BUCHAREST STOCK EXCHANGE

InvestingRomania

GUIDE FOR RETAIL INVESTORS

For investors taking first steps on the capital market

OCTOBER 2014

This document is addressed to anybody who wants to learn about the capital market, understand how the stock exchange works and identify the steps necessary to trade on the stock market. Nothing contained in this guide is intended to constitute neither financial nor investment advice.

SUMAR

ABOUT THE STOCK EXCHANGE

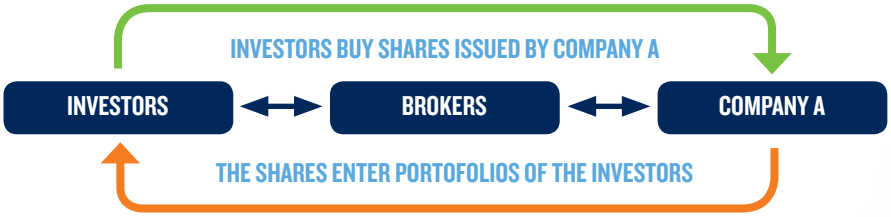
In a simplified definition, we can consider the stock exchange as a place where people can buy or sell certain types of assets while complying with the rules and regulations imposed on the capital market. These assets can take different forms, for example of shares, bonds or other types of securities. This document aims to approximate potential investors with information about basic financial instruments that can be traded on the Bucharest Stock Exchange (BVB).

Transactions concluded on BVB :

- Are recorded online, through an electronic trading system called 'Arena'. Developed in-house, Arena ensures the electronic takeover of orders placed by the authorized intermediaries and the execution of transactions in the markets administered by BVB.

BVB in its capacity of a market operator has the purpose of facilitating money flows between the investors - the ones who have capital and want to invest and 'multiply' it, and the issuers - those who need the investment capital in order to develop their business.

Company A needs money for the purchase of equipment, land, etc. that necessary for its business or, perhaps, for the acquisition of a market competitor. Company A can either access a bank loan from a bank or attract the same amount of money from investors by issuing shares or corporate bonds.



Therefore, company A will raise the required capital while the investors will have an opportunity to place their money.

This type of operation requires presence of consultants and/or brokers. They are the ones who assist with the transaction and who provide necessary advice in order to establish relevat specification of the operation, so that it is successful.

As investors buy newly issued shares, the company obtains the necessary cash flow for investments that increase its value. Some of the investors decide to buy shares in companies that have growth potential so they can become a vital part of the company's growth story whereas others buy shares in order to sell them at a higher price, in the name of investor's principle: **'buy low, sell high'.**

When a company issues new shares, it must prepare a prospectus in which it presents important information about its line of business, activity as well as specify the purpose for the money it expects to attract from the investors. Having access to this information, investors can form an opinion about the potential profitability of the company's shares.

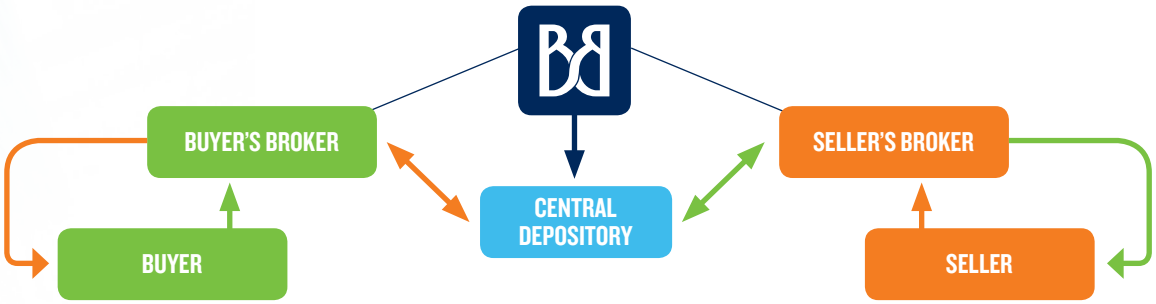
After buying shares, investors become owners of the company

- Thus, they become entitled to vote during General Meetings of Shareholders, elect company's managers and receive part of the company's profits (the dividends).

Trades on the Bucharest Stock Exchange are carried out through a mechanism that ensures brokers with a direct and continuous access to information about the price as well as to the reports provided by the issuers. In this way, the brokers and their customers have the opportunity to make informed investment decisions.

While trading on the stock exchange, the buyer does not actually meet the seller as the trades are placed virtually, through a licensed broker – the intermediary. Once the customer gives his broker the purchase or sale order, the broker introduces the order into the stock exchange system where the request meets other orders and after negotiating the price, the trade is concluded.

The stock exchange then sends the trade confirmation to the broker and the data regarding the trade participants to the Central Depository, for the clearing and settlement of purpose. Subsequently, the Depositary performs the ownership transfer of the shares in return for payment between the accounts of clients in question. The money/shares then enter the broker's account, who distributes it/them to the customers for whom he brokered the transaction.



The trade transaction involves two different flows between the buyer and the seller: the flow of money and the flow of securities by transcribing the new holder in the register of shareholders.

The trades are settle within T+2, that is two business days after the date of the trade. This means that the second business day after the transaction buyer will have the shares available in his portfolio and the seller will receive money for the sold shares.

Investors are divided into two categories:

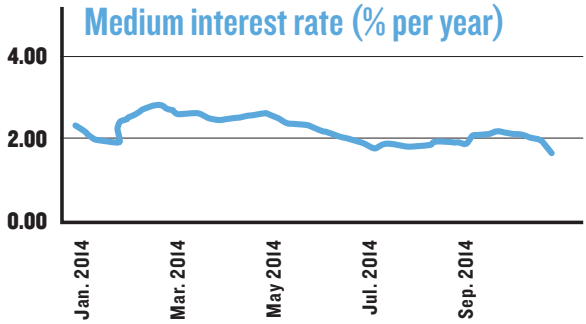
- **Retail investors** – natural or legal persons that buy and sell securities on their own behalf, in their own name.
- **Institutional investors** – mainly pension funds, investment funds, insurance companies, but also investment banks. These types of institutions have managers managing large sums on behalf of retail investors who chose to invest indirectly in the capital market by buying securities issued by those institutions.

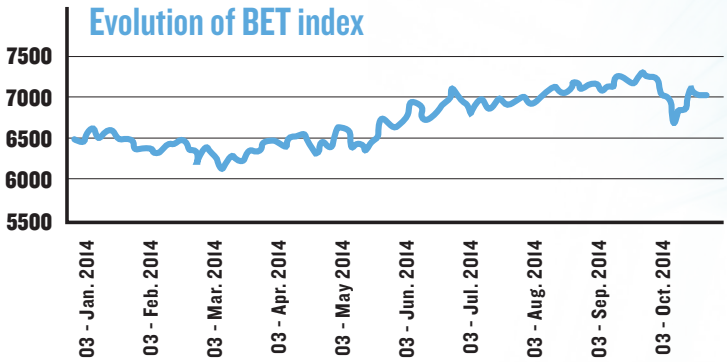
FROM SAVINGS TO INVESTMENT

Saving money

Usually, the capital is being accumulated through the saving process and it is then subsequently used either to achieve medium to long term personal goals (buying a house or a car, payment of school fees, etc.) or is kept for safety purposes (unforeseen events or for the future, e.g. pension). Each person decides what the best available instruments for saving money are. These instruments generally range from ones with low profitability and low risk to those with high profitability and thus higher imposed risk. It is nevertheless important to remember that generally, the yield should be above the inflation rate.

During the first six months of 2014, the average interest rates on the interbank market for 12 months term deposits were below 3% per year, at imes even slightly going below 2% per year. At the same time, BVB's BET index increased by 6.7%.





Source: data available on the websites of the National Bank of Romania (BNR) and the Bucharest Stock Exchange (BVB)

Investing involves placing money in certain assets, with the main goal being the achievement of expected returns. Therefore the main purpose of investing the money is not to minimize risk, but rather to maximize the yield which can be obtained under acceptable risk conditions.

The definition of acceptable risk varies from one person to another. Some investors are willing to risk more, hoping that the situation will evolve in their favour and that they will achieve a higher profit, whereas other investors prefer to take a medium or low risk and are thus satisfied with more modest profits.

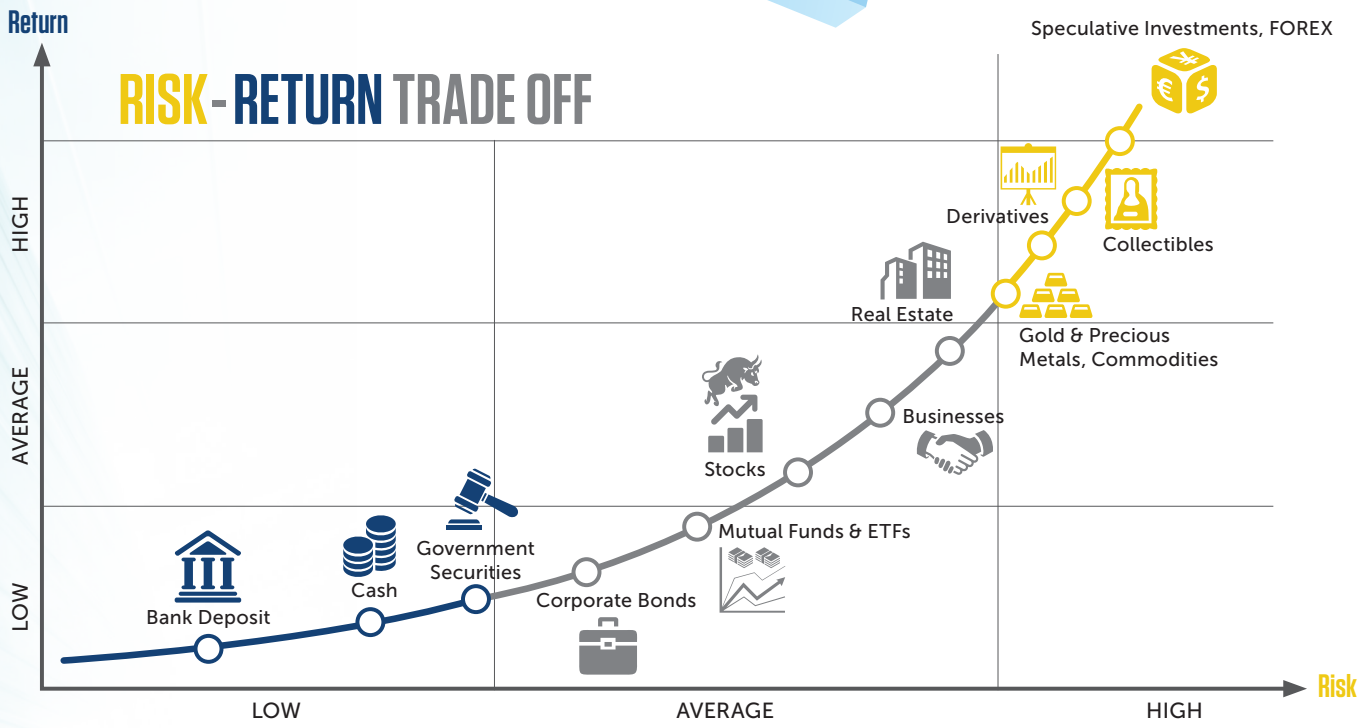
The gross profit of a financial investment is the difference between the current price or the selling price of the assets and the price at which the respective shares were purchased, plus the income achieved from corporate operations such as collected net dividends or received free shares. The expenses related to the transaction (commission paid to the intermediary, taxes etc.) shall be deducted in order to establish the net profit.

The return on investment is the profit on an investment, expressed as percentage and can determined by the following formula:

$$\text{Return} = \frac{\text{profit}}{\text{investit capital}} * 100$$

Example:

- Investor buys one share in company X, at the price of RON 1 and after two months he sells it at the price of RON 1.1. For this operation, he has paid a total fee of RON 0.01. His profit is therefore equal RON 0.09 leu (RON 1.1 – RON 1 – RON 0.01 = RON 0.09).
- The return amount can be obtained by dividing the profit (RON 0.09) by the initial investment (RON 1 paid at the time of purchase). In this case the net return is equal 9% for a period of two months of ownership.



There is a number of investment opportunities available for the investors, varying from the low-risk ones (e.g. bonds issued by companies) to the average risk ones (e.g. shares listed on the stock exchange) and the high risk ones, such as the derivatives and turbo certificates.

There are also alternative assets available to investors such as works of art, buildings, land, etc. However, they are harder to purchase as that they generally require a large initial investment and, at the same time, they are harder to liquidize, which means that they are harder to sell in a short period of time.

Choosing the right investment strategy might be quite difficult hence it is important to find a balance between gains that the investor wants to achieve and risks that he is willing to assume.

În această lumină, alegerea celor mai potrivite strategii poate fi destul de dificilă și este indicată identificarea unui echilibru între câștigurile pe care le vrem și riscurile pe care ni le putem asuma.

SAVING

Objective:
accumulation of capital

Assumed risk:
almost none

Return which can be achieved:
quite low

INVESTING

Objective:
profit gain

Assumed risk:
bigger, determined by the choice of financialinstrument

Return which can be achieved:
significantly higher, determined by the choice of financial instrument

Investment strategy

Whether it's about the short term (speculative) or long-term investments, it is necessary to establish financial planning and a strategy that an investor will follow.

In other words, it is necessary to establish exactly how much the investor is willing to invest, how often he will put money in his investment account (if he wants to buy multiple titles), how often he wishes to withdraw money from the account and what are the objectives behind his investments. The investment strategy to be followed should be established together with the chosen broker.

Investing on the capital market is a complex process

- Therefore the effort that an investor has to put in it is proportional to the potential gains. In order to invest in the most profitable instruments, each investor must form his own view of the financial market as well as ab idea about the evolution of the economy and the companies in which he wants to invest. All in all, investment decisions should be made based on the available information.

The acceptable risk level varies from one investor to another and therefore it is necessary to establish each investor's risk tolerance. It is advisable to simulate a number of scenarios in order to consider how the investor would react if his portfolio would decrease by 10%, 20% or even 30% and thus, while taking into account the profitability expectations, establish the right instruments for investment. It is also recommended to set thresholds to mark the profit or loss, by, for example, establishing the sell order when the instrument reaches the X% profit or loss. This can be easily achieved by using the 'Stop' orders from the trading platforms.

EXAMPLES OF STRATEGY OPTIONS:

PRUDENT – risk aversion, investments in dividend shares	MODERATE – acceptable higher risk, investments in growth shares	AGGRESSIVE – high risk entailed, investments depending on the evaluation of the companies
Investments made primarily in bonds and liquid shares of companies that pay dividends of a significant value every year (the 'dividend shares', as investors also call them). The recommended time horizon for such investments is medium to long term.	Investments primarily oriented towards shares of companies with high growth potential (the 'growth shares' as investors also refer to them), made on a medium to long term. It is possible that the respective companies will pay little or no dividend, preferring to keep the profit for own development. Investors therefore expect to win mainly from increases in the price of the shares they hold. Such investments are more risky because it is possible that the development and investments policy made by the company do not bring the expected results. The recommended time horizon for such investments is medium term.	Investments made in illiquid shares, in a number of companies active in different domains, from different market categories, with an undervalued market price. The expectation is that the growth periods of these investments will synchronize with the overall trend. In addition to investing in undervalued (at that particular moment) companies, the investor will generally also include other trading tools in his portfolio, such as leveraging instruments which will assume the risk, even if these instruments are less liquid. The recommended time horizon for such an investment is short to medium term.

These are just a few examples of investment strategies that are focused both on financial criteria (liquidity, degree of overvaluation/ undervaluation of the company, growth potential, dividends, etc.) and on the recommended time horizon.

Liquidity constitutes a very important component of the stock market and therefore should not be neglected. Experts define liquidity as possibility of monetizing investment in as short as possible time and without recording a significant decrease in the shares value.

Once the investment strategy has been established, the titles that will be included in the portfolio must be selected according to the set out criteria. This requires a careful analysis of the characteristics of the companies concerned, including the evolution of their economic performance over a longer period of time, necessary in order to estimate the shares future trend.

For better risk management, it is recommended to hold a diversified portfolio that includes shares, units, bonds, accumulation pension/life insurance plans.

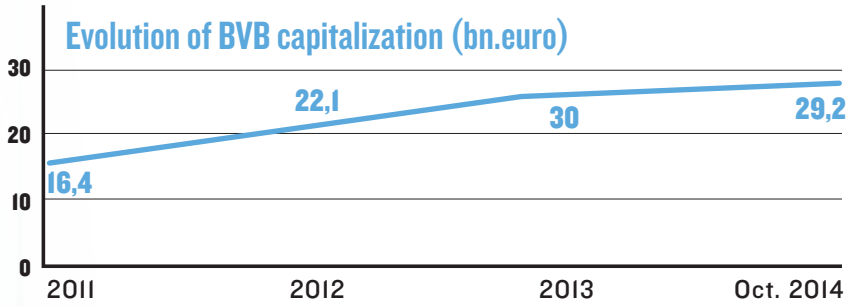
Example:

- In order to secure a higher degree of diversification, a person that has a total amount of RON 3,000 may decide to allocate it in a following manner: RON 500 in bank deposits, RON 500 in bonds or mutual funds and RON 2,000 in traded shares. The RON 2,000 can also be further diversified by investing it in 3-4 different companies, each from a different sector (e.g. oil, banking, pharmaceutical and chemical industry).

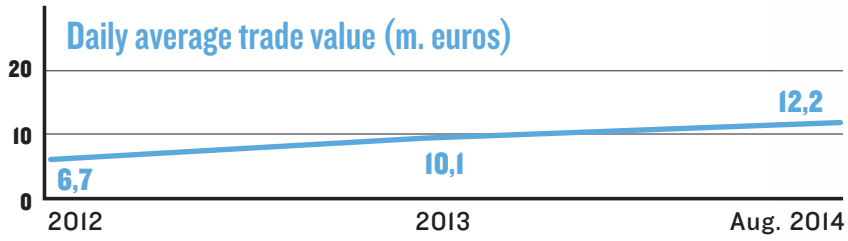
Investments through the capital market

The Bucharest Stock Exchange is the most important market operator on the Romanian capital market, and its main equities listed are regular shares of companies from Romania. The development of the Romanian capital market can be also represented in figures. The capitalization, meaning the value depending on share prices, of companies listed on BVB reached 29 billion euros at the end of the first ten months of 2014. This number was achieved after a steady increase over the past two years that had an annual rate estimated at 35%.

The increase was partially achieved thanks to the increase in the number of companies listed on BVB's regulated market. At the current moment, there are 83 companies listed on BVB's Regulated Market. The IPOs of 5 companies listed in the above-mentioned period brought an extra 4.4 billion euros to the total market capitalization. Another factor behind this positive development was the increase in prices of the listed shares. Since early 2012, BET index, covering 10 most liquid shares listed on BVB, increased with over 60%.



5 most companies currently listed on the BVB are: Erste Group Bank AG, OMV Petrom, Romgaz, Fondul Proprietatea and New Europe Property Investments.
The total average daily trade in shares during 2014, including the Initial Public Offers, was estimated at over 12 million euros/day.



In the recent years, BVB has also undertaken a successful privatization program. Between the third quarter of 2013 and July 2014, three offers were made and companies Nuclearelectrica, Romgaz and Electrica became listed on BVB's regulated market.
The last two IPOs were by far the largest in the history of the Bucharest Stock Exchange, valuing, respectively, at 383 and 444 million euros.
The privatization process will continue in the next years, with new listings of companies from a number of different sectors.
BVB also anticipates listings from private companies.

- The Bucharest Stock Exchange offers a wide range of assets that includes, inter alia: shares, corporate bonds, municipal and county bonds, government bonds issued by the Romanian Ministry of Public Finances, ETFs and closed investment funds as well as structured products.
- BVB operates a regulated market, an Alternative Trading System (ATS), RASDAQ market as well as provides a dedicated section for unlisted securities.

What are shares?

Shares are one of the most popular ways of investing in the capital market because they represent a balance between the risk assumed (higher than when dealing with bonds but also lower than in the case of derivatives) and the potential gains (bigger than for bonds but lower than for derivatives).

Shares represent the participation in the social capital of a company. Shareholders have an ownership right in the net assets of the company, proportional to the number of their shares. They have the right to be informed about company activities, attend and vote during the General Shareholders Meetings (GSM) as well as cash dividends in case the company registers profits (if such a decision is approved by the GSM).

Other rights that we enjoy when we hold shares in a company:

- The right to be informed about the economic and financial developments of the company, to vote for important decisions about the activity and the company's management during the GSMs, including the possibility to be elected for the company's Board of Directors;
- The right to share of company\s assets in case of its liquidation.

There are several criteria available for the classification of the actions according to their characteristics. Generally, companies issue common shares. Nevertheless, some companies may also decide to issue preference shares.

Each share is characterized by the nominal value, equal to what it represents in the share capital of the company. The nominal value of shares is only agreed on and it does not reflect the actual market value. Unlike the bonds, lifespan of the shares in unlimited.

COMMON SHARES	PREFERENCE SHARES
All rights and features discussed above: • the right to company's patrimony; • the right to vote in the General Shareholder's Meeting (GSM); • the right to receive dividends if company's annual financial year ends with profit and the General Meeting of Shareholders decides to distribute the dividend. This dividend is therefore variable, depending on the results and the policy of the company (to invest in the development of business or to pay dividends to shareholders).	**Preference shares generally involve:** • fixed dividend specified from the beginning, collected each year the company has made a profit; • restriction or total elimination of the shareholders right to participate and vote in the General Shareholder's Meeting (GSM). All in all, in case of preference shares, company promises to pay regular higher dividend to shareholders who purchase the shares, but, at the same time, these shareholders are not entitled to participate in the company's activity and thus cannot influence decisions made during the GSMs.
In case the common shares are traded on the stock exchange together with the preferred shares, their quotes will be different and traded on different markets.	

Investing in shares listed on the stock exchange is done mainly for the possible profits from the dividends as well as anticipated increase in trading prices. Before buying shares in a listed company, it is required to get familiarized with all the necessary information regarding company's field of activity, its ownership structure, financial performance, legislative framework and many other.

The price of the shares on the stock market changes continuously during the trading sessions and it is based on sale and purchase orders placed by investors through their brokers. The share price represents the level at which the most recent transaction has been made.

The price of the shares can be influenced by many factors, such as: general development of the local economy and the capital market, news sent out by the company (about winning new contracts, new markets, investments, changes in management, modifications in the shareholder structure, evolution of financial indicators, etc.), analyst estimations presented in the prepared reports submitted to the customers or to the general public, press articles, general feeling of investors, market psychology etc.

What are bonds?

Unlike shares, which imply participation in the social capital of a company, bonds represent a loan granted to a company for a predetermined period of time at a fixed or variable interest rate known at the time of issuance. The amount borrowed will be returned to the investors at maturity. Bonds are considered financial instruments with fixed income, as the interest rate is announced beforehand, while shares are 'financial instruments with variable income' because it is not known beforehand whether a company will pay dividends and if so, of value, since they depend on the profits registered by the issuer each year.

Local governments and institutions can also be the bond issuers for municipality or county bonds. State can issue government bonds through the Ministry of Public Finance whereas private companies can issue corpo-

rate bonds. Bonds are generally issued by institutions that need funding and that are trying to get a loan on more advantageous terms than the one accessed from the bank. In this way, companies can also avoid the alternative of accessing the capital through the division of the company's ownership by issuing shares.

In theory, risk associated with bonds issued by the central and local public administration is lower than with corporate bond. This risk is determined based on the issuers' ability to repay the loan at the maturity period and it is rather improbable that the administration would not be able to repay the bond loan at maturity. Corporate bonds entail a slightly higher risk.

THE MAIN CHARACTERISTICS OF BONDS

Payment dates of interest and principal	Interest	Convertibility	Guarantee
• Issuers may pay the interest periodically, on a quarterly or biannual basis. Similarly, the amount borrowed can also be repaid in several stages during the lifetime of the bond. **Exception:** There are bonds available for which the entire amount (interest and the amount borrowed) are paid in full at maturity. These bonds are called "zero voucher bonds" because they only return the full amount at maturity.	• Fixed; • Variable, calculated based on the interbank interests and the interest margin. This interest is calculated and announced periodically (e.g. quarterly or biannually).	• Some bonds can be converted into shares at certain times announced by the company (if the owners opt for conversion) or at maturity date. The conversion is performed based on the ratio between the value of bonds and the value of the shares.	• Some bonds are secured by the financial risk policy. Thus, if the issuer enters into default and cannot repay the loan and pay the interest on maturity, the insurance policy provider will pay the loan for him. As the risk is somewhat lower in case of guaranteed bonds, the interest paid on those bonds is lower than in case of unsecured bonds.

What are investment funds?

Fund units represent the equity of the net assets of an investment fund (mutual find). Investment fund is a Collective Investment Undertaking (CIU) without a legal personality that invests in the stock market and/or on the money market. It uses money from a number of investors in order to multiply the money invested by them and thus generate bigger profits. In other words, investment funds are a form of association through which people can join their financial resources together in order to invest it on the financial markets. The results thereof, meaning profits or as the case may be, losses, is divided proportionally based on the holdings (number of fund units) that each investor holds in the respective fund.

Investment funds are managed by the Asset Management Companies (AMC) that are responsible for the investment strategy of each fund. The investment strategy is presented in a set of binding documents (known as the 'fund documents') and based on them investors can decide in which fund to place their money. Depending on a specific investment policy, a fund may decide to invest in any of the financial instruments available – shares, bonds, bank deposits, derivatives, currencies, promissory notes etc. It can also use various combinations of the above-mentioned instruments as well as provide investment opportunities in real estate, land, commercial or office space and other asset categories of the same type.

Some funds are designed to even the component of stock indexes, which means that they will mainly invest in shares constituting the

respective indexes. Through these funds, investors can have indirect access to a diversified portfolio at a lower costs than the separate acquisition of shares from the respective indexes (see the "ETF Guide" on the BVB website) would require.

INVESTMENT FUNDS CAN BE CLASSIFIED INTO TWO CATEGORIES

Open-ended funds

- The money attracting operations are performed on a continuous basis as the customers buy fund units issued by the respective funds and the investors redeem fund units from customers;
- They have an indefinite life time;
- They are allowed to attract any number of investors that generally do not have a minimum investment amount imposed on them;
- Some open fund units may be listed on the stock exchange. They are called ETFs (Exchange Traded Funds). For more information, consult the 'ETF Guide' available on the BVB website.

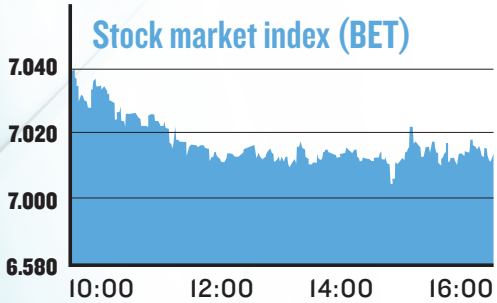
Close-ended funds

- Allow purchase/redemption of fund units only in certain time intervals that are clearly determined in the available documents;
- Typically they have a definite lifetime, as provided in the fund documents. After the end of the lifetime the fund is liquidated and the resulting value is divided to the title holders proportionally, based on their ownership;
- Thy address a relatively small number of investors (less than 200, according to the legislation in force). On those who want to invest, a minimum investment amount is imposed;
- They may be listed on the stock exchange.

Note:
AOPCs (Other Undertakings for Collective Investment) organized as S.A. (joint stock companies) who are active in the financial investment domain can be considered in this category. Their shares are traded on the stock exchange, meaning they will be assimilated with the regulated market for shares.

The first ETF ever listed on the Bucharest Stock Exchange is a fund that tracks the evolution of the BET index of 10 most liquid companies listed on BVB.

Stock market index (BET)



Stock indices reflect the development of the market, the share prices falling in their composition. The indices of the Bucharest Stock Exchange are calculated and published in real time on the BVB website, but also on the websites of its partners (brokers, data distributors etc.). In general, the indices can be calculated either for all the stock market, or base don other criteria, sectors of the economy etc.

BET	7.034,90	49,43	0,71%
BET-TR	7.682,28	53,98	0,71%
BET-BK	1.297,95	8,56	0,66%
BET PLUS	1.042,19	6,59	0,64%

BET-FI	31.377,97	81,62	0,26%
BET-NG	702,28	3,60	0,51%
BET-XT	634,33	3,99	0,63%
ROTX	13.148,26	176,62	1,36%

THE MOST IMPORTANT INDICES OF BVB ARE:

BET - the most important index of BVB. It follows the evolution of 10 most liquid companies listed on BVB regulated market, excluding financial investment companies (SIFs);
BET-TR - is the first total return index launched by BVB. It is based on the structure of market reference index BET. BET-TR reflects the evolution of its component shares and dividend yields offered by them;
BET-BK - was created as a benchmark for the fund managers and other institutional investors. This index includes the top 25 shares listed on BVB, depending on their liquidity. It includes the SIF titles, shares of the Fondul Proprietatea (FP) and the securities of the Austrian Erste Bank (EBS);
BETPlus - reflects the evolution of Romanian companies listed on BVB regulated market that meet the minimum selection criterion with regards to liquidity and free float. Financial companies are excluded from this index;
BET-FI - is a sectorial index which reflects the evolution of financial investment companies (SIFs) and of other similar institutions, including Fondul Proprietatea (FP);
BET-NG - is a sectorial index that reflects the evolution of companies listed on BVB regulated market that operate primarily in energy and utilities field;
BET-XT - includes the 25 most liquid Romanian shares depending on the liquidity on the BVB, including the SIF titles and the Fondul Proprietatea shares;
ROTX - it is an index developed by BVB together with the Vienna Stock Exchange (Wiener Börse). It reflects, in real-time, the movement of the 'blue chip' shares traded on the Bucharest Stock Exchange.

What are structured products/certificates?

Structured products combine the features of various financial instruments. In this way, structured products are able to provide different investment risk profiles. These products are therefore of particular interest to investors with a high speculative profile, but, at the same time, are also a viable option for investors looking for protection and diversification of their portfolio.

Certificates are based on underlying assets, which can be another financial instrument (for example shares), an index or exchange rate, interest rate, commodity, basket or a combination of these instruments or securities. The price of the certificate will therefore be closely linked to the development of the instrument or asset to which it relates.

Typically certificates are financial instruments issued by financial institutions (banking or non-banking) such as banks, investment companies or other types of investment firms.

Investment certificates (also known as index certificates), turbo certificates and capital protected certificates are available for trading on the BVB.

For more information about structured products, please consult the 'Certificates Guide', available on BVB website, in the section 'Educational materials'.

HOW DO I CHOOSE THE BROKER TO REPRESENT ME?

Investing in the instruments listed on the Bucharest Stock Exchange is carried out through the Financial Investment Services Companies (SSIFs) and banks authorized to trade on BVB. They are usually referred to as brokers or the authorized intermediaries. The list of authorized intermediaries is available on the website www.bvb.ro, in section 'Intermediaries'. In this dedicated section, investors can learn about the intermediaries and their activity by accessing monthly or yearly complied information that indicates the value of their conducted transactions.

In that section investors can furthermore access a full list with contact details of all the intermediaries, both brokerage firms and banks, authorized to trade on the Bucharest Stock Exchange as well as view their individual websites. There investors can find detailed information about the services offered, stock prices and any other information they may deem necessary such as the commissions, transmitting trading orders (via online platform, telephone, fax or e-mail) and many others.

After selecting an adequate intermediary, investor will meet with the financial investment services agent (the broker) who is an employee of the respective intermediary in order to obtain additional information and establish the investment profile.

BEWARE OF :

- brokerage companies that promise you rapid and consistent gains by trading on the stock market. For the safety of your investments it is advisable to check if the intermediary that contacted you is registered with the Registry of the Financial Supervisory Authority (ASF). The list of intermediaries authorized by the ASF can be accessed on the institution's website (www.asfromania.ro) or on the website of the Bucharest Stock Exchange (www.bvb.ro), in section 'intermediaries'.

In order to trade on the Bucharest Stock Exchange, investors can only use services of intermediaries authorised to trade on BVB.

Investment account

After choosing the brokerage firm, the broker will open an investment account for you. In that account he will be able to register your assets such as stocks, bonds, fund units and/or certificates.

THE MOST COMMON TYPES OF INVESTMENT ACCOUNTS

Regular/Assisted	Discretionary
• Investor takes all investment decisions and proposes the acquisition times as well as identifies the shares to be purchased. • Orders can be sent via the internet, using online trading application, or directly on-site by fax, email or telephone. In the latter case the call will be recorded. • The minimum amount necessary for opening the account varies, depending on an intermediary. • Fees are negotiable depending on the invested amount, frequency and size of transactions.	• Broker can take investment decisions without requesting the investor's consent. This type of account is usually preferred by investors that do not have much experience in capital markets or that do not have enough time to research the market. • The structure of the portfolio will be established in accordance with the individual's investment profile. The profile will be determined during an interview, carried out with the broker, prior to opening the account. • Generally, the minimum amount required for opening an account is higher compared with the regular account. • The commission is negotiable, however the customer pays an additional success fee. The fee will be charged only for the profit that exceeds a certain evaluation standard). The success fee is used as an incentive for the account administrator to provide the client with the highest yield possible.
The transaction fee retained by the intermediary includes the commissions paid to access the market operated by BVB, its supervisor - the Financial Supervision Authority (ASF) and the delivery agent - Central Depository.	
The documents necessary for opening the investment account are: • the brokerage contract with annexes. • application for opening an account. • investment questionnaire that establishes the investment profile of the customer.	In addition to the documents necessary for opening the regular account, a document mandating the agent to manage the client's portfolio is added.
Irrespective of the type of account investor, in his stakeholder capacity, has complete control over his assets, that is the money or financial instruments (stocks, bonds, etc.).	

Types of trading orders

Market order occurs when the customer instructs his broker to buy or sell some of his shares or other securities from the portfolio at a current price, called the market price. Price at which the order is executed is the best price found on the market for the contrary orders (match between the best purchase price for a selling order and the best selling price for a purchase order from the customer).
The customer can also give a **limit order,** indicating the broker to buy or sell only at the indicated or at better price.

The stop order involves a situation where the customer orders the broker to buy or sell at the market price once the securities reach a certain target price, also called the stop price. Such orders are placed specifically in order to limit losses or protect profits.

During a trading session, price of most of the shares listed on the regulated market may vary +/- 15 % compared to the last reference price.

However, for 16 specific companies, the variation limit can be extended up to 40%. This list includes the shares of the BET index, the titles of the five financial investment companies (SIF) and the Erste Bank (EBS) shares.

When trading turbo certificates, variations can be even greater. During a single day, some structured products do not have a variation limit.

REFERENCE TO INSTITUTIONS OF THE CAPITAL MARKET IN ROMANIA

The Financial Supervisory Authority (ASF) - is the authority supervising and regulating the non-banking financial market, the capital market, the private pensions market and the insurance market.
www.asfromania.ro

Bucharest Stock Exchange
is the main market operator.
www.bvb.ro

The Financial Group of the Bucharest Stock Exchange also comprises:

- The Central Depository ensures the clearing and settlement of transactions with financial instruments, as well as keeps the records of the issuing companies. www.depozitarulcentral.ro
- The Investors Compensation Fund collects and manages contributions of the members in case they need compensation of the claims of the investors. This may occur when a member fails to repay the funds and/or financial instruments owed or belonging to the investors that are owned and/or managed on their behalf within the provision of financial investment services. www.fond-fci.ro
- The Corporate Governance Institute organizes information seminars for issuing companies. www.guvernantacorporativa.ro
- The Bucharest Clearing House carries out registration, guarantee, clearing and settlement of transactions of the financial derivative instruments that were concluded on the regulated market and that managed by the Bucharest Stock Exchange. www.casadecompensare.ro