

RULES

FOR OPERATION, PROTECTION AND CONTROL OF THE INFORMATION AND COMPUTER SYSTEMS OF INVESTMENT INTERMEDIARY "FACTORI" AD

I. GENERAL. PRINCIPLES

Art. 1. (1) The rules for operation, protection and control of the information and computer systems of the investment intermediary "FACTORI" AD ("the Rules") are adopted on the basis of Art. 65, para. 1, item 4 of the Financial Instruments Markets Act, art. 16, paragraph 5 and 7, art. 2 of Directive 2014/65/EU, as well as Art. 76 of Delegated Regulation (EU) No. 2017/565.

(2) These Rules are adopted in order to protect and control the computer and information systems of the investment intermediary and ensure maximum protection of the data and information about the clients stored at the investment intermediary.

(3) These Rules regulate the principles, rights and obligations of the specialized departments and employees of the investment intermediary in connection with the creation, processing, storage, archiving and access to computer information in the intermediary.

(4) Abbreviations used in these rules: Law on Markets in Financial Instruments - MFFI; Financial Supervision Commission - FSC.

Art. 2 (1) . The board of directors of the investment intermediary adopts a strategy for the development of information technologies (IT strategy) in order to maintain the integrity and technical security of the intermediary in the short and medium term.

(2) The main objectives enshrined in the Strategy should be: maintenance of secure and modern computer and information systems and networks, high level of security, access according to the function occupied, constant control and timely updating of the software products used by the investment intermediary.

Art. 3. The work, protection and control of the information and computer systems in the investment intermediary is carried out in compliance with the following basic principles:

1. separation of user from administrator functions;
2. establishing levels of access to information;
3. registration of access, input, copying, modification and deletion of data and information;
4. implementation of ongoing and periodic control by specialized units and employees for compliance with the principles under items 1-4.

II. SPECIALIZED UNIT FOR MAINTENANCE AND PROTECTION OF INFORMATION AND COMPUTER SYSTEMS

Art. 4. (1) The investment intermediary concludes a service contract with a company supporting information technologies, computer systems and databases, whose functions are the following:

1. Prepares and installs the necessary computer systems (hardware) and software in the investment intermediary;
2. Develops manuals, methodologies, rules for operational assistance to employees of the investment intermediary in their work with computer systems and software;
3. Develops criteria and rules for approval and evaluation of software and hardware for the needs of the investment intermediary, including for the selection of Internet and information service providers;
4. It evaluates the effectiveness of the used software, hardware and the activity of the Internet providers, according to the needs of the investment intermediary in relation to its activities. For an assessment, a report with motivated proposals is prepared, which is sent

immediately to the management bodies of the investment intermediary and the head of the "Regulatory Compliance" department.

5. Develops, implements and maintains systems for preventing, controlling and warning against unregulated access to information and databases;

6. Implements and maintains anti-virus software, Internet traffic control software, control of visited Internet pages and access blocking after coordination with the management bodies of the investment intermediary;

7. Develops, implements and maintains identification systems for logging in and out of computer systems;

8. Develops, implements and maintains a system for authorization of employees of the investment intermediary. A Compliance Officer provides authorization to access information, data and software in their capacity as administrators, guided by principles established by order of the Board of Directors.

9. The "Regulatory Compliance" Department keeps a register of the issued electronic signatures of employees of the investment intermediary, which can bind the intermediary;

10. The "Regulatory Compliance" Department monitors the instructions issued by the supervisory authority in relation to the computer and information systems of the investment intermediary;

11. Reviews the used software, hardware and the status of the entire computer network of the investment intermediary every 6 months.

12. Develops, together with the "Regulatory Compliance" department and the executive director of the investment intermediary, an action plan in emergency situations to preserve the computer and information systems of the investment intermediary and to restore their normal functioning.

(2) The persons maintaining the computer and information systems of the II must have a completed higher education, suitable for the position, experience in the specialty for at least 3 years and not have been convicted. Before starting to perform functions, individuals sign a confidentiality declaration.

III. RIGHTS AND OBLIGATIONS OF EMPLOYEES OF THE INVESTMENT INTERMEDIARY REGARDING INFORMATION AND COMPUTER SYSTEMS

Art. 5. Rights and obligations of persons working under a contract for the investment intermediary, in connection with their work with the investment intermediary's computer and information systems, are the following:

1. Employees of the investment intermediary have the right to work on a work computer, access to the data stored in it is carried out by entering a username and password;

2. Employees of the investment intermediary have the right to access the Internet given the need to receive, provide clients and compare information about financial instruments traded on regulated and OTS markets, their prices, commissions and costs related to transactions, etc.

3. Employees of the investment intermediary are prohibited from providing third parties with the personal username and password for entering the office computer;

4. Employees of the investment intermediary are prohibited from providing usernames, passwords, codes and other access identifiers from the employees responsible for relations with depository institutions, places of execution, state authorities or supervisory institutions to other employees of the intermediary;

5. The employees of the investment intermediary have the right, during or on the occasion of the performance of their official duties, to create files on their work computer, being responsible for the correctness and accuracy of the entered data and information in the computer system or internal network of the investment intermediary;

6. The employees of the investment intermediary have the right to access and use data from the internal information network of the investment intermediary during or on the occasion of the performance of their official duties.

7. In case of loss of data or information from their office computer, the employees of the investment intermediary immediately notify the person supporting Information Technologies, Communication and Databases at the II, who provides them with the relevant technical assistance. Notification is also made to the Regulatory Compliance Department.

8. Employees of the investment intermediary have the right to save and archive files created during or on the occasion of the performance of their official duties, on their office

computer, CD, DVD and other media. Copies made on external hard drives, CDs, DVDs, flash memory or other media are stored in the premises of the investment intermediary;

9. Employees of the investment intermediary are prohibited from exporting hardware or information carriers such as, but not limited to, external hard drives, CDs, DVDs, flash memory, etc., which contain data and information about the investment or additional services provided by the investment intermediary to its clients or any other information that qualifies as an official or commercial secret;

10. Employees of the investment intermediary are prohibited from attempting to access computer information and databases to which they have not been given access in accordance with their position, as well as from performing any actions that facilitate unauthorized access by third parties;

11. The employees of the investment intermediary have the right to exchange computer information as a result of the internal computer network of the investment intermediary only with employees of the investment intermediary with whom they have direct work relationships on a joint project, have relations of subordination, as well as when an inspection is carried out by the "Regulatory Compliance" department for the purposes and scope of the inspection;

12. After the end of the working day, the employees of the investment intermediary turn off their computers or put them in log off mode, except in cases expressly specified in an order of the Board of Directors.

13. The employees of the investment intermediary are notified and agree that the "Regulatory Compliance" department, together with the person responsible for information technology, can monitor compliance with these rules. This clause does not take away the authority of the Security Unit, if the II has established one, to conduct a computer security audit.

14. Other rights and obligations of the employees of the investment intermediary in relation to the information and computer systems are indicated in the relevant job descriptions.

Art. 6. (1) Information and data are automatically archived on a separate server. The passwords with which the data are protected are known to the head of the "Regulatory Compliance" department, the person from the information technology unit and the members of the Board of Directors.

(2) Archived information and databases are stored on separate media protected from unauthorized access and physical damage.

Art. 7. All employees of the investment intermediary are prohibited from installing and using illegal software, as well as software for on-line conversations, except in cases permitted by the Board of Directors or the executive director. Online chat software may be used when necessary to receive or transmit orders for transactions in financial instruments or to exchange information with clients or other institutions.

Art. 8. Archived computer information and data are provided only to employees of the investment intermediary who have the right of access according to their position or performed official task, subject to the "need to know" principle.

Art. 9. Access to computer information, databases and software is limited by means of technical methods - user identification, passwords, access time reporting, introduction of copying prohibitions, use of software to track unauthorized access, access attempts, damage, copy, modify or delete computer data or information.

Art. 10. The investment intermediary implements physical measures to protect the information and computer systems against theft, fire, flood, power failure and others.

Art. 11. In case of unauthorized access to the databases stored by the investment intermediary, the person responsible for information technology at the II immediately notifies the executive director and the head of the "Regulatory Compliance" department. In the event that, in addition to unauthorized access, data stored by the investment intermediary has been changed or deleted, the person responsible for information technology at the II ensures the restoration of the data in their state before the change or deletion. If this is not possible, the archived data shall be used in accordance with the provisions of these Rules.

IV. RULES FOR REGISTRATION (RECORDING) OF TELEPHONE CONVERSATIONS OR ELECTRONIC MESSAGES

Art. 12. These rules are adopted and applied in accordance with the size and organizational structure of the investment intermediary, as well as with the nature, scale and complexity of its business activity.

Art. 13. The investment intermediary prepares and stores records of all telephone calls and messages or of calls and messages through electronic means of communication, which relate to transactions in connection with the conclusion of transactions for its own account or the acceptance, transmission and execution of customer orders, regardless of whether the transaction is concluded. This includes telephone conversations both with clients of the investment intermediary and between employees of the investment intermediary.

Art. 14. (1) Before providing investment services or activities related to the acceptance, transmission and execution of orders to new and existing clients, the investment intermediary informs the client that:

- a) conversations and messages are recorded; and
- (b) a copy of the records of such conversations with the customer and communications with the customer will be available on request for a period of five years and, where requested by the competent authority, for a period of up to seven years.

(2) The information under para. 1 shall be provided in the language or languages used to provide investment services to clients.

Art. 15. The investment intermediary takes the necessary measures in order to prevent the reception and initiation of telephone calls and electronic communication through the use of technical means and equipment other than those specified for the purpose by the investment intermediary.

Art. 16. (1). The investment intermediary informs its clients that telephone conversations and electronic communication with them will be recorded. The obligation under the first sentence is considered fulfilled if the investment intermediary has notified the client once before the beginning of the provision of the investment services.

(2) If the investment intermediary has not fulfilled the requirement under paragraph one, he is not entitled to perform investment services and activities by means of telephone or other communication according to those related to the acceptance, transmission and execution of customer orders.

Art. 17. The requirements for recording telephone conversations also apply to the branches and offices of the investment intermediary operating on the territory of the Republic of Bulgaria for the transactions and operations carried out through the branch or office.

Art. 18. All relevant telephone calls and electronic communication made through, sent from or received from technical devices provided by the investment intermediary to its employees or persons working under a contract, or the use of which devices by employees or a person working under a contract, are subject to recording. contract, has been accepted or authorized by the investment intermediary.

Art. 19. When exceptional circumstances arise and the intermediary cannot record the conversation or the message on the devices provided, accepted or authorized by the intermediary, the relevant person working under a contract is obliged to prepare a written report on the content of the conversation, the recipient, the duration of the conversation, as well as the accepted commitments, if any on the part of the employee. The report on the above circumstances is kept by the intermediary and is available to the Compliance Department, the Security Unit, if one has been created, and the competent supervisory authorities.

Art. 20. (1) Employees or persons working under a contract for the investment intermediary are prohibited from making, sending or receiving relevant telephone calls and electronic messages through private equipment and private devices (computer systems, telephones,

tablets and others), communication from which equipment or devices the investment intermediary is unable to record or copy.

(2) The investment intermediary keeps and regularly updates registers of persons who have official or personal devices approved for use by the investment intermediary.

Art. 21. The governing body of the II shall exercise effective supervision and control over the policies and procedures relating to the intermediary's recording of telephone calls and electronic messages. The mechanisms for complying with the registration requirements applied by the II are technologically neutral.

Art. 22. With a view to monitoring compliance with the requirements for registering (recording) and keeping records of the relevant communication, the "Regulatory Compliance" department performs periodic monitoring of transactions and orders subject to these requirements, including the relevant conversations. This monitoring is based on the risks identified by the II and the risk profile of the clients and is proportional to the services and activities offered.

Art. 23. The investment intermediary must be able to demonstrate the methods of application of this policy and procedures and management supervision to the competent authorities upon request.

Art. 24.(1) The investment intermediary registers on a permanent medium all essential information relating to the relevant direct conversations with clients.

Direct conversations with clients are conducted at the IP's management address, registered branches and offices, as well as after prior arrangement with the client at a place mutually agreed upon between the parties. Regardless of the venue of the meeting, if it is held by a person working under a contract for the II, a member of a management or control body or any person acting on behalf of the II and/or in connection with the activity of the II, then the fact of the meeting and its content should be registered.

(2) The registered information about the meetings under para. 1 shall contain 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.

(3) Records are stored on a durable medium that allows their reproduction or copying, and in a format that does not allow the alteration or deletion of the original record. Records are stored on a medium so that they are readily accessible and available to customers upon request.

(4) The investment intermediary is obliged to ensure the quality, accuracy and completeness of the registers of all telephone records and electronic communications.

(5) The term of storage of a given record starts from the date on which the record was created.

Art. 25. The policy under this section is reviewed and evaluated periodically with a view to its effectiveness, with the II adopting such alternative or additional measures and procedures as are necessary and appropriate. As a minimum, such alternative or additional measures shall be adopted when the investment firm accepts or permits the use of a new means of communication.

Art. 26. The investment intermediary brings to the knowledge of the relevant employees the present procedure for recording telephone conversations and electronic communication and trains the employees how to comply with it, indicating the technical ways of making a recording.

V. FINAL PROVISIONS

§ 1. The board of directors of the investment intermediary may issue orders and instructions on the implementation of these Rules.

§ 2. These Rules are provided for the information and implementation of the employees of the investment intermediary and are applied simultaneously with the Rules for internal organization.

§ 3. The rules were adopted by the Board of Directors of FACTORI AD with a decision dated 02.05.2018.