fund's assets;
- options on debt instruments - up to 30 percent of the Fund's assets;
- options on shares - up to 15 percent of the Fund's assets;
- options on financial futures - up to 20 percent of the Fund's assets;
- swaptions - up to 10 percent of the Fund's assets;
- options on exchange rates - up to 30 percent of the Fund's assets;
- warrants on debt instruments - up to 20 percent of the Fund's assets;
- warrants on shares - up to 10 percent of the Fund's assets;
- swaps - up to 15 percent of the Fund's assets;

Art. 31. (1) The main risk with mentioned in Art. 30 derivative financial instruments are related to the risks inherent in the underlying instruments on which they are built. The main risks inherent in these derivative instruments are as follows:

1. **Market risk –** the risk of change in the value of derivative instruments as a result of interest rate change, prices of securities, the values of the indices or exchange rates that serve as basic tools on which they are built. The main types of market risk typical of these derivative financial instruments are price, interest rate and currency described in Section III of these Rules. The market risk hedging instruments are considered in combination with the risk of the hedged item in the portfolio. The determination of market risk hedging instruments is made in connection with the structuring of hedging transactions and maintaining effective hedge.
2. **Credit risk of the counterparty** – the risk of loss that arises due to the inability of the debtor to fulfill its obligations under the contract. This risk is significantly higher for OTC derivatives (OTC Derivatives), as settlement of the transaction shall be settled directly with the counterparty. Significantly lower the credit risk of the exchange contracts, since the clearing house acts as a counterparty to the transaction, and contractors are required to maintain a minimum-required funds on margin account in the clearing house to guarantee the performance of the due payment.
3. **Settlement risk –** credit risks related to the counterparty in the transaction during the period of settlement. This risk is significantly higher when trading OTC instruments. In order to reduce its parties to the transaction may conclude bilateral netting agreement that enables netting of payments without performing actual purchase of the underlying instruments.
4. **Liquidity risk -** risk of loss due to inability fund to borrow or terminate a position in the event of adverse and unexpected market changes, without a significant negative impact on the value of the derivative instrument. Derivative contracts on counter market (OTC market) are much less liquid than exchange derivative instruments.
5. **Basis risk in futures contracts –** possibility of widening the spread between the market and the futures price of the underlying instrument, which occurs when the characteristics of the hedging instrument is different from the position being hedged.
6. **Risk of leverage effect (leverage) –** The ability to leverage funding or a certain percentage of the investment by borrowing poses a risk of losing the amount exceeding investment in the derivative instrument.

(2) The total risk exposure, arising from transactions with derivative financial instruments **shall not exceed the net asset value of the Fund.**

(3) The total exposure of the main types of derivative financial instruments is based on market and fair value of derivative instruments, taking into account the current value of the underlying assets, the risk of counterparty, indicators of future market changes and the time required to liquidate positions.

(4) MC applies the commitments consistently to all positions in derivative financial instruments, including embedded derivatives, whether they are used as part of the overall investment policy of the Fund for the purposes of risk reduction or for the purposes of effective management portfolio.

(5) In applying the method rate for commitments for calculating the overall exposure of the Fund the value of each position in a derivative financial instrument is equivalent to the market value of an equivalent position in the underlying asset of that derivative instrument. Calculations for the derivative instruments are carried out as follows:

1. **interest rate futures:**

a) futures rate indices - the market value of the underlying asset, i.e. - Number of contracts x nominal x level of the index;

b) Futures on bonds - the market value of the underlying asset, i.e. - Number of contracts x nominal x market price of the "cheapest-to-deliver" bond weighted by the conversion factor;

c) interest rate futures - number of contracts x nominal;

d) currency futures - number of contracts x nominal;

e) Futures on shares - number of contracts x multiplier x market price of the underlying shares.

2. **forwards:**

a) contracts for forward rates - principal (ie market value of the underlying asset) of the forward contract;

b) forward commitments to buy or sell debt - principal (ie market value of the underlying asset) of the forward contract;

c) currency forward - principal in the currency.

3. **options:**

a) options on shares - the market price of the underlying asset, weighted by the delta of the option, i.e. - Number of contracts (contracts) x number of shares in one contract x share price x delta;

b) options on debt instruments - market price of the underlying asset, weighted by the delta of the option, i.e. - Principal of the bond x price x delta;

c) options on interest rates - principal x delta;

d) currency options - principal in the currency x delta.

4. **warrants:**

a) warrants on shares - market price of the underlying asset, weighted by the delta of the warrant, i.e. - Number of contracts (contracts) x number of shares x share price x delta;

b) warrants on debt instruments - market price of the underlying asset, weighted by the delta of the warrant, i.e. - Principal of the bond x price x delta;

5. **Interest swap** – nominal of the contract (fixed side);

6. **CDS:**

a) when buying protection – market value of the underlying asset;

б) when selling protection – at higher of the market value of the underlying asset and the value of the underlying asset.

(6) The overall risk exposure includes:

1. Calculation of exposure arising from each derivative instrument.

2. Identification of netting arrangements or hedging. For each netting or hedging net exposure is calculated as follows:

a) Gross exposure is equal to the sum of exposures to individual financial derivative instruments net of netting;

b) if the netting agreement or hedging refers to positions in securities, the market value of the securities may be used to offset the gross exposure;

c) the absolute value of the result of the calculation is equal to the net exposure.

3. The total exposure is equal to the sum of:

a) absolute value of the exposure each derivative instrument, participating in netting or hedging arrangements;

b) the absolute value of net exposure received after taking into account netting and hedging arrangements.

(7) In calculating the overall exposure of the Fund, the AMC may take account of netting agreements and hedges if these agreements do not overlook the obvious and significant risks and lead to a clear reduction in risk expose.

(8) Netting can be made between: derivative financial instruments designed on the same underlying, regardless of their maturity date; positions in securities (stocks, bonds, etc.) and derivative financial instruments with underlying securities concerned.

(9) In order to take advantage of the opportunity to reduce their overall risk exposure, the MC must prove that the cost of the hedging instrument and the hedged always move in the opposite direction and demonstrate a strong negative correlation, regardless of market conditions.

(10) If the use of derivative financial instruments does not create additional risk to MF, the base exposure is not included in the calculation of duty.

(11) Using the method of commitments agreements for temporary borrowing concluded on behalf of the Fund, in accordance with Art. 27 CISOUCI ACT not included in the calculation of total exposure.

(12) Methods for assessing the risks associated with investments in derivative financial instrument activities:

1. **Market risk –** interest rate, currency and price risk of the underlying instruments are measured on the basis described in Section IV quantitative methods. To assess the sensitivity of the price of options and warrants to various risk factors determining the price, the following measures:

a) Delta – the amendment the value of the option / warrant as a result of changes in the price of the underlying asset.

b) Tita – the change in the value of the option with approaching the maturity date at constant other factors;

c) Vega – the change in the value of an option to changes in volatility.

2. **Basis risk** – the exposure to basis risk is measured by the difference between the current value of the underlying asset and its futures price agreed.
3. **Credit risk of the counterparty –** measured by the market value of the claim by the contractor.
4. **Settlement risk** – measured by the market value, subject to settlement of the transaction.
5. **Risk of leverage effect –** measured by the market value of % leverage contract deal.
6. **Luquidity risk –** it is measured by the following formula:

Max loss = W x S x 1/2, where

W is the market value of the derivative instrument,
S is the spread between buy and sell price divided by the average price

$$S = \frac{[P(ask) - P(bid)]}{P(mid)}$$

(13) The total value of the Fund's exposure associated with derivative financial instruments can not be greater than the net value of its assets. When transferable securities or money market instruments contain an embedded derivative instrument, the Fund's exposure to such derivative instrument is considered in the calculation of total exposure in the preceding sentence.

1. If the Fund applies techniques and instruments for efficient portfolio management under Art. 42 CISOUCI ACT, including repurchase agreements, in order to create additional leverage or exposure to market risk when calculating the overall exposure of the Fund, the MC takes into account these transactions;
2. When investing in derivative instruments, AMC comply with the limitation under Art. 25, para. 8-10 and provided that the exposure to the underlying assets do not exceed the investment limits under Art. 25, para. 1-10.

3. When the Fund invests in derivative financial instruments based on indices, these tools can not be combined for the purposes of investment restrictions Art. 25, para. 1-10.

4. For the purposes of this paragraph the risks related to exposure to derivative financial instruments is calculated taking into account the current value of the underlying assets, the risk of the counterparty to the derivative financial instrument, future market fluctuations, as well as the required period of time closing the position.

Art. 32. (1) When hedging the Fund's assets in financial derivative instruments MC comply with the restriction that the value of the underlying asset of each hedging position can exceed the value of the asset at the time of the transaction that the fund has in its portfolio.

(2) The amount of positions in derivative financial instruments in which MC invest on behalf of the Fund to manage risk depend on the effectiveness of the hedge.

(3) The position in derivative instruments is determined by the following basic principles:

1. The main factor that determines the effectiveness of hedging transactions is choosing a hedging instrument with an underlying asset or assets that provide the best correlation between the price of the hedging instrument and the price that underlies the underlying risk being hedged.
2. A hedge is considered highly effective if at the beginning and during its existence expect changes in fair value or cash flows of the hedged item are almost fully offset by changes in fair value or cash flows of the hedging instrument and the actual results are within 80-125%.

Art. 33. (1) MC, which is acting on behalf of the Fund keep report information on the types of hedging transactions and submitted to the Financial Supervision Commission information under Art. 60, para. 1 pt. 3 of CISOUCI ACT.

(2) When managing of the Fund assets, MC daily monitor and evaluate hedge effectiveness by applying principles of International Accounting Standard 39.

VII. ACCOUNTING PROCEDURES FOR RISK MANAGEMENT

Art. 34. The main objective of the accounting procedures is adequate collection, processing and presentation of reliable, systematic and timely information about the level of risk to which the Fund is exposed.

Art. 35. *(Am. with decision from 21.11.2018)* Timely and accurate presentation of information on the degree of exposure to risk the Senior management is a prerequisite for avoiding risk concentration and incurring financial losses.

Art. 36. Accounting procedures should ensure comprehensiveness of business processes and thereby minimize the risk of loss and distortion of information about the current status of the Fund.

Art. 37. Accounting procedures should ensure appropriate structuring of financial and accounting information for the purposes of risk management by MC. This is achieved by grouping detail and adequate information from primary accounting documents, based on the individual chart and specialized software.

Art. 38. In order achieving the objectives faced by the accounting procedures for risk management is needed consistency with all departments of the MC.

Art. 39. *(Am. with decision from 21.11.2018)* The prerequisites for the proper functioning of the accounting procedures are as follows:

1. Compliance with the accounting policy made in accordance with International Accounting Standards and International Financial Reporting Standards;
2. True, accurate and timely accounting of business processes;
3. Ensuring the necessary information flow to the accounting department;
4. Timeliness of the information to the accounting department;

5. Structure of the individual chart of accounts for the purpose of obtaining the necessary accounting information;
6. Active interaction with department "Risk Management" and other departments of the AMC to obtain accurate and timely information on the extent of exposure to risk;
7. Availability of software designed to automate processes, systematization of information, facilitating the access of data from primary documents and sources and their reliable backup;
8. Organizational structure of the accounting department in accordance with the needs of MC, with clearly defined rights, responsibilities and levels of access to information;
9. Daily accounting of all transactions and revaluation of securities in the portfolio, according to legal requirements and adopted accounting policy;
10. Daily balance sheet and trial balance and active participation in the preparation of daily reports;
11. Anticipating corrective actions when errors of different nature in the accounting department;
12. Ability to control the activities by the Senior Management of MC;
13. Reliable storage on durable carrier of information..

Art. 40. MC will determine the sources of price information, the data from which will be used for daily and / or monthly reassessment of positions in the Fund and responsible employees.

Art. 41. *(Am. with decision from 19.12.2018)* Sources of prices are the regulated markets in financial instruments - Bulgarian Stock Exchange JSC and the foreign regulated markets on which the securities are traded.

Art. 42. Sources of quotes can be recognized global news agencies such as REUTERS, BLOOMBERG, etc. Assessment of Bulgarian government securities can be used quotations from primary dealers, in this case required to define the dealers and the responsible persons for collection and processing of information.

Art. 43. For each of the positions in financial instruments that have no current prices quotations is defined method for calculating its fair value, as this method is followed consistently. Responsible for calculating fair prices persons should be able to give explanations on calculations and periodically test the appropriateness and adequacy of the methods used.

Art. 44. MC should delegate responsibilities to staff to monitor deviations in the settlement of transactions in debt instruments, equities, currencies and commodities.

VIII. ADMINISTRATIVE PROCEDURES

Art. 45. (1) *(Am. with decision from 21.11.2018)* Administrative procedures necessary for the activity of the MC are:

1. These rules for the risk management of the Fund are amended by the Board and shall enter into force after approval by the Commission for Financial Supervision on a proposal of Vice-President;
2. Existence of system for control, according to the internal organization of MC;
3. A series of actions of officials in connection with the activity of MC, according to its license;
4. Authorisation given to employees for approval and signing of documents in the framework of the MC:

4.1. Authorisation given to employees to confirm and signing of documents is done with appropriate powers of attorney, as is mentioned rights that every employee has;

4.2. The authorization of the employees to confirm and sign documents within the activities of the AMC to follow the principle of "four eyes" to check the primary and subsequent documents;

4.3. Upon a change of representative power of employees duly inform institutions and persons to whom authorizations have been presented.
5. Procedure for the establishment, operation and management of data and documents in the MC, including archiving:
5.1. The documents created by officers from the department in whose jurisdiction is their creation;
5.2. Document exchange is done in accordance with the internal rules of the MC;
5.3. Maintain documentation and keep records as required by the Decree №44 requirements for the activities of collective investment schemes, investment companies and management companies and other applicable legislation.
6. Administration and management of the Information System - performed by the MC or external contractors for MC;
7. Rules and responsible employees to notify the Financial Supervision Commission on the activities of MC.

(2) Administrative procedures under par. 1 contained in a statutory instrument, other internal rules of MC or develop a separate internal document.

(3) The internal rules of MC should contain and provide:

1. identification, collection and dissemination in appropriate form and terms of credible and reliable information that allows any person in MC to take some responsibility;
2. Effective Communication under horizontal and vertical line and at all hierarchical levels of MC;
3. policies and procedures for authorization and approval;
4. Policies and procedures for the division of responsibilities in a way that does not allow one employee responsible for approval, execution, accounting and control of transactions;
5. policies and procedures for access to information;
6. rules on the management of human resources.

(4) In view of the distribution of functions between various departments and staff in the departments and subject to the requirement for separation of responsibilities under par. 3 pt. 4 should be prepared and follow job descriptions for all positions in the MC, which set requirements to persons for appointment to the respective position and the range of duties assigned to them.

Art. 46. In internal procedures MC regulates cases of confidentiality when dealing with insider information, and standards of conduct in relation to clients of MC, in cases where the service requested by the client, refers to investment information that is not publicly available.

Art. 47. *(Am. with decision from 21.11.2018)* Department "Risk Management" prepares and presents:

2. To the Senior management report on the activities of Department, periodically, once a year, until 31 January.

Art. 48. (1) Reporting of incidents occurred - reporting of incidents occurred goals:

1. to contribute to the formation of a database for losses caused by operational incidents.
2. helps to increase the risk culture accordingly improve the process of risk management options to reduce by improving the information on the actual cost of operational risk.
3. periodically measure the value of the emerging consequence operational risk incidents, providing a good opportunity for management to limit costs.
4. to improve the ability to respond to significant operational incidents.
5. to align the legal requirements of a functional unit level.
6. to create fully synchronized procedure data collection and reporting, as well as avoiding duplication of information and gaps.

(2) The policy on risk management requires immediate reporting of incidents, which are: significant; a menacing character; relevant to the reputation of the company; have obscene or illegal action.

(3) In order to increase crop management risk situations and evaluate the adequacy and effectiveness of the measures taken, the Fund should prepare a log of recorded incidents, which contain a description of the event, location of occurrence, date and time of occurrence, person / s Registration / and incident and responsible / s person / s and completed tasks.

Art. 49. (1) MC evaluates, controls and reviews the system for risk management annually. The period covers the current financial year.

(2) Based on the inspection under par. 1 above and, if necessary by amending the rules for risk management, the Board of Directors of MC approves changes in the rules that are imported to the FSC for approval under Art. 18, para. 1 and 2 CISOUCI ACT within a period not later than 7 days after the date of adoption.

Art. 50. (1) MC, on behalf and for the account of the Fund disclose publicly at least annually the following information content:

1. information on the objectives and policies in relation to risk management separately for each risk, which includes:

a) policies and procedures to manage various risks;

b) the structure and organization of the Department for Risk Management;

c) the scope and nature of the systems for reporting and measurement of risk;

d) policies for hedging risk through derivative instruments and its reduction, as well as policies and procedures for monitoring the constant efficiency of processes hedging and risk reduction;

2. information on the methods used to assess the risk of every description and a description of relevant internal and external indicators to be considered when applying the method of measurement.

(2) The information under par. 1 spreads through the website of MC within one month of carrying out the review under Art. 49.

TRANSITIONAL AND FINAL PROVISIONS

§ 1. These rules were adopted by Decision of the Board of Directors of "UBB Asset Management" JSC, taken at a meeting and reflected in Protocol № 318 / 27.11.2015, Protocol № 323 / 10.02.2016, Protocol № 381/21.11.2018, Protocol № 383/19.12.2018 and entered into force after receiving approval from the competent authority CISOUCI ACT.

§ 2. At conflict between these rules and normative act, the provisions of the normative act without the need for immediate amendment of the rules unless the normative act expressly provides.