

Accountability rules  
**RULES**  
**FOR ACCOUNTING, STORAGE OF INFORMATION AND STORAGE OF**  
**FINANCIAL INSTRUMENTS AND MONEY OF CUSTOMERS OF**  
**II "FACTORI" AD**

**I. GENERAL PROVISIONS**

These rules ("the Rules") are adopted on the basis of Art. 65, para. 1, item 9 (art. 16, paragraph 6 of MiFID II) of the Financial Instruments Markets Act (MFIA) and art. 72-76 of Delegated Regulation (EU) No. 2017/565 of the EC.

The objectives of the Rules are to:

- provide protection to the clients of the investment intermediary, as well as to provide true, complete and up-to-date information about the investment and additional services provided by the PE and the way to store cash and financial instruments of clients. The information under the previous sentence is necessary for the management of the II, the resolution of disputes and reporting to the supervisory authorities.
- ensure that the risk of loss or diminution of client assets or rights in relation to those assets is minimized as a result of abuse, fraud, mismanagement, lack of adequate accountability or negligence on the part of the investment intermediary or its employees.

Abbreviations used: Law on the Markets of Financial Instruments - MFFI; Financial Supervision Commission - FSC; vice-chairman, managing the "Investment Activity Supervision" department at the FSC - vice-chairman; investment intermediary - II.

**II. ACCOUNTING AND STORAGE OF INFORMATION**

1. The PE shall report on the circumstances provided for in the PFMI, Delegated Regulation 2017/565 and in its internal acts.

2. The documentation shall be stored on a medium that allows the information to be stored in a manner accessible for future reference by the competent supervisory authority, and in such a form and manner that the following conditions are met:

- a) the competent supervisory authority can obtain it easily and restore all the main stages of processing of each transaction;
- b) all corrections or other changes, as well as the content of the documents prior to such corrections and changes, can be easily verified;
- c) the manipulation or modification of the documents in any other way is impossible;
- d) the use of information technology or other effective means is possible when data analysis cannot be easily performed due to the volume and nature of such data;
- e) the rules of the investment intermediary correspond to the requirements for the storage of documentation regardless of the technology used.

2. Reporting and storage of information is carried out by employees of the "Back Office" department or another unit entrusted with keeping the relevant reporting (register). Accountability (registers) are maintained daily on a magnetic (electronic) medium (except in cases where the applicable legislation requires it to be kept on paper as well) in a manner that excludes the possibility of deleting or replacing data.

**2.1. Principle of content** in reporting. Reporting at the investment intermediary is based on the principle that a reportable and registrationable circumstance must occur, according to the applicable legislation, in order to prepare such reporting in electronic or physical form. The investment intermediary does not prepare and submit to its management or control bodies and/or regulatory state bodies, references, reports, registers and others, without factual and digital content.

3. Employees of the "Back Office" department maintain on electronic media a duplicate of the database for the reporting carried out by the II to prevent loss of information in the event of a technical accident. Duplicated data is stored on a separate server, which excludes simultaneous deletion of data or restriction of access to it in the event of an accident or technical (software or hardware) problem.

4. **The PE keeps at least the registers specified in Annex I to Delegated Regulation 2017/565 depending on the nature of its activities and provision of investment services.** The obligation to keep the prescribed reporting is fulfilled after the occurrence of a circumstance subject to entry.

4.1. The list of registers specified in Annex I to Delegated Regulation 2017/565 does not limit the effect of any other obligation to keep documentation arising from other normative acts.

4.2. The PE is obliged to keep written documentation of all policies and procedures that it should maintain in accordance with the MFPA, Regulation (EU) No. 600/2014, Directive 2014/57/EU and Regulation (EU) No. 596/2014 and the relevant measures for implementation of the said acts

5. **Documentation (archive) regarding the rights and obligations of the II and the client.**

5.1. Documentation that sets out the respective rights and obligations of the investment intermediary and the client under an agreement to provide services or the conditions under which the investment intermediary provides services to a client shall be kept at least as long as the relationship with the client continues.

5.2. The documentation under this article covers all contracts, annexes, agreements, tariffs, orders and other documents reflecting the rights and obligations of the parties.

6. **Keeping a register (documentation) regarding customer orders and trading decisions .**

6.1. In relation to each initial order received from a client and in relation to each initial trading decision taken, the investment intermediary shall immediately register and keep available to the FSC at least the data specified in section 1 of Annex IV to Delegated Regulation 2017/565, insofar as applicable to the order in question or the trading decision in question

6.2. Where the data specified in Section 1 of Annex IV to Delegated Regulation 2017/565 are also required under Articles 25 and 26 of Regulation (EU) No 600/2014, these data shall be maintained in a consistent manner and in accordance with the same standards that are established under Articles 25 and 26 of Regulation (EU) No. 600/2014.

6.3. The register (diary) under item 6.2 contains the following data:

1. Name and other identification of the client;
2. Name and other designation of each relevant person acting on behalf of the client;
3. Designation that identifies the merchant (merchant identifier) within the investment intermediary responsible for the investment decision;
4. Designation that identifies the algorithm (algorithm identifier) within the investment intermediary on which the investment decision is based;
5. "buy"/"sell" indicator;
6. Instrument identification;
7. Unit price and monetary unit;
8. Price;
9. Price multiplier;
10. Currency 1 ;
11. Currency 2 ;
12. Initial quantity and quantitative unit;
13. Validity period;
14. Type of order;
15. Any other data, conditions and specific instructions from the client;
16. The date and exact time of receiving the order or the date and exact time of making the trading decision. The exact time must be determined in accordance with the methodology prescribed by the standards for the synchronization of clocks according to ZPFI, implementing Art. 50, paragraph 2 of Directive 2014/65/EU.

**7. Register (documentation) for concluded transactions.** Immediately after receiving an order from a client or making a decision to trade, the PE registers and maintains at the disposal of the FSC at least the data specified in section 2 of Annex IV of Delegated Regulation 2017/565, insofar as they are applicable to the order in question or the decision to trade in question.

7.1. Where the data referred to in Section 2 of Annex IV to Delegated Regulation 2017/565 are also required under Articles 25 and 26 of Regulation (EU) No 600/2014, these data shall be maintained in a consistent manner and in accordance with the same standards that are established under Articles 25 and 26 of Regulation (EU) No. 600/2014.

7.2. The register (log) for concluded transactions contains the following data:

1. Name and other identification of the client;
2. Name and other designation of each relevant person acting on behalf of the client;
3. Designation that identifies the trader (trader identifier) within the investment intermediary responsible for the investment decision;
4. Designation that identifies the algorithm (algorithm identifier) within the investment intermediary on which the investment decision is based;
5. Transaction reference number;
6. Designation that identifies the order (order identifier);
7. Order identification code assigned by the trading venue upon receipt of the order;
8. Unique identification of each group of aggregated (grouped) client orders (which will subsequently be issued as one common order on a given trading venue). This ID should show "aggregated\_X" (aggregated\_X), where X indicates the number of customers whose orders are aggregated.
9. MIC code of the trading venue segment where the order was submitted;
10. Name and other designation of the person to whom the order was delivered;
11. Designation that identifies the seller and the buyer;
12. The quality in which the person trades;
13. Designation that identifies the merchant (merchant identifier) responsible for the execution;
14. Designation that identifies the algorithm (algorithm identifier) on which the implementation is based;
15. "buy"/"sell" indicator;
16. Instrument identification;
17. Main basic instrument;
18. Identifier of a put option or a purchase option (put/call);
19. Exercise price;
20. Advance payment;
21. Type of delivery;
22. Type of the option;
23. Maturity;
24. Unit price and monetary unit;
25. Price;
26. Price multiplier;
27. Currency 1 ;
28. Currency 2 ;
29. Remaining amount;
30. Changed quantity;
31. Fulfilled quantity;
32. The date and exact time of submission of the trading order or decision. The exact time must be determined in accordance with the methodology prescribed by the standards for the synchronization of clocks under the FMFI implementing Article 50(2) of Directive 2014/65/EU.
33. The date and exact time of any communication transmitted to and received by the trading venue in relation to events affecting the order. The exact time must be determined in accordance with the methodology prescribed by Commission Delegated Regulation (EU) 2017/574 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards for business accuracy the clocks.
34. The date and exact time of each message that was transmitted to and received by another investment intermediary in connection with events that affect the order. The exact time must be determined in accordance with the methodology prescribed by the clock synchronization standards under Article 50(2) of Directive 2014/65/EU.
35. Any message transmitted to and received by the trading venue in connection with orders issued by the investment intermediary;

36. Any other data and conditions submitted to and received by another investment intermediary in connection with the order;
37. The sequence of statuses of each issued order in order to reflect the chronology of events that affect the order, including modification, cancellation, execution, etc.
38. Designation for short sale;
39. Designation of an exception under the regulation on short sales;
40. Waiver Designation.

The rules for keeping a diary (register) of the transactions also apply accordingly to the transactions that the investment intermediary carries out for its own account.

**8. Register of clients of the II (maintenance of the client file)** , which includes at least the following data:

1. unique identification code /LEI code;
2. the three names (company name),
3. uniform civil number (if any), foreigner's number,
4. permanent address,
5. VAT number (if there is such a registration),
6. headquarters and address of the client's management, and if the client is a foreign person - similar identification data.

8.3. Keeping a customer register does not override the obligation of the II to implement the identification and data collection requirements under the MFRS, MFRS, DOPC and FATCA, where applicable.

8.4. In the register under item 8.1, the corresponding identification data for the client representative or proxy, number and date of the proxy are also entered, and the investment intermediary can assign a unique number to the representative or proxy as well.

8.5. The investment intermediary creates a **file for each client** . A file (batch) containing at least the following information is opened for each individual customer:

- a) the contract concluded with the client for the provision of an investment or additional service,
- b) copies of identity documents or data on the legal entity and its representative, if the client is a legal entity,
- c) the information provided to the client, in accordance with the requirements of Delegated Regulation (EU) No. 2017/565,
- d) submitted orders for transactions with financial instruments,
- e) powers of attorney, if the client is represented by a proxy;
- f) notifications about the order execution policy and the relevant risks, as well as a written confirmation from the client that he has received all the required information, according to the current legislation,
- g) provided information about II and potential conflicts of interest,
- h) correspondence with the client,
- i) confirmations and/or reports on concluded transactions/performed portfolio management actions or provided additional service.

**9. Register of Service Ratings (Appropriateness and Appropriateness)** . The investment intermediary maintains a register of the performed assessments for a service, which include the following:

- (a) the result of the suitability assessment;
- b) any warning given to the client when the investment service or purchase of a product is assessed as potentially unsuitable for the client, whether the client has requested to proceed with the transaction regardless of the warning and, where applicable, whether the investment intermediary has accepted the client's request to proceed with the transaction;
- c) any warning given to the client where the client has not provided sufficient information for the investment firm to carry out the suitability assessment, whether the client has requested to proceed with the transaction regardless of that warning and, where applicable, whether the investment firm has accepted the client's request to proceed with the transaction.

**10. Register of stored and administered financial instruments for the account of clients.** The following data shall be entered in the register:

- a) name and/or unique number of the client;

- b) type of securities or financial instruments, in the case of bonds - maturity, number, date of issue, yield to maturity;
- c) issuer or ISIN code of the issue;
- d) client's funds - amount and method of storage;
- e) a description of the custody services provided to the client.

**11. Register of the activity of the**

**12. as a registration agent**, which includes the following data:

1. the date of submission and the unique number of the request of the transferor and the transferee for the transfer of financial instruments;
2. the unique number of the transferor and of his representative or proxy;
3. the unique number of the acquirer and of his representative or proxy;
4. the type of transaction;
5. the type, issuer or unique code of the issue or name of the instrument, respectively characteristics of the derivative financial instrument and the number of financial instruments - subject of the transfer;
6. the unit price and the total value of the transaction for purchase and sale and for other remunerative transactions (unit market price and total value of the exchanged financial instruments);
7. the name of the person who accepted the request for transfer and checked the data under items 1 - 6 with the primary documents and made the entry in the diary;
8. the date of registration of the transfer of the financial instruments and the number of the transfer in the depository institution;
9. the name of the person who checked the data under item 8 with the primary documents and made the entry in the diary.

**12. Register for repo transactions, which includes the following data:**

1. the unique number of the seller under the contract and of his representative;
2. the unique number of the buyer under the contract and of his representative;
3. type, issuer or unique code of the issue or name of the instrument, respectively characteristics of the derivative financial instrument and number of financial instruments - subject of the contract;
4. collateral under the contract;
5. term of the contract;
6. name of the person who made the entry.

**13. Register of customer complaints**, which includes:

1. the date of receipt and the unique number of the complaint in the investment intermediary;
2. the unique number of the applicant (if one is assigned);
3. the corresponding number of the stored primary documents in the archive of the investment intermediary, as well as other additional information;
4. the name and signature of the person who entered/registered the complaint;
5. the date of consideration of the complaint by the investment intermediary;
6. the measures taken in connection with the complaint;

**14. Register of the personal transactions carried out** by the relevant persons and by the persons who work under a contract for the investment intermediary, of which the investment intermediary has been notified or has otherwise ascertained. A register is also kept when: the transaction contradicts or is likely to contradict an obligation of the investment intermediary under the PFFI.

14.1. Accountability according to the second sentence of item 14. is conducted in cases of established regulatory inconsistency with the rules for personal transactions. In other cases, personal transactions are registered and accounted for with the content and in the order established for all other customer transactions.

**15. Accountability for representation of holders of financial instruments before their issuer** and representation at general meetings of holders of financial instruments, with the following minimum content:

1. issuer and type of financial instruments;
2. unique number of the authorized persons;
3. date of the general meeting of the holders of financial instruments or of carrying out actions in the name and at the expense of those represented before the issuer;
4. name of the person who made the entry.

**16. Register (Diary) for the transactions that the PE carries out when managing portfolios of financial instruments.** The log has the content specified in the current rules for trading decisions and concluded transactions.

In cases where the sole proprietor carries out transactions in connection with portfolio management, he is obliged to keep an account of the amount of losses, in order to fulfill his obligation under Art. 62 of Delegated Regulation 2017/565 for notifying the client when the total value of the portfolio depreciates by 10% or by multiples of 10%.

**17. Register of additional services provided.** When providing additional services on behalf of clients, the investment intermediary keeps a relevant register, which is part of the client's file and contains:

1. name or number of the client;
2. type of additional service provided;
3. initial and final period of provision, if such has been agreed upon;
4. indication of the investment service with which the additional service is tied (if there is such a tie);
5. indication of the type/types of financial instruments to which the additional service applies.

**18. Registries in respect of underwriting and placement services**

18.1. The investment intermediary keeps a register of the content and time parameters of orders received from clients. A register is maintained of the allocation decisions made for each operation, with a view to ensuring a full audit trail between the changes recorded in the clients' accounts and the instructions received from the investment intermediary. In particular, the final distribution of each investment client must be clearly justified and recorded.

18.2. Upon request from the FSC, the full audit trail of the essential steps in the process of underwriting and placement of issues is provided.

**19. Accounting reporting.** The II also keeps records regarding: the intermediary's balance sheet and off-balance sheet assets and liabilities; income and expenses; capital adequacy and liquidity according to regulatory requirements.

**20.** The investment intermediary stores all documentation and information related to its activity on a magnetic (electronic) medium.

**21.** The information that is at least stored by the II is specified in Annex I of Delegated Regulation 2017/565, which is also an appendix to these rules.

**21.1.** The investment intermediary stores for 5 years the documentation as well as the information under item 21 in an accessible and suitable place for use and in a way that ensures their preservation on a second medium or their restoration in case of loss for technical reasons. Documents and information that establish the rights and obligations of the investment intermediary or the client in relation to the services provided or the conditions under which the investment intermediary provides services to clients are stored for the entire period of existence of the relationship with the client, but no longer a little over 5 years.

**22.2.** In exceptional circumstances and according to the order of the Deputy Chairman of the FSC, the investment intermediary is obliged to keep documents and information under item 21 for a longer period in view of the essence of the instruments or transactions, if this is necessary for the exercise of its supervisory powers, but the period cannot be longer than 7 years from their creation.

**23.** The storage of the documentation and information under item 21 is carried out in a way that allows:

1. to the FSC, respectively the deputy chairman, to carry out inquiries, to have quick access to it and to be able to obtain information on each stage of the execution of each transaction;
2. to make changes or additions, but the content of the documentation and information before the changes or additions can be easily ascertained;
3. protection against any manipulation or tampering.

**23.1.** By order of the Board of Directors of the PE, the employees of the PE are determined, who enter data in the electronic reporting.

**23.2.** The reporting carried out on an electronic medium makes it possible to generate reports containing the information for each client (submitted orders, transactions concluded on behalf of the client, etc.).

**24.** The investment intermediary keeps a **register of telephone calls and electronic messages**, in accordance with the requirements of Art. 76 of Delegated Regulation 2017/565.

**24.1.** The investment intermediary records on a durable medium all material information relating to the relevant direct conversations with clients.

The registered information contains at least the following:

- a) date and time of meetings;
- b) place of meetings;
- c) identification of participants;
- d) meeting initiator; and
- e) significant information about the client's order, including price, volume, type of order and when it should be transmitted or executed.

**24.2.** Recordings are stored on a durable medium that allows them to be reproduced or copied, and in a format that does not allow the original recording to be altered or deleted.

**24.3.** The methods for registering telephone calls and electronic messages are regulated in separate Rules.

**25.** The reporting, the archiving of information and the corresponding control over these activities are carried out in accordance with the Rules for internal organization and the Rules for Normative Compliance of the II by its employees, whose job descriptions provide for the implementation of such a function.

**26.** In case of loss of information in the event of a technical accident, the investment intermediary immediately takes action to eliminate the accident and restore the information in accordance with the internal rules and procedures for risk management and notifies the FSC of the actions taken and the result.

**27.** In case of violations of the normative acts or these Rules, of non-fulfillment of the orders of the Board of Directors regarding the keeping of accounts and the storage of information or in case of finding conditions for deletion or replacement of data during the keeping of accounts, the relevant employee of the II shall notify immediately the head of the "Regulatory compliance" department, who takes the necessary actions according to competence.

### **III. MEASURES TO PROTECT AND PRESERVE FINANCIAL INSTRUMENTS AND/OR CUSTOMER MONEY AND TO SEPARATE THE ASSETS OF THE IP FROM THOSE OF THE CUSTOMERS**

**28.** The rules for the storage of financial instruments and/or cash of clients have been adopted on the basis of the regulations in force in the Republic of Bulgaria and Delegated Directive 2017/593 of the EC regarding the protection of financial instruments and cash belonging to clients.

**28.1.** An investment intermediary, when holding financial instruments and cash of clients, keeps records and keeps accounts for the client assets held in a way that allows it to immediately distinguish at any moment the assets held for one client from the assets of the other clients of the investment intermediary and from its own assets.

**28.2.** Accounts and accounts are maintained in a manner that ensures their accuracy and consistency with financial instruments and cash held for clients and enables them to be used as an audit trail.

**28.3.** The investment intermediary reconciles (internal reconciliation) the reporting and accounts kept by it with those kept by third parties where client assets are kept at least once every quarter.

**28.4.** The investment intermediary shall establish adequate organizational arrangements to minimize the risk of loss or diminution of the client's assets or rights in relation to those assets as a result of misuse of assets, fraud, mismanagement, inappropriate record keeping or negligence.

**29.** The provision of investment and additional services related to the holding and storage of financial instruments and/or cash to the client is carried out only after the

**30.** has received the client's express consent to this at the conclusion of the contract between them.

**31.** This section is intended to:

**1.** ensure the minimization of the risk of loss or diminution of client assets or rights in relation to those assets as a result of abuse, fraud, mismanagement, lack of adequate accountability or

negligence on the part of the investment intermediary or its employees.

**2.** ensure the creation and preservation of true, complete and up-to-date information about the investment services provided by the II, both for the needs of the IP's management and for the resolution of disputes that have arisen.

**31.** The PE keeps financial instruments and/or cash only for clients with whom it has a contract for the provision of investment or additional services at their expense.

**31.1.** The investment intermediary cannot keep the cash of its clients.

**32.** Financial instruments are stored as follows:

- a) in the client's sub-account in a depository institution opened to the account of the sole trader;
- b) in the client's sub-account opened to the account of a third party in compliance with the requirements of Delegated Directive 2017/593 and these rules;
- c) foreign financial instruments - in the client's sub-account with the II in the relevant depository institution abroad or with a third party.

**32.1.** The storage and registration of government securities issued on the domestic market is carried out under the conditions and in accordance with the Law on the Government Debt and the acts on its implementation.

**33.** The investment intermediary deposits the funds of its clients in:

1. central bank;
2. a credit institution authorized in accordance with Directive 2013/36/EU;
3. a bank licensed in a third country;
4. specialized money market fund.

This paragraph does not apply to a credit institution authorized under Directive 2013/36/EU in respect of deposits within the meaning of that directive held by that institution.

**33.1.** The investment intermediary can deposit the funds of its clients in the persons mentioned above, with whom it is a related person, only if the clients have given written consent to this. By accepting the present rules and policies, the Client is deemed to have been expressly notified of the circumstance under the first sentence and accepts the possibility that the Investment Intermediary may store the client's funds with persons related to the Intermediary.

**33.2.** The investment intermediary deposits the funds provided by clients or received as a result of investment services performed on their account, in the relevant designated entity by the end of the next business day at the latest.

**33.3.** An investment intermediary, when depositing its client's funds with an entity that is not a central bank, shall exercise all due skill, care and diligence in the selection, appointment and periodic review of the credit institution, bank or money market fund in which/which they are the cash on deposit, and the arrangements for holding that cash, also considering the need to diversify that cash as part of its due diligence.

**33.4.** In fulfillment of the obligations under item 33.3. the investment intermediary takes into account the experience and market reputation of these money market institutions or funds, with a view to ensuring the protection of clients' rights, as well as any legal and regulatory requirements or market practices related to the holding of a client's funds that could adversely affect the rights of customers.

**33.5.** Clients give their express consent to the investment of their funds in a specialized money market fund. The investment intermediary informs clients that funds invested in a specialized money market fund will not be held in accordance with the requirements for the protection of clients' funds set out in Delegated Directive 2017/593. The investment intermediary has no right to invest the client's funds in a specialized money market fund if the client opposes such a way of storing the funds provided by him.

**33.6.** The investment intermediary shall take the necessary steps to ensure that deposited client funds are held in individual accounts or a client account separate from the investment intermediary's funds.

**33.7.** In the event that the legislation applicable to the activity of the person where the client's funds are stored does not allow compliance with the requirements for keeping individual accounts, the investment intermediary takes appropriate measures to guarantee the client's rights in relation to the deposited funds, including by opening a general account for clients' funds, which this person maintains in the name of the investment intermediary, but for a third party's account.

**33.8.** Where the PE deposits the clients' funds with a credit institution or money market fund that are in the same group as the investment intermediary, the PE shall limit the funds it deposits with each such group entity or combination of such entities from group so that the amount of funds does not exceed 20% of all such funds.

**33.9.** The investment intermediary is not obliged to comply with this restriction when it can demonstrate that, given the nature, scale and complexity of its activity, as well as the security offered by the third parties referred to in the preceding paragraph, including in any case given the small amount of cash of the client, which the investment intermediary holds, the requirement under the previous paragraph is not proportional. The PE performs a periodic



review of the assessment made in accordance with this paragraph and communicates its initial and revised assessments to the FSC.

#### **34. Requirements for keeping client financial instruments with a third party (third party)**

**34.1.** The investment intermediary has the right to open an account for financial instruments of its client with a third party. In this case, the investment intermediary must exercise all due skill, care and diligence in the selection, appointment and periodic review of the third party and the arrangements for holding and safekeeping of these financial instruments, but at least once a year, review the selection with the same care of that person and the conditions under which he keeps the client's financial instruments.

**34.2.** In fulfilling the obligations under 34.1, the investment intermediary takes into account the experience and market reputation of the third party, as well as any legislative requirements or market practices related to the holding of these financial instruments, which could adversely affect the rights of clients.

**34.3.** The investment intermediary in its practice allows the storage of financial instruments of a client with a third party in a country whose legislation provides for special regulation and supervision regarding the storage of financial instruments for the account of another person. The investment intermediary cannot provide the client's financial instruments for safekeeping with a person from the same country under the first sentence, which is not subject to regulation and supervision.

**34.4.** The investment intermediary has no right to store financial instruments of a client with a third party in a third country whose legislation does not regulate the storage of financial instruments for the account of a third party.

**34.5.** The limitation under item 34.4. does not apply if any of the following conditions apply:  
1. the nature of the financial instruments or the investment services provided in connection with these instruments requires their storage with a third party in a third country under 34.4;  
2. a professional client has requested in writing that his financial instruments be stored with a third party in a third country under 34.4.

The requirements under items 1 and 2 apply even when the third party has delegated some of the functions related to the holding and storage of financial instruments to another third party (cases of re-delegation and chain storage).

**34.6.** The investment intermediary is obliged to take the necessary actions to ensure that the storage of financial instruments of its clients with a third party is carried out in a way that guarantees the identification of the client's financial instruments separately from the financial instruments of the investment intermediary and of the third party, by keeping on separate accounts from that third party or by applying other measures providing the same level of protection.

The investment intermediary may hold financial instruments of its clients with persons with whom it is a related party, if the clients have given their consent to this. By accepting the present rules and policies, the Client is considered to have been expressly notified of the circumstance under the first sentence and accepts the possibility that the Investment Intermediary may store the client's financial instruments with persons related to the Intermediary.

**34.7.** In the event that the legislation applicable to the activity of the third party does not allow compliance with the requirements under 34.6, the investment intermediary is obliged to take appropriate measures to guarantee the client's rights in relation to the financial instruments stored with the third party, including as:

- a) opens separate accounts for clients' financial instruments,
- b) the accounts under b. "a" are conducted by the third party in the name of the investment intermediary, but for another's account.

**35. The II is obliged to separate:**

1. from each other the portfolios of financial instruments and/or money of their clients;
2. from each other their portfolio of financial instruments and/or money from that of their clients.
3. its funds from those of its customers.
4. The PE is not liable to its creditors with the financial instruments and cash of its clients, as well as with securities that are based on depository receipts.

**36.** When concluding a contract with the client, the II opens a sub-account for the client to his account for financial instruments in a depository institution.

**37.** Financial instruments are not transferred from the client's personal account to a client sub-account of the II in a depository institution, if there are legal circumstances preventing this transfer, regardless of the contract concluded with the client.

**38.** When concluding a contract with a client, the II assigns the same unique number, keeps a register of its clients with the data specified in the Rules for keeping records.

**39.** The activity of the II is carried out in premises that are equipped with signaling and security equipment, meet the requirements for security and fire safety and have cash registers with a high degree of protection.

**40.** To carry out its activities and keep and keep records, the II has computer equipment and the necessary licensed software. The procedure for creating, accessing, exchanging, classifying and archiving computer information, electronic documents and databases is governed by separate rules adopted by the Board of Directors of the II.

**41. Employee responsible for the protection of client assets**

**41.1.** The investment intermediary appoints a single employee with sufficient skills and powers, with specific responsibility for matters related to compliance with obligations for the protection of financial instruments and clients' funds.

**41.2.** The investment intermediary determines that the obligation under para. 1 will be attributed to the employee holding the position: "Back office specialist"

### **III. ADDITIONAL PROVISIONS**

**§ 1.** Words and expressions with a legal-technical meaning used in these Rules have the meaning given to them by the MFRS, Regulation (EU) No. 2017/565 and Delegated Directive 2017/593 of the European Commission.

**§ 2.** The external auditor of the PE shall report once a year to the FSC on the adequacy of the measures taken by the investment intermediary regarding the following hypotheses:

- In cases of holding financial instruments belonging to clients for the adequacy of the measures taken to protect the property rights of clients, in particular in case of bankruptcy of the investment intermediary, and to prevent the use of the client's financial instruments in operations for own account , except with the express consent of the customer.
- When the investment intermediary holds funds that belong to clients, the auditor reports on the adequacy of the measures taken to protect the rights of clients and, except in the case of credit institutions, to prevent the use of client funds in operations for its own account.
- The absence of financial security agreements concluded with non-professional clients with a transferable effect, in order to secure or cover current or future, actual or contingent, or expected obligations of clients.

**§ 3.** The investment intermediary stores the information about the performed investment and additional services for at least 5 years.

### **IV. FINAL PROVISIONS**

**§ 1.** The Board of Directors of the investment intermediary annually, by January 31 of each year, reviews and evaluates the compliance of these Rules with the services and activities performed by the investment intermediary, adopting amendments and additions in the event of deficiencies and/or the need to improve the internal organization in the Rules.

Regardless of the requirement under the previous sentence, the governing body accepts amendments and additions to these Rules when it is found to be necessary.

**§ 2.** The governing body of the II may issue orders and instructions on the implementation of these Rules.

§ 3. These Rules are provided for the information and implementation of the relevant persons in the II and to all persons working under a contract for the II.

§ 4. These Rules and the Appendix to them were adopted on 02.05.2018 by decision of the Board of Directors of FACTORI AD.

**APPENDIX  
TO THE RULES FOR ACCOUNTING, STORAGE OF INFORMATION AND  
STORAGE OF FINANCIAL INSTRUMENTS AND CUSTOMER MONEY**

<b>TYPES OF REPORTING (REGISTER AND ARCHIVE)</b> Minimum list of registers maintained by the investment intermediary, depending on the nature, volume and scope of the investment services and activities performed by it			
<b>Nature of obligation</b>	<b>Registry type</b>	<b>Summary of contents</b>	<b>Legal basis for the conduct</b>
<b>Customer rating</b>			
<b>REGISTER AND ARCHIVE KEEPING</b>	Information to customers	<ul style="list-style-type: none"> <li>● Additional requirements regarding the determination of the price conditions of the proposals in connection with the issuance of financial instruments;</li> <li>● Additional Requirements Regarding Placement Services;</li> <li>● Additional requirements regarding consulting, distribution and placement of proprietary financial instruments; registries in relation to underwriting and placement services;</li> <li>● The information provided to customers under the MFPA and Regulation 2017/565;</li> <li>● Customer categorization information</li> </ul>	Art. 39-45 of Delegated Regulation 2017/565
	Contracts and agreements with customers	Client file, contracts, agreements, annexes	ZPFI and Art. 53 of Delegated Regulation 2017/565
	Service rating	Information about the client to carry out a suitability and appropriateness assessment	ZPFI and Art. 35-37 of Delegated Regulation 2017/565
<b>Processing orders</b>			
<b>REGISTER AND ARCHIVE</b>	Customer Order Processing - Bulk	Providing a periodic report to the client about the	ZPFI and Art. 63-66 of Delegated

<b>KEEPING</b>	Transactions	financial instruments or money held; Providing information about the order execution policy	Regulation 2017/565
	Grouping (unification) and distribution of transactions for own account	Providing information about the order execution policy and their grouping and splitting	ZPFI and Art. 65 of Delegated Regulation 2017/565
<b>Customer Orders and Transactions</b>			
<b>REGISTER AND ARCHIVE KEEPING</b>	Keeping records of customer orders or trading decisions	Register (log) of orders with a certain content	ZPFI and Art. 69 of Delegated Regulation 2017/565
	Keeping records of transactions and processing orders	Register (log) of transactions with a certain content	ZPFI and Art. 70 of Delegated Regulation 2017/565
<b>Presentation of information to customers</b>			
<b>REGISTER KEEPING</b>	Obligations in relation to services provided to customers	Provision of information to the client for independent investment advice, the provision and receipt of information for assessment of relevance/expediency;	ZPFI and Art. 53-58 of Delegated Regulation 2017/565
<b>Protection and storage of client assets</b>			
<b>REGISTER AND ARCHIVE KEEPING</b>	Financial instruments of clients held by the investment intermediary	Rules for protection and storage of financial instruments of clients	ZPFI and Art. 2 of Delegated Directive 2017/593
	Customer funds held by the investment intermediary	Rules for the protection and storage of customer funds	ZPFI and Art. 2 of Delegated Directive 2017/593
	Use of customer financial instruments	Rules for using the client's financial instruments	ZPFI and Art. 5 of Delegated Directive 2017/593
<b>Communication with clients</b>			
<b>REGISTER AND ARCHIVE KEEPING</b>	Information about costs and related fees	Information to the client about his recategorization under the 2017 MFRS.  Keeping a record of all fees, commissions or non-monetary benefits paid or received by the intermediary demonstrating that they are intended to enhance the quality of the relevant service to the client. An internal list is maintained of all fees, commissions or non-	ZPFI and Art. 45 of Delegated Regulation 2017/565 and Art. 11, para. 4 of Delegated Directive 2017/593/EC

		<p>monetary benefits received by the investment intermediary from a third party in connection with the provision of investment or additional services;</p> <p>A record shall be kept of how the fees, commissions or non-monetary benefits paid or received by the investment intermediary, or those which the investment intermediary intends to use, enhance the quality of the services provided to the relevant clients, as well as the measures taken so as not to breach the obligation of the intermediary to act honestly, correctly and professionally according to the best interest of the client.</p>	
	Information about the investment intermediary and its services, financial instruments and the protection of clients' assets	General information to the client about the contract, the services of the II, the CI policy, for the storage of assets, for implementation (in a summarized form). It can also be provided in the IP's General Terms and Conditions	ZPFI and Art. 45 and 46 of Delegated Regulation 2017/565
A register is kept	Information to clients when issuing financial instruments	Message logs Additional requirements regarding the determination of the price conditions of the proposals in connection with the issuance of financial instruments	ZPFI and Art. 39 of Delegated Regulation 2017/565
A register is kept	Marketing communications (except those in oral form)	Any marketing communication issued by the investment intermediary (except those in oral form) as provided for in Articles 36 and 37 of Delegated Regulation 2017/565	ZPFI and Art. 36-37 of Delegated Regulation 2017/565
A register is kept	Investment Advice for non-professional clients	The fact that investment advice was provided, the time and date it was provided, ii) the financial instrument recommended, and iii) the suitability report provided to and accepted by the client	MFFI and Article 54 of Delegated Regulation 2017/565
A register is kept	Investment Research	Each individual investment study prepared by the investment	ZPFI and Art. 36 and Art. 37 of Delegated

		intermediary on a durable medium	Regulation 2017/565
<b>Organizational requirements for the Investment intermediary</b>			
<b>REGISTER AND ARCHIVE KEEPING</b>	Rules for activity and internal organization of the investment intermediary	The registers concerning adequate internal structure and organization - departments, units, employees, as well as all maintained procedures and rules of the II	ZPFI and Art. 21 of Delegated Regulation 2017/565
An archive is maintained	Compliance reports	Any compliance report to the governing body prepared by the Regulatory Compliance Department	Article 22(2)(b) and Article 25(2) of Delegated Regulation 2017/565
An archive is maintained	Registering damaging conflicts of interest	Register of the types of investment or additional services or investment activity carried out by the investment intermediary or on its behalf, in which a conflict of interest has arisen - or in the case of an ongoing service or activity - may arise, leading to a risk of damage to the interests of a or more customers	ZPFI and Art. 35 of Delegated Regulation 2017/565
An archive is maintained	Incentives - monetary, non-monetary payments or benefits (Inducements)	Disclosure of information to the client about the due fees, commissions, non-monetary benefits. Types and grounds for their collection.	MFFI, FSC Ordinance and Article 11 of Delegated Directive (EU) 2017/593
This reporting is conducted if the PE has formed an independent department for Risk Management	Reports on risk management	Any report on risk management to senior management	MFDA and Article 23(1)(b) and Article 25(2) of Delegated Regulation 2017/565
This reporting is carried out if the PE has formed an independent department for Internal Audit	Internal audit reports	Any report from internal audit to senior management	AML/CFT and Article 24 and Article 25(2) of Delegated Regulation 2017/565
An archive is maintained	Registers related to the handling of complaints	Any complaint and the steps taken to resolve the complaint	PFMI and Article 26 of Delegated Regulation 2017/565
An archive is maintained	Registers of personal transactions	The registers concerning cases where a personal transaction contradicts or is likely to contradict an obligation of the investment intermediary under the MFFI (Directive 2014/65/EU)	MFPA and Article 29(2)(c) of Delegated Regulation 2017/565

