



GENERAL CONDITIONS APPLICABLE TO CONTRACTS WITH CLIENTS OF INVESTMENT INTERMEDIARY "FACTORI" AD



1. GENERAL

Art. 1. Based on Art. 82, para. 3 of the Law on Financial Instruments Markets, as well as Art. 298 of the Commercial Law, the Board of Directors of the investment intermediary "FACTORI" AD adopts the following General Terms and Conditions applicable to contracts with clients (General Terms and Conditions).

Art. 2. These General Terms and Conditions regulate and present:

- information about the investment intermediary,
- the limitations in the activity of the investment intermediary,
- the information provided by the investment intermediary to the client, as well as the ways of providing it,
- the information that the client is obliged to provide to the investment intermediary,
- carrying out an assessment of relevance and expediency,
- customer categorization,
- the contractual beginning in the provision of investment and additional services,
- the storage of clients' financial instruments and money,

- the principles of execution of customer orders,
- the rights and obligations of the client and the investment intermediary in the provision of investment services,
- a general framework for dealing with conflicts of interest,
- current and periodic reporting to the client,
- entrusting the performance to a third party,
- nature of the investor compensation system,
- conditions for a reasonable and fair settlement of disputes
- other conditions required according to the current legislation.

Art. 3. (1) The content of these general terms and conditions is determined by the Board of Directors depending on the services and activities for which II "FACTORS" AD has received a license from the FSC.

(2) The general terms and conditions are displayed in a visible and accessible place in every room where the investment intermediary accepts clients, as well as published on its website.

Art. 4. The following abbreviations are used in these General Terms and Conditions: Law on the Markets of Financial Instruments - MFFI; Law on the Public Offering of Securities - Public Securities Market Act; Law on the Implementation of Measures Against Market Abuse of Financial Instruments - MFRSIF; Delegated Regulation (EU) 2017/565 of the Commission of April 25, 2016 to supplement Directive 2014/65/EU of the European Parliament and of the Council with regard to the organizational requirements and conditions for carrying out activities by investment intermediaries and for issuing determinations for the objectives of the specified directive (Regulation (EU) No. 2017/565), Financial Supervision Commission - FSC, Deputy Chairman, Head of the Department "Supervision of Investment Activity" at the FSC - the Deputy Chairman of the FSC.

II. DETAILS OF THE INVESTMENT INTERMEDIARY

Art. 5. (1) The client is informed that the name under which the investment intermediary operates is II "FACTORI" AD written in English as follows II "FACTORI" AD Headquarters Sofia, Lozenets district, Cherni Vrach Blvd No 67, telephone for contacts 0897 88 94 93, email address for correspondence is: office@factory-bg.com (mailto:office@factory-bg.com) , the language for contacts between clients and II "FACTORI" AD for the provision of investment and additional services is Bulgarian.

II "FACTORI" AD is entered in the commercial register with EIC 121550393

(2) The investment intermediary is licensed by decision No. RG-03-0160 / 17.05.2007 of the Commission for Financial Supervision.

(3) The supervision of the activity of II "FACTORI" AD is carried out by the Commission for Financial Supervision, Republic of Bulgaria, Sofia, 16 "Budapest" St., pt. 02/94 04 999.

(4) Communication between the investment intermediary and the clients is carried out in the following ways: in person, by telephone, e-mail, in writing, by letters sent with return receipt to the addresses of the parties specified in the contract concluded between them, electronic documents signed with an electronic signature, as well as through other methods of remote communication specified in the contract for the provision of the relevant service or in the Policy for the execution of orders of the investment intermediary.

Art. 6. (1) The investment services provided by the investment intermediary "FACTORI" AD, according to the license obtained from the FSC, are:

1. acceptance and transmission of orders in relation to one or more financial instruments;
2. execution of orders on behalf of customers;

3. 3. portfolio management;
4. 4. provision of investment advice;
5. 5. offer for the initial sale of financial instruments without an unconditional and irrevocable obligation to acquire the financial instruments for one's own account (placement of financial instruments);

(2) The investment intermediary may also provide the following additional services:

1. storage and administration of financial instruments for the account of clients, including custodial activities and related services such as cash and collateral management, with the exception of centralized securities account management pursuant to Section A, Item 2 of the Annex to the Regulation (EU) No. 909/2014;
2. providing loans to investors for carrying out transactions with one or more financial instruments, provided that the intermediary participates in the transaction;
3. advice to businesses on capital structure, industrial strategy and related matters, as well as advice and services relating to the transformation and acquisition of businesses;
4. provision of services related to foreign means of payment, insofar as they are related to the provided investment services;
5. investment studies and financial analyzes or other forms of general recommendations related to transactions in financial instruments;
6. services related to the underwriting of financial instruments;
7. according to para. 2 and items 1 - 6 in relation to the underlying instruments of derivative financial instruments under Art. 4, items 5, 6, 7 and 10 of the PFFI, insofar as they are related to the provision of investment and additional services.

(3) The investment intermediary has the right to carry out activities on the territory of EU member states on the basis of the right of establishment and freedom to provide services, according to the conditions and order in the MFFI.

III. LIMITATIONS ON THE ACTIVITIES OF THE INVESTMENT INTERMEDIARY

Art. 7. (1) The investment intermediary may not carry out activities on behalf of clients that lead to a conflict of interest or carry out transactions on behalf of clients in a volume or frequency, at prices or with a certain counterparty, for which, according to the circumstances, he may assume that they are carried out exclusively in the interest of the investment intermediary.

(2) The investment intermediary has no right to carry out an activity which, at any moment from its initiation to its completion, contradicts or could contradict the MFFI, the acts on its implementation and the directly applicable delegated regulations of the EC. The client is deemed to have been informed that requests made to the investment intermediary that are in conflict with the applicable legislation cannot be fulfilled by FACTORI AD.

Art. 8. (1) The investment intermediary has no right in connection with the provision of investment or additional services to a client to pay, respectively to provide and receive, remuneration, commission or non-monetary benefit, except:

1. remuneration, commission or non-monetary benefit paid or provided by or to the customer or its representative;
2. remuneration, commission or non-monetary benefit paid or provided by or to a third party or its representative if the following conditions are met:

a) the existence, nature and amount of the remuneration, commission or non-monetary benefit are indicated to the client clearly, in an accessible manner, accurately and comprehensibly, before the provision of the relevant investment or additional service, and when the amount cannot be determined, the manner of its calculation;

b) the payment, respectively the provision, of the remuneration, commission or non-monetary benefit, is with a view to improving the quality of the service and does not violate the obligation of the investment intermediary to act honestly, correctly, professionally and in the best interest of the client;

3. inherent fees that provide or are necessary for the provision of the investment services such as costs for custodial services, settlement and currency exchange fees, legal fees and public charges and which by their nature do not lead to a conflict with the obligation of the investment intermediary to act honestly, fairly, professionally and in the best interest of the client.

(2) The client and the investment intermediary accept that the latter has fulfilled its obligation under para. 1, item 2, letter "a", when:

a) presents the essential terms of the contracts regarding the remuneration, commission or non-monetary benefit in a summarized form;

b) provides detailed information about the remuneration, commission or non-monetary benefit at the request of the client; and

c) the provision of the information under this paragraph is honest, fair and in the interest of the client.

(3) The investment intermediary, when providing investment services to clients, shall not provide remuneration or evaluate the results of the work of its employees in a manner that contradicts its obligation to act in the best interest of its clients.

(4) II "FACTORI" AD cannot provide incentives to its employees to recommend a specific financial instrument to a non-professional client, when the investment intermediary can offer another financial instrument that better meets the needs of the client.

(5) II "FACTORI" AD informs the client about the order and manner in which the client will receive (will be charged) a fee, commission, monetary or non-monetary benefit, when the investment intermediary has received such in connection with the investment or additional service provided to the client.

(6) When an investment service is provided together with another service or product as part of a package or as a condition under the same contract or package, the investment intermediary informs the client whether it is possible to buy the individual parts separately and presents him with information on the remuneration and commissions for each part individually.

(7) When there is a possibility that the risks arising from providing the service together with another service or product as part of a package or as a condition under the same contract or package offered to a non-professional client are different from the risks associated with the individual parts, the investment intermediary provides an adequate description of the individual parts and how the interactions between them affect the risks.

Art. 9. (1) The investment intermediary does not have the right to enter into transactions for the financing of securities with financial instruments of clients held by him or in any other way to use such financial instruments for his own account or for the account of another client, unless the client has given in advance his express consent to the use of his financial instruments under certain conditions and the use of the financial instruments is carried out subject to compliance with these conditions. The consent under the preceding sentence should be given in writing if the client whose financial instruments are used is a non-professional.

(2) II "FACTORI" AD may enter into transactions for the financing of securities with financial instruments of clients held by it or otherwise use such financial instruments at the expense of another client, only if the client has previously given his express consent to use of its financial instruments under certain conditions and the use of financial instruments is carried out subject to compliance with these conditions. Consent should be given in writing if the client whose financial instruments are used is a non-professional.

"Securities Financing Transaction" or "SFC" means:

- a) repo transaction;
- b) providing securities or goods on loan and receiving securities or goods on loan;
- c) purchase transaction with condition of subsequent sale and sale transaction with condition of subsequent repurchase;
- d) margin loan transaction;

(3) II "FACTORI" AD may enter into transactions for the financing of securities with financial instruments of customers held in a common customer account (omnibus account) with a third party, or otherwise use such financial customer accounts for the account of another customer instruments, only if the requirements under para. 2 and at least one of the following conditions:

- a) every client whose financial instruments are held in a common client account (omnibus account) must have given prior explicit consent to their use;
- b) II "FACTORI" AD has implemented systems and controls that ensure that only financial instruments belonging to customers who have given prior express consent to their use are used.

(4) In the cases under para. 3 in the reporting led by the investment intermediary, detailed data on the client on whose instructions the use of the financial instruments is carried out, as well as the number of financial instruments belonging to each client who has given his consent, which allows for the correct distribution of any loss.

IV. PROVISION OF INFORMATION TO CUSTOMERS

Art. 10. (1) The information that the investment intermediary addresses to or distributes in such a way that it is likely to be received by non-professional or professional clients or potential non-professional or professional clients, including in marketing messages and public statements of the relevant persons, towards the intermediary, must be correct, clear and not misleading.

(2) The investment intermediary is obliged to ensure that the information under para. 1, meets the following conditions:

- a) the information includes the name of the investment intermediary,
- b) the information is accurate and in all cases where the potential benefits of the investment service or financial instrument are indicated, it contains a correct and prominent indication of all significant risks,
- c) to indicate the significant risks in the information, a font size is used that is at least equal to the size used predominantly in all the information provided, as well as a layout that guarantees the prominence of this indication,
- (d) the information is sufficient for and presented in a manner likely to be understood by the average representative of the group to which it is addressed or from which it is likely to be received.
- e) the information does not obscure, reduce or create ambiguity regarding important matters, statements or warnings,
- f) the information is presented consistently in the same language in all types of information and marketing materials provided to each customer, unless the customer has agreed to receive information in more than one language,
- g) the information is up-to-date and consistent with the means of communication used

(3) When the information compares investment or additional services, financial instruments or persons providing investment or additional services, FACTORI AD guarantees compliance with the following conditions:

- a) the comparison is meaningful and presented in a correct and balanced way;
- b) the sources of information used for the comparison are specified;
- (c) the main facts and assumptions used in making the comparison are included

(4) When the information contains an indication of previous results of a financial instrument, financial index or investment service, FACTORI AD guarantees compliance with the following conditions:

- (a) this indication is not the most prominent feature of the message;
- b) the information includes appropriate performance information covering the immediately preceding 5 years or the entire period during which the financial instrument was offered, the financial index was established or the investment service was provided, if this period is less than five years, or for a longer period at the investment firm's discretion and in any event such performance information is based on full 12-month periods;
- c) the reference period and the source of information are clearly indicated;
- d) the information contains a prominent warning that the data refer to a past period and that past results are not a reliable indicator of future results;
- (e) where the instruction is based on data denominated in a currency other than that of the Member State in which the retail client or potential retail client resides, the currency is clearly indicated together with a warning that the profit may increase or decrease as a result of exchange rate fluctuations;
- f) when the information is based on gross results, the effect of commissions, fees and other expenses is disclosed.

(5) When the information contains or refers to simulated previous results, FACTORI AD guarantees that the information refers to a financial instrument or a financial index and the following conditions are met:

- (a) simulated past performance is based on actual past performance of one or more financial instruments or financial indices that are substantially the same as the relevant financial instrument or are underlying that instrument
- (b) this indication is not the most prominent feature of the message;
- c) the information includes appropriate performance information covering the immediately preceding 5 years or the entire period during which the financial instrument was offered, the financial index was established or the investment service was provided, if this period is less than five years, or for a longer period at the investment firm's discretion and in any event such performance information is based on full 12-month periods;
- d) the reference period and the source of information are clearly indicated;
- (e) where the instruction is based on data denominated in a currency other than that of the Member State in which the retail client or potential retail client resides, the currency is clearly indicated together with a warning that the profit may increase or decrease as a result of exchange rate fluctuations;
- f) when the information is based on gross results, the effect of commissions, fees and other expenses is disclosed;
- (g) the information contains a prominent warning that the data refer to simulated past results and that past results are not a reliable indicator of future results.

(6) When the information contains information about future results, FACTORI AD guarantees that the following conditions are met:

- (a) the information is not based on or refers to simulated past results;
- b) the information is based on reasonable assumptions supported by objective data;
- c) when the information is based on gross results, the effect of commissions, fees and other expenses is disclosed;
- d) the information is based on performance scenarios under different market conditions (both positive and negative scenarios) and reflects the nature and risks of the specific types of instruments included in the analysis;
- e) the information contains a prominent warning that these forecasts are not a reliable indicator of future results.

(7) When the information refers to a specific tax treatment, it contains a prominent indication that the tax treatment depends on the individual characteristics of each customer and may be subject to change in the future

(8) The information does not use the name of the FSC or any competent authority in a way that indicates or implies a guarantee or approval by this authority of the products or services of the investment intermediary.

(9) Information provided to clients, marketing messages and public statements of the relevant persons about the investment intermediary must be pre-approved by a person from the Regulatory Compliance Department.

Art. 11. (1) The investment intermediary is obliged to provide in a timely manner, before a client or potential client is bound by virtue of a contract with the investment intermediary for the provision of investment or additional services, the following information:

- 1. the terms of the relevant contract (agreement);
- 2. the information regarding this contract (agreement) or regarding these investment or additional services.

(2) The investment intermediary is obliged to provide the client, respectively the potential client, with the information under Art. 47-50 of Regulation (EU) No. 2017/565.

(3) The information under para. 1 and 2 is provided to the customer on a durable medium or via a website (when this does not constitute a durable medium), provided that the conditions set out in Article 3, paragraph 2 of Regulation (EU) No. 2017/565 are met.

(4) II "FACTORI" AD shall promptly notify the relevant client of any significant change in the information provided, which is related to the service provided by the investment intermediary to this client. The notice is given on a durable medium if the information to which it relates is given on a durable medium.

(5) II "FACTORI" AD guarantees the conformity of the information contained in a marketing message with any information that the investment intermediary provides to clients when performing investment and additional services.

(6) Marketing messages that contain an offer or invitation of the following nature and specify the method of response or contain the form in which the response can be made must necessarily include this part of the information under Articles 47-50 Regulation (EU) No. 2017/565 , which is related to this offer or this invitation:

- 1. an offer to enter into an agreement in relation to a financial instrument or an investment service or an additional service with any person who responded to the communication;
- 2. an invitation to any person who responded to the message to make an offer or enter into an agreement in relation to a financial instrument or investment service or additional service.

(7) The provision of para. 6 does not apply if, in order to respond to the offer or invitation contained in the marketing communication, the potential customer must refer to another document or documents which alone or taken together contain this information.

Art. 12. (1) The investment intermediary is obliged to provide clients or potential clients with the following general information, if applicable:

- a) the name and address of the investment intermediary and contact details necessary for clients to be able to maintain an effective relationship with the intermediary;
- b) the languages in which the client can maintain contact with the investment intermediary and receive documents and other information from him;
- c) the means of communication that will be used between the investment intermediary and the client, including, where applicable, those for sending and receiving orders;
- d) declaration that the investment intermediary has received a license, and the name and contact address of the competent authority that issued it a license;
- e) when the investment intermediary acts through a bonded agent - a declaration indicating the member state in which this agent is registered;
- f) the nature, frequency and periodicity of the reports on the results of the service, which will be provided by the investment intermediary to the client in accordance with the PFM;
- (g) where the investment intermediary holds the client's financial instruments or the client's funds, a brief description of the measures it takes to ensure their protection, including summary details of any relevant investor compensation or deposit guarantee scheme that applies to the investment intermediary due to its activities in a member state;
- h) a description, which may be provided in a summarized form, of the conflict of interest policy pursued by the investment intermediary in accordance with Article 34 of Regulation (EU) No. 2017/565;
- i) at the customer's request - further details of this conflict of interest policy on a durable medium or via a website (where this is not a durable medium), provided that the conditions set out in Article 3, paragraph 2 of the Regulation (EU) No. 2017/565

(2) With the receipt of these general conditions before concluding a contract with the investment intermediary, the client or potential client is considered notified of the circumstances under para. 1.

(3) In cases where II "FACTORI" AD manages a client's portfolio, it is obliged to establish and apply an appropriate evaluation and comparison method, such as an appropriate target indicator based on the client's investment goals and the types of financial instruments included in the portfolio of the client to allow the client to whom the service is provided to evaluate the results realized by the investment intermediary.

(4) In cases where II "FACTORI" AD offers a client or a potential client the service of portfolio management, the intermediary is obliged to provide the client with the information under para. 1 and the following information (where applicable), in good time before the provision of the service:

- a) information on the method and frequency of evaluation of financial instruments in the client's portfolio;

- b) details of any delegation of unrestricted management of all or part of the financial instruments or funds in the client's portfolio;
- c) specification of each target metric against which the results of the client's portfolio will be compared;
- d) the types of financial instruments that can be included in the client's portfolio and the types of transactions that can be concluded with such instruments, including possible restrictions;
- (e) the objectives of management, the level of risk that will affect the exercise of the manager's discretion, and any limitations on that discretion.

(5) With the receipt of the present general terms and conditions, as well as with the familiarization of the text of the portfolio management contract, before its conclusion with the investment intermediary, the client or potential client is considered notified of the circumstances under para. 4, b. a-d

Art. 13. (1) II "FACTORI" AD provides clients or potential clients in a timely manner before providing investment services or additional services to clients or potential clients with a general description of the nature and risk of financial instruments, taking into account more specifically the client's categorization as a non-professional client , professional client or eligible counterparty.

The description must be of sufficient detail to enable the client to make an informed investment decision and contain:

1. an explanation of the nature of the particular type of instrument,
2. the operation and results of the operation of the financial instrument in different conditions, including favorable and unfavorable conditions,
3. the risks specific to that particular type of instrument,

(2) The description of the risks under para. 1, item 3 includes the following elements, insofar as they are applicable to the specific type of financial instrument, the status and the level of knowledge of the client:

- a) the risks associated with this type of financial instruments, including an explanation of leverage and its consequences, and the risk of losing the entire investment, including the risks arising from the possible insolvency of the issuer or related events, such as loss sharing;
- b) the volatility of the price of such instruments and any limitations on the available market for such instruments;
- c) information on obstacles or restrictions to the release of the investment, for example in the case of illiquid financial instruments or financial instruments with a fixed term of the investment, including an illustration of the possible ways of early withdrawal and the consequences of any withdrawal, the possible restrictions and the expected terms for the sale of the financial instrument until the time of reimbursement of the initial costs of the transaction for this type of financial instruments;
- d) the fact that as a result of the transactions in such instruments, the customer may assume financial obligations and other additional obligations, including contingent obligations, in addition to the costs of acquiring the instruments;
- (e) any margin requirements or similar obligations applicable to instruments of this type.

(3) The client is informed that the Deputy Chairman of the FSC or the European Securities Market Authority (ESMA) can determine the content of the description of the risks under par. 1 and 2 for different types of financial instruments.

(4) When II "FACTORI" AD provides a non-professional client or potential non-professional client with information about a financial instrument that is the subject of an ongoing public offering, in connection with which a prospectus has been published in accordance with Directive 2003/71/EC, then the II "FACTORS" AD informs the client or potential client where this prospectus is made available to the

public in a timely manner, prior to the provision of investment services or additional services to clients or potential clients.

(5) In cases where a financial instrument is composed of two or more different financial instruments or services, the investment intermediary provides a proper description of the legal nature of the financial instrument, the components of this instrument and the way in which the interaction between the components affects the risk for the investment.

(6) In cases where financial instruments include a guarantee or capital protection, the investment intermediary provides the client or potential client with information about the scope and nature of this guarantee or capital protection. Where the guarantee is provided by a third party, the guarantee information shall include sufficient details about the guarantor and the guarantee to enable the customer or potential customer to make a correct assessment of the guarantee.

(7) The obligations under para. 1-6 do not apply to units and shares of collective investment schemes in cases where the PE provides the information contained in the prospectus pursuant to Art. 69 of Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (Directive 2009/65/EC).

Art. 14. The investment intermediary is obliged to notify all its new clients of their categorization, of the conditions and criteria by which it is defined as professional or non-professional, as well as of the circumstances under which they can be defined as an acceptable counterparty.

Art. 15. (1) Customers are notified in a durable medium also of their right to request to be categorized in a different way and of the limitations of their protection as a result of being categorized in a different way.

(2) The investment intermediary defines the client as a professional, non-professional or acceptable counterparty in accordance with the criteria established in the PFFI.

(3) The investment intermediary, on his own initiative or at the request of the client, may:

1. to define as a professional or non-professional client who would otherwise be defined as an acceptable counterparty within the meaning of Art. 89, para. 2 of ZPFI;
2. to define as a non-professional client who is considered a professional client within the meaning of Section I of the Annex to the MFFI.

(4) When a person designated as an acceptable counterparty requests not to be treated as such and the investment intermediary agrees, that person will be treated as a professional client, unless he has expressly requested to be treated as a non-professional client.

(5) In cases where an acceptable counterparty expressly requests to be treated as a non-professional client, the rules of the PFFI and the Policy on Categorization of Private Clients shall apply.

Art. 16. (1) The investment intermediary is obliged to notify its clients or potential clients of and with which third party, and where the money and/or financial instruments provided to the intermediary can be kept. The notification under the first sentence also includes an indication of the responsibility of the investment intermediary under national legislation for any action or inaction of the person who holds the client's money and/or financial instruments, and the consequences for the client of the bankruptcy of this person.

(2) The investment intermediary, when holding client money and financial instruments, takes measures to protect the client's property rights over these assets.

(3) The investment intermediary is obliged to separate its financial instruments and funds from those of its clients. II "FACTORI" AD is not responsible to its creditors with the financial instruments and cash of its clients. Compulsory execution is not allowed on the cash and financial instruments of clients for obligations of the investment intermediary.

(4) The investment intermediary may not use financial instruments of its clients, except with the express consent of the client. The conditions for granting this consent are governed by a separate contract concluded between the client and the intermediary.

(5) The investment intermediary deposits the funds of its clients in:

1. central bank;
2. a credit institution licensed to operate under the Law on Credit Institutions, respectively according to the requirements of Directive 2013/36/EU;
3. a credit institution licensed in a third country;
4. qualified money market fund. A qualified money market fund is: a UCITS authorized to carry out activities under Directive 2009/65/EC, or an entity subject to supervision by a competent supervisory authority in a Member State, if it meets all of the following conditions:

(6) its main investment objective is to maintain a certain average net asset value unchanged in nominal terms (without profit) or at the level of the investors' initial capital plus profit;

(7) with a view to achieving this main investment objective, must invest exclusively in high-quality money market instruments whose maturity or remaining maturity is no more than 397 days or whose yield is adjusted regularly in accordance with this maturity, and whose weighted average term to maturity is 60 days. The enterprise can achieve this goal by additionally investing cash in deposits in credit institutions;

(8) must provide liquidity through same-day or next-day settlement.

For the purposes of letter b), a money market instrument is considered to be of high quality if the investment intermediary carries out its own documented assessment of the credit quality of money market instruments, which allows it to consider a given money market instrument to be of high quality. Where one or more rating agencies registered and supervised by ESMA have assigned a rating to the instrument, the investment firm's internal assessment should take into account, inter alia, those credit ratings.

(6) The investment intermediary may deposit the funds of its clients in persons under para. 5, with which a related person appears, under conditions and according to the procedure determined by regulation.

(7) The investment intermediary stores the financial instruments of its clients in a depository institution on client accounts to the account of the investment intermediary or on accounts opened to the account of a third party.

(8) The investment intermediary regularly informs its clients about the availability and operations on the cash accounts and about the financial instruments it keeps, and about the conditions of the contracts for their keeping.

(9) When II "FACTORI" AD does not deposit a customer's funds in a central bank, the II 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 cash is deposited, and the arrangements for holding that cash, also considering the need to diversify that cash as part of its due diligence. II "FACTORI" AD takes into account the experience and market reputation of these institutions or funds in the money market, with a view to guaranteeing the protection of clients' rights, as well as all legal and regulatory requirements or market practices related to the holding of client's funds, which could adversely affect the rights of customers.

(10)When II "FACTORI" AD deposits the clients' funds with a credit institution, bank or money market fund, which are in the same group as the investment intermediary, II "FACTORI" AD limits the money it deposits with each such entity of the group or a combination of such group entities so that the amount of funds does not exceed 20% of all such cash. 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 sentence is not proportional.

(11)II "FACTORI" AD has the right to deposit/store the financial instruments held by clients in an account or accounts opened with third parties, provided that the investment intermediary exercises 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.

II "FACTORI" AD 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 customers.

(12) When II "FACTORI" AD offers to deposit/store a client's financial instruments with a third party, such deposit/storage of the financial instruments is carried out only with an entity in a jurisdiction in which the storage of financial instruments for the account of a third party is subject to of special regulation and supervision, and that only if the third party keeping the instruments is subject to that special regulation and supervision.

(13) II "FACTORI" AD may not deposit financial instruments held on behalf of clients with a third party in a third country that does not regulate the holding and storage of financial instruments for the account of another person, unless one of following conditions:

- a) the nature of the financial instruments or the investment services related to these instruments requires them to be deposited with a third party in the relevant third country;
- b) when the financial instruments are held on behalf of a professional client and this client requests in writing from the investment intermediary to deposit them with a third party in the specified third country.

(14) The requirements under para. 12 and 13 also apply when the third party has delegated some of its functions related to the holding and safekeeping of financial instruments to another third party.

(15) The investment intermediary has no right to enter into contracts for financing transactions with securities in relation to the financial instruments held by him on behalf of a client, or to otherwise use these financial instruments for his own account or for the account of another person or a client of the investment intermediary, unless the following conditions are met:

- a) the client has given his prior express consent to use the tools under certain conditions, which is proven by a clear confirmation in writing and by a signature or in another equivalent way; and
- b) the use of the financial instruments of this client is limited to the specified conditions to which the client has agreed.

(16) The investment intermediary is not entitled to enter into contracts for financing transactions with securities in relation to financial instruments that are held on behalf of a client on an omnibus account maintained by a third party, or to otherwise use financial instruments held on such account, for its own account or for the account of another customer, unless in addition to the conditions set forth in para. 15, at least one of the following conditions is met:

- a) each client whose financial instruments are held together in an omnibus account must have given prior express consent to use;

b) the investment intermediary has implemented systems and controls that ensure that only financial instruments belonging to clients who have given prior express consent to use are used.

The reporting of II "FACTORI" AD includes detailed data on the client on whose instructions the use of financial instruments is carried out, as well as the number of financial instruments belonging to each client who has given his consent, which will allow a correct distribution of possible loss.

(17) II "FACTORI" AD takes appropriate measures to prevent unauthorized use of financial instruments of customers for its own account or for the account of another person, such as:

a) concluding agreements with clients on measures to be taken by the intermediary in the event that the client does not have sufficient funds in his account on the settlement date, such as borrowing the relevant securities on behalf of the client or closing the position;

b) careful monitoring by the investment intermediary of its projected ability to fulfill its obligations on the settlement date and the introduction of corrective measures if this cannot be done; and

c) careful monitoring and timely demand of undelivered securities, the obligations of which have not been repaid on the day of settlement and thereafter.

(18) II "FACTORI" AD has no right to enter into contracts that are prohibited according to Art. 95, para. 1 ZPFI.

(19) II "FACTORI" AD has carefully considered and can prove that it has carried out a careful review of the use of collateral contracts with the transfer of rights in the context of the relationship between the client's obligation to the intermediary and the client's assets converted by the intermediary into an object of collateral contracts with transfer of rights.

When considering and documenting the expediency of collateral contracts with the transfer of rights, FACTORI AD takes into account all the factors listed below:

(a) whether there is only a very weak relationship between the customer's obligation to the intermediary and the use of collateral contracts, including whether the probability of the customers' obligation to the intermediary is low or insignificant;

b) whether the amount of the customer's cash or financial instruments subject to collateral agreements with the transfer of rights significantly exceeds the customer's obligation or is even unlimited, if the customer has any obligation to the intermediary at all; and

(c) whether the financial instruments or cash of all clients have become the subject of collateral agreements with the transfer of rights, without taking into account what obligation each client has to the intermediary.

(20) When II "FACTORI" AD uses security contracts with the transfer of rights, the intermediary emphasizes to professional clients and acceptable counterparties the risks involved and the impact on the financial instruments and cash of the clients of each security contract with the transfer of rights.

1. METHODS OF PROVIDING INFORMATION TO CUSTOMERS

Art. 17. (1) For the cases where according to the MFPA, the acts on its implementation, Regulation (EU) No. 2017/565 and these general terms and conditions, it is required to provide information to the client on a durable medium, the investment intermediary shall provide the information on a durable medium, other than of paper only if:

1. the provision of such information in such a medium is appropriate for the context in which the business activity between the investment intermediary and its client is or will be carried out;

2. the person to whom the information is provided, when offered to make a choice between information on paper or on this other durable medium, expressly chooses the provision of the information on the specified other medium.

(2) When information is provided to clients via the intermediary's internet page (website) and this information is not personally addressed to a specific client, it must meet the following conditions:

a) the provision of this information in this medium is appropriate for the context in which the business activity between the investment intermediary and its client is carried out or will be carried out;

b) the customer must give express consent to the provision of this information in this form;

c) the customer must be notified electronically of the website address and of the location on the website where the information can be accessed;

d) the information must be current;

e) the information must be continuously available through the specified website for a period within which the customer may have a reasonable reason to check it.

(3) The provision of information via electronic messages is considered appropriate for the context in which the business activity between the investment intermediary and its client is carried out or will be carried out, when there is evidence that the client has regular access to the Internet. The provision by the client of an e-mail for the purpose of carrying out such business activity shall be considered as such evidence.

VI. INFORMATION PROVIDED BY THE INVESTMENT DEALER TO CLIENTS ABOUT COSTS, FEES AND COMMISSIONS

Art. 18. (1) The investment intermediary is obliged to provide its clients and potential clients with the following information about transaction costs and fees, as far as applicable:

1. all costs and related fees imposed by the investment intermediary or by other persons, where the client was referred to such other persons, for the investment and/or additional services provided to the client. Payments from third parties that II "FACTORI" AD receives in connection with the investment service provided to a client are described individually and separately, and the total costs and fees are collected and presented both in value and in percentage terms.
2. all costs and related fees relating to the creation and management of the financial instruments. The costs under items 1 and 2 are indicated in an appendix to these General Terms and Conditions.
3. When a certain part of the total costs and fees is to be paid or represents an amount in a foreign currency, II "FACTORI" AD indicates the relevant currency and the applicable exchange rates and costs. The investment intermediary also provides information on the terms of payment or other performance.
4. notification of the possibility of other costs arising, including taxes, related to transactions with financial instruments or investment services provided, which are not paid through the intermediary and are not imposed by it;

(2) The obligation under para. 1 does not apply to units and shares of collective investment schemes, if the investment intermediary provides the client with the information contained in the prospectus pursuant to Art. 69 of Directive 2009/65/EC.

(3) II "FACTORI" AD provides its clients with an illustration that shows the cumulative effect of costs in the provision of investment services on the return. This illustration is provided on a pre and post basis. II "FACTORI" AD guarantees that the illustration meets the following requirements:

- (a) the illustration shows the effect of total costs on the return on investment;
- (b) the illustration shows any expected sudden changes or fluctuations in costs; and
- (c) the illustration is accompanied by a description of the illustration.

Art. 19. (1) The investment intermediary accepts a tariff for its standard commission remuneration for the various types of services provided to clients, as well as for the type and amount of expenses for clients, if they are not included in the remuneration.

(2) The tariff under para. 1 is displayed in a visible and accessible place in every room where the investment intermediary accepts clients, as well as published on the internet page (website) of the II. By signing a contract for the provision of an investment and/or additional service, the client accepts the Tariff for the standard commission fee of the investment intermediary.

Art. 20. The obligation for timely and complete prior disclosure of information regarding the general costs and fees related to the financial instrument and the provided investment or additional service also applies in the following cases: a) when the investment intermediary recommends or advertises financial instruments to clients; or b) where the investment intermediary provides any investment services, but is required to provide clients with the UCITS DKII or PIPDOZIP basic information document (OID) in relation to the relevant financial instruments in accordance with applicable Union legislation .

VII. ASSESSMENT OF RELEVANCE AND APPROPRIATENESS

Art. 21. (1) When performing portfolio management services and providing investment advice, the investment intermediary requires from the client, respectively from the potential client, information about his knowledge and experience regarding the services under Art. 6, para. 2, items 4 and 5 of the ZPFI, its financial condition, its ability to bear losses and its investment objectives, including its acceptable level of risk.

The investment intermediary is not entitled to perform the services of portfolio management and provision of investment advice for a client who has not provided the information under the first sentence.

(2) Based on the information under para. 1, the investment intermediary performs an appropriateness assessment, including whether the financial instruments subject to investment advice correspond to the client's acceptable level of risk and his ability to bear losses. When providing the services under para. 1, the investment intermediary is guided by the received under para. 1 information.

(3) When providing investment services other than those specified in para. 1, the investment intermediary requests from the client, respectively from the potential client, information about his knowledge and experience in relation to the investment services related to the specific type of product or service that is offered or sought, so that the II can assess whether the investment service or product are expedient (suitable) for the customer. The customer undertakes to provide the information in the first sentence.

(4) If, on the basis of the information received under para. 3 information the investment intermediary considers that the product or the offered investment service will not be suitable, he warns the client, respectively the potential client, about this in writing. The warning can be done in a standardized format.

(5) In the event that the client, respectively the potential client, does not provide the information under para. 3 or provides insufficient information regarding his knowledge and experience, the investment intermediary is obliged to warn the client or potential client in writing that he cannot assess whether the specific investment service or product is suitable for him. The warning can be done in a standardized format.

(6) The investment intermediary, when providing investment services for the acceptance and transmission of orders in connection with one or more financial instruments and/or the execution of orders on behalf of clients, may provide such services to the client without the client providing the information under paragraph . 3 or without carrying out an appropriateness assessment, if the following conditions are present at the same time:

1. the subject of the services are the following financial instruments:

(a) shares admitted to trading on a regulated market or on an equivalent market of a third country, or on an MTF, when these are shares of companies, with the exception of units of undertakings which are not undertakings for collective investment and shares which include a derivative instrument ;

b) bonds or other debt securities admitted to trading on a regulated market or on an equivalent market of a third country or in the MTF, with the exception of those bonds or other debt securities that include a derivative instrument or have a structure due to which for the client it is more difficult to understand the risk involved;

c) money market instruments with the exception of those that include a derivative instrument or have a structure that makes it more difficult for the client to understand the associated risk;

d) shares or units of collective investment schemes, with the exception of structured collective investment undertakings under Article 36, paragraph 1, second subparagraph of Regulation (EU) No. 583/2010;

e) structured deposits, with the exception of those with a structure that makes it more difficult for the client to understand the risk of return or the costs of early exit from the investment;

f) other simple financial instruments, similar to those under b. "a" - "e";

2. the service is provided at the initiative of the client or a potential client;

3. the client or potential client is notified in writing that the investment intermediary will not carry out a feasibility assessment, and the notification may be in a standardized format;

4. the investment intermediary complies with the requirements under the MFFI for handling conflicts of interest

Art. 22. (1) If "FACTORI" AD determines to what extent information should be collected from clients in the context of all elements of investment advice or portfolio management services that are intended to be provided to these clients. The investment intermediary obtains from its clients or potential clients such information as it needs to understand the basic facts about the client and to have a reasonable basis for believing, taking into account the nature and scope of the service provided, that the particular transaction to be recommended or entered into in the course of providing a portfolio management service, meets the following criteria:

a) it meets the investment objectives of the client in question, including the level of risk acceptable to the client;

b) it is such that the client is able to financially bear all investment risks commensurate with his investment goals;

c) it is such that the client has the necessary experience and knowledge to be able to understand the risks associated with the transaction or with the management of his portfolio.

(2) When providing an investment service under para. 1 of a professional client, the investment intermediary may assume and accept that with regard to the products, transactions and services for which he is designated as a professional client, he has the necessary experience and knowledge for the purposes of para. 1, b. in.

- (3) When providing investment advice to a professional client in accordance with Section I of the Annex to the MFFI, the investment intermediary may accept for the purposes of para. 1, b. b that this client has the financial ability to bear all associated investment risks commensurate with his investment objectives.
- (4) The information regarding the financial situation of the client or the potential client contains, when applicable, information about the source and amount of his regular income, his assets, including liquid assets, investments and real estate, as well as his regular financial obligations.
- (5) Information regarding the investment objectives of a client or potential client shall contain, when applicable, information regarding the length of time the client wishes to hold the investment, his preferences regarding risk-taking, his risk profile and investment objectives.
- (6) When, when providing investment advice or managing a portfolio, the investment intermediary has not collected the required information under Art. 21, para. 1 of the general conditions, he has no right to recommend investment services or financial instruments to the client or potential client.
- (7) When providing investment advice or portfolio management, the investment intermediary does not recommend or decide to trade in cases where none of the services or any of the instruments are suitable for the client.
- (8) When II "FACTORI" AD provides investment advice or portfolio management services, including replacement of investments by selling one instrument and buying another or by exercising the right to change in relation to an existing instrument, the investment intermediary collects the necessary information regarding the client's existing investments and recommended new investments, and perform a cost-benefit analysis of the switch to be reasonably able to demonstrate that the benefits of the switch outweigh the costs.
- (9) When II "FACTORI" AD provides investment advice, it presents the non-professional client with a report that includes a general description of the advice and justification of why the given recommendation is suitable for the non-professional client, including how it meets the goals and individual circumstances in view of requirements the term of the investment, the client's knowledge and experience, the client's attitude to risk and the client's ability to bear loss.
- (10) II "FACTORI" AD emphasizes to the clients and includes in the relevance report information on whether the recommended services or tools may require the non-professional client to request a periodic review of its conditions.
- (11) When II "FACTORI" AD provides a service including periodic evaluations and relevance reports, the reports after the establishment of the initial service may only cover changes to the relevant services or tools and/or to the client's circumstances, without necessarily repeating the full details in the first report.
- (12) If II "FACTORI" AD carries out a periodic assessment of suitability, at least once a year it is obliged to carry out a review of the suitability of the given recommendations, in order to improve the service provided to customers. The frequency of this assessment increases depending on the client's risk profile and the type of financial instruments recommended.
- Art. 23. (1)** When II "FACTORI" AD provides an investment service, other than investment advice and portfolio management, it requires from the client, respectively the potential client, information about his knowledge and experience, in connection with the investment services related to the specific type product or service that is offered or sought, so that it can assess whether the investment service or product is suitable (expedient) for the client.
- (2) The investment intermediary has the right to assume that a professional client has the necessary experience and knowledge to be able to understand the inherent risks associated with these specific investment services or transactions or the types of transactions and products for which the client is classified as a professional client

Art. 24. (1) Information regarding the knowledge and experience of the client or potential client in the investment field shall contain the following to the extent appropriate to the nature of the client, the nature and scope of the service provided and the type of product or transaction envisaged, including their complexity and associated risks:

- a) types of services, transactions and financial instruments with which the client is familiar;
- b) nature, volume and frequency of the client's transactions with financial instruments and the period during which they were concluded;
- c) educational level and occupation or significant previous occupation of the client or potential client.

(2) When proceeding with the suitability assessment, the investment intermediary shall inform the clients or potential clients, clearly and simply, that the reason for the suitability assessment is so that the intermediary can act in the best interest of the client.

Where the client is a legal entity or a group of two or more natural persons, or where one or more natural persons are represented by another natural person, the investment intermediary shall establish and implement a policy regarding who is subject to a suitability assessment and how this assessment will be carried out in practice, including from whom it should collect information regarding knowledge and experience, financial status and investment objectives. The investment intermediary documents this policy.

Where an individual who is represented by another individual or a legal entity that has requested professional client treatment is to be taken into account in the suitability assessment, the financial position and investment objectives are those of the legal entity or, in relation to the individual, of the end customer, not the agent. The knowledge and experience is that of the individual's representative or the person authorized to transact on behalf of the end customer.

(3) The investment intermediary may not encourage or encourage its clients or potential clients not to provide the required information for the purposes of carrying out an assessment of relevance and/or expediency.

(4) The investment intermediary has the right to refer to the information provided to him by his clients or potential clients, unless he is aware or should be aware that the information is clearly out of date, inaccurate or incomplete.

(5) II "FACTORI" AD takes reasonable measures to ensure that the collected information about customers or potential customers is reliable. This includes but is not limited to the following:

- a) creating confidence that customers are aware of the importance of providing accurate and up-to-date information;
- b) creating confidence that any tools, for example risk assessment profiling tools or tools to assess client knowledge and experience, used in the suitability assessment are fit for purpose and appropriately designed to apply to their clients, with all limitations established and actively limited during the relevance assessment;
- c) creating confidence that the questions used in this process can be understood by clients, provide a true picture of the client's goals and needs, and through them collect the information necessary to carry out the relevance assessment; and
- d) taking steps as necessary to establish the consistency of customer information, for example by examining whether there are obvious inaccuracies in the information provided by customers.

(6) II "FACTORI" AD maintains registers of the feasibility assessments carried out, which include the following:

- a) the result of the feasibility assessment;

b) any warning given to the client when the investment service or product purchase is assessed as potentially inappropriate 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 intermediary to carry out the appropriateness assessment, whether the client has requested to proceed with the transaction regardless of that warning and, where applicable, whether the investment intermediary has accepted the client's request to proceed with the transaction.

VIII. CONTRACTUAL START WHEN PROVIDING INVESTMENT AND ADDITIONAL ACCOUNT SERVICES TO CLIENTS

Art. 25. (1) The investment intermediary provides investment and additional services for the client's account based on a written contract with the client. The contract regulates the rights and obligations of the parties, as well as other conditions under which II "FACTORI" AD provides services to the client.

(2) When concluding a contract, the investment intermediary provides the client with the general conditions and the tariff, and the client certifies that he is familiar with them and accepts them. The accepted general conditions and tariff are an integral part of the contract concluded between the investment intermediary and the client.

The written contract with the client includes at least:

(a) a description of the services and, where applicable, the nature and extent of the investment advice intended to be provided;

b) for portfolio management services - the types of financial instruments that can be bought and sold and the types of transactions that can be carried out on behalf of the client, as well as prohibited instruments or transactions, if any;

c) a description of the main characteristics of each service intended to be provided, which is specified in the PFFI, including, where applicable, the role of the investment intermediary in relation to corporate actions related to the client's instruments, and the conditions under which financing transactions with securities that include the client's securities will generate a return for the client.

(3) The customer, respectively his representative, signs the contract under para. 1 in the presence of a relevant person, after the identity of the client or his representative has been verified, unless the contract is concluded through a remote method of communication, according to these General Terms and Conditions.

(4) Upon execution of the contract under para. 1 and in accordance with the accounting legislation, the investment intermediary opens analytical accounts for financial instruments and for the client's cash.

(5) The investment intermediary keeps in its archive a copy of the identity document of the client, respectively of his representative, certified by the client, certified by him and by the person who concludes the contract for the investment intermediary. The certification is carried out with the inscription "true to the original", date and signature of the person who performs the certification.

(6) In the contract under para. 1, individualizing data of the persons who conclude it, the capacity in which the person representing the investment intermediary acts, date and place of conclusion and the general terms and conditions in force at the time of conclusion, the basic rights and obligations of the parties and indication of the information that the intermediary is obliged to provide to the Client.

Art. 26. (1) Conclusion of the contract under Art. 25, para. 1 through a proxy is admissible only if a notarized power of attorney is presented to the investment intermediary, which contains representative authority to perform management or dispositional actions with financial instruments.

(2) The investment intermediary keeps in its archive the original power of attorney under para. 1, respectively a notarized copy thereof.

Art. 27. (1) The investment intermediary concludes the contract under Art. 25, para. 1 and accepts the documents in connection with orders for transactions with financial instruments only in a registered office under Art. 30, para. 1, item 2 of the Law on the Financial Supervision Commission address of management, branch or office, unless the contract is concluded by remote means of communication.

(2) The premises under para. 1 must have the necessary technical equipment and software enabling the acceptance of orders, including orders submitted via a remote means of communication, compliance with the order of receipt of orders when they are transmitted for execution and storage of information.

(3) The investment intermediary places at the entrance of each of the branches and offices under para. 1 information on the name and seat, working hours, name and surname of the person responsible for the relevant branch or office.

Art. 28. (1) The contract under Art. 25, para. 1 can be concluded at a distance by exchanging electronic statements signed with an electronic signature according to Art. 13 of the Electronic Document and Electronic Signature Act.

(2) In the cases under para. 1, the investment intermediary verifies the identity of the client, respectively of his representative, through provided in accordance with para. 1:

1. a copy of an identity document, and for clients - legal entities - and a copy of commercial registration documents containing data on the establishment and representation; and
2. a document, including data from a credit and/or debit card, issued by a credit institution meeting the requirements of para. 8, and/or a document certifying the charging or payment of a utility service; the account holder, respectively the lot, must be visible from the documents under the previous sentence.

(3) When the contract under para. 1 is concluded through a qualified electronic signature, para. 2, item 2 may not apply.

(4) In order to verify the client's identity, the investment intermediary may request additional data and/or documents. The investment intermediary is responsible for the proper identification of the client and takes all reasonable steps to establish the identity of the client.

(5) The relevant person for the investment intermediary checks whether the requirements under para. 1 - 3.

(6) The investment intermediary stores all the documentation and information related to the electronic statement in accordance with the rules of the MFRS and Regulation (EU) No. 2017/565.

(7) The provision of all necessary information by the client in accordance with Regulation (EU) No. 2017/565, as well as the provision of information by the client necessary for the assessment of relevance/expediency, can be done by means of an electronic statement signed by the client with qualified electronic signature.

(8) The document under para. 2, item 2 must have been issued by a credit institution licensed in a member state of the European Union or a party to the Agreement on the European Economic Area. The credit institution that issued the document under para. 2, may also be based in a member state of the Financial Action Task Force against Money Laundering (FATF), the Asia-Pacific Anti-Money Laundering Group (APG), the Eurasian Group to Combat Money Laundering and the Financing of terrorism (EAG) or the Committee of Experts on the Evaluation of Anti-Money Laundering Measures (MONEYVAL) of the Council of Europe.

(9) When the contract is not concluded using a qualified electronic signature, transfers of funds in connection with receiving and providing investment and additional services to the client under a concluded contract pursuant to para. 1 are made only from and to a payment account maintained by a credit institution under para. 8, under which the customer is the holder. (10) It is not allowed to conclude a

contract under the order of this article through a proxy.

Art. 29.(1)The contract under Art. 25, para. 1 can be concluded in absentia by exchanging the necessary documents signed by the parties, provided that the client is the holder of a bank account opened in the credit institution that meets the requirements of para. 2 of this article. The client, respectively his representative, sends to the investment intermediary the signed contract, an original document issued by the relevant credit institution that the client is the holder of a bank account and a certified copy of his identity document, and for clients - legal entities - and a certified copy of commercial registration documents containing data on the establishment and representation. The certification is carried out by affixing the inscription "True with the original", date and signature of the customer.

(2) The bank account under para. 1 must be opened in a credit institution under Art. 28, para. 8.

(3) Transfers of funds in connection with the receipt and provision of investment and additional services by the client under a concluded contract pursuant to para. 1 are made only from and to a payment account maintained by a credit institution under para. 2, under which the customer is the holder.

(4) It is not allowed to conclude a contract under the order of this article through a proxy.

Art. 30. (1) The contract under Art. 25, para. 1 can be concluded at a distance by exchanging the necessary documents on paper, signed by the parties, with the client signing in the presence of a notary who certifies this fact. The provision of all necessary information by the client in accordance with Regulation (EU) No. 2017/565, as well as the provision of information by the client necessary for the assessment of relevance or expediency, can be done by the client remotely by signing the necessary documents in front of a notary public.

(2) The client, respectively his representative, sends to the investment intermediary the signed contract with notarization of the signature, a certified copy of his identity document, and for clients - legal entities - and a certified copy of commercial registration documents containing data on the establishment and the representation. The authentication of the identity document and commercial registration documents is carried out with the inscription "True with the original", date and signature of the client.

Art. 31. The investment intermediary cannot conclude the contract under Art. 25, para. 1, if the client or his representative has not submitted and signed all the necessary documents in accordance with the manner of conclusion, has submitted documents with obvious irregularities or the data in them are incomplete, have inaccuracies or contradictions or there is another circumstance that gives rise to suspicion of improper legitimation or representation.

Art. 32. The investment intermediary concludes contracts under Art. 25, para. 1 and accepts customer orders only through relevant persons who work under contract for him and are:

1. brokers, or
2. persons who meet the requirements under Art. 3, items 1 - 6 of Ordinance No. 7 of 2003 on the requirements to be met by natural persons who, under a contract, directly carry out transactions with financial instruments and investment consultations regarding financial instruments, as well as the procedure for acquiring and withdrawing the right to exercise such activity (SG, No. 101 of 2003) and are entered in the register under Art. 30, para. 1, item 2 of the Law on the Financial Supervision Commission, or
3. executive members of the Board of Directors or proxies of the investment intermediary.

Art. 33. When concluding a contract with a client for portfolio management, the contract shall state:

1. the method and frequency of valuation of financial instruments in the client's portfolio;
2. details of any delegation of unrestricted management of all or part of the financial instruments or funds in the client's portfolio;
3. a specification of each target metric against which the client's portfolio performance will be compared;

4. the types of financial instruments that can be included in the client's portfolio and the types of transactions that can be entered into with such instruments, including any restrictions;
5. the objectives of management, the level of risk that will affect the exercise of the manager's discretion, and any limitations on that discretion.
6. information about costs, fees and commissions in accordance with applicable law
7. other details, in accordance with the applicable legislation and the will of the parties.

Art. 34. (1) Insofar as the PFMI, the acts on its implementation, the directly applicable EC Regulations do not provide for anything different, the Law on Electronic Documents and Electronic Signatures also applies in contractual relations between a client and an investment intermediary.

Art. 35 Any document that the MFPA and Regulation (EU) No. 2017/565 requires to be drawn up in writing can be drawn up as an electronic document, provided that it is signed with a qualified electronic signature, equivalent to a handwritten one, according to the Electronic Document Act and the electronic signature and the corresponding compliance with the other requirements of the cited legislation is ensured. .

IX. EXECUTION OF CUSTOMER ORDERS

Art. 36.(1) The investment intermediary executes client orders for transactions with financial instruments in accordance with its Order Execution Policy.

(2) By signing the contract for the provision of investment services, the client agrees to the Policy for the execution of orders of ABC Finance AD, and the investment intermediary provides him with the Policy for the execution of orders on paper or on a durable medium.

H. RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THE AGREEMENT FOR THE PROVISION OF INVESTMENT SERVICES

Art. 37. The customer has the following rights and obligations:

1. the right to demand accurate performance of the contractual obligations from the investment intermediary;
2. the right to receive from the investment intermediary all the required information according to the present general conditions and the current legislation;
3. the right to receive execution of a submitted order and portfolio management in accordance with the Investment Broker's Execution Policy and applicable legislation;
4. the right to be categorized and treated in accordance with the requirements of the PFFI as a non-professional, professional client or an acceptable counterparty, to be notified of the type of categorization and its consequences, as well as to request a change of his categorization;
5. the right to receive relevant reports and notifications for the services performed at his expense;
6. the right to receive the financial instruments purchased on his behalf and at his expense;
7. obligation to provide regular documents of ownership of financial instruments;
8. obligation to provide the investment intermediary, simultaneously with the submission of an order for the purchase of financial instruments, the funds necessary for payment under the transaction - subject of the order, unless the client certifies that he will fulfill his obligation to pay, as well as in other cases, provided for in the current legislation. In cases where the client does not provide the necessary funds to execute an order to purchase financial instruments after being invited by the investment intermediary, the latter is not responsible for executing the order and has the right to refuse its acceptance.
9. obligation to pay the price of financial instruments;

10. obligation to pay a commission or fee for the provided investment or additional service and all costs of providing the services, in accordance with the applicable Intermediary Tariff and current legislation;
11. obligation to provide personal data in accordance with the requirements of current legislation;
12. obligation to provide a valid identification document for his bank account or to sign a declaration in case he does not have one;
13. other rights and obligations stipulated in these General Terms and Conditions or stipulated in the contract concluded between the investment intermediary and the client.

Art. 38. (1) The investment intermediary has the following rights and obligations:

1. the right to receive in a timely manner the complete and accurate information required by the PFMI, the acts on its implementation, directly applicable EC Regulations and the present general terms and conditions;
2. right to receive payment from the client for an investment or additional service provided, as well as all costs incurred in connection with the provision of the service;
3. right to record telephone conversations and electronic communication between the investment intermediary and the client. The Client is considered expressly informed of this right and obligation of the investment intermediary and accepts the recording of any type of correspondence - email, telephone conversation, fax, Skype communication and others;
4. the right to receive compensation, security or penalty in accordance with the agreement between the parties;
5. right to store and process the customer's personal data;
6. obligation to provide the client with the required information under the MFPA, the acts on its implementation, Regulation (EU) No. 2017/565 and these general terms and conditions;
7. obligation to comply with its order execution policy;
8. obligation to provide clarifications on the policy for handling conflicts of interest - the information is provided upon request by the client on a durable medium or on the website of the investment intermediary, when this does not constitute provision of a durable medium, subject to compliance with the requirements of Regulation (EU) No. 2017/565.
9. other rights and obligations stipulated in these General Terms and Conditions or stipulated in the contract concluded between the investment intermediary and the client.

(2) When carrying out its activity, the investment intermediary is obliged to protect the client's trade secret, as well as its commercial prestige.

(3) The members of the management and control bodies of the investment intermediary and the persons working under a contract for it cannot publicize, unless they are authorized to do so, and use facts and circumstances to benefit themselves or other persons, affecting the availability and operations on the accounts for financial instruments and for money of clients of the investment intermediary, as well as all other facts and circumstances representing a trade secret, which they learned in the performance of their official and professional duties.

(4) All persons under para. 3 upon assuming office or starting activity for the investment intermediary, sign a declaration of compliance with secrecy under para. 3.

(5) The provision of para. 3 also applies to the cases when the specified persons are not in service or their activity has been suspended.

(6) In addition to the FSC, the deputy chairman and authorized officials from the FSC administration, as well as the regulated market of which it is a member - for the purposes of their control activity and within the scope of the inspection order, the investment intermediary may provides information under para. 3 only:

1. with the consent of its client,
2. according to the order of Title II, Chapter XVI, Section IIIa of the Code of Criminal Procedure or
3. 3. by a court decision, issued under the conditions and in accordance with the rules of the PFFI.

XI. STORAGE OF CUSTOMER FINANCIAL INSTRUMENTS AND MONEY

Art. 39. The investment intermediary may not keep the cash of its clients. Cash can only be stored in an institution under Art. 93 of the PFFI and in accordance with these General Terms and Conditions.

Art. 40.(1) Clients' financial instruments are stored as follows:

- a) in the client's sub-account in a depository institution within the meaning of §1, item 79 of the DR ZPFI, opened to the account of the investment intermediary;
- b) in the client's sub-account opened to the account of a third party, subject to compliance with the requirements of the MFRS, Regulation (EU) No. 2017/565 and the investment intermediary's internal rules for keeping records;
- c) foreign financial instruments - in the customer's sub-account with II "FACTORI" AD in the relevant depository institution abroad or with a third party.

Art. 38. The storage and registration of government securities issued on the domestic market is carried out under the conditions and according to the procedure of the Law on the State Debt and its implementing acts.

Art. 41. (1) The investment intermediary may deposit the funds of its clients with the persons with whom it is a related person only if the clients have given written consent to this.

(2) The investment intermediary accepts cash payments from clients for the provision of investment and/or additional services, as well as funds necessary for payment under a transaction with financial instruments, accordingly makes payments to clients, subject to compliance with the requirements of the Law on Limitation of cash payments. The investment intermediary deposits the funds provided by clients or received as a result of investment services performed on their behalf, in a person under Art. 16, paragraph 5 of the current OU by the end of the next working day at the latest.

Art. 42 (1). The investment intermediary is obliged to allocate:

- from each other the portfolios of financial instruments and/or money of their clients;
- its funds from those of its customers.
- the investment intermediary is not responsible to its creditors with the financial instruments and cash of its clients.

(2) The investment intermediary in connection with the storage and protection of the financial instruments of clients shall observe the following principles:

- a) maintains records and keeps accounts that will allow him at any moment to immediately distinguish the assets held for one client from the assets held for another client, as well as from his own assets;
- b) maintain records and keep accounts in a way that ensures their accuracy, and in particular their consistency with financial instruments and cash held for clients, and enabling them to be used as an audit trail;
- c) carry out a regular reconciliation of its internal accounts and records with those of any third party holding the relevant assets;

d) take the necessary measures to ensure that all financial instruments of a client deposited with a third party in accordance with applicable law can be clearly distinguished from financial instruments belonging to the investment intermediary and from financial instruments belonging to that third party person, through accounts with a different name in the accounting books of the third party or through equivalent measures that achieve the same level of protection;

e) take the necessary measures to ensure that the client's deposited funds are held in an account or accounts separate from all accounts used to hold funds belonging to the investment intermediary;

f) put in place and implement 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 misappropriation of assets, fraud, mismanagement, inappropriate record keeping or carelessness.

Art. 43. The investment intermediary, upon concluding a contract with the client, opens a sub-account for the client to his account for financial instruments in a depository institution.

Art. 44. (1) The investment intermediary shall not transfer financial instruments from the client's personal account to a client sub-account with the investment intermediary in a depository institution, if the following circumstances are present:

1. the client or his representative has not presented and signed all the necessary documents under the contract, in accordance with the manner of its conclusion;
2. the client has submitted documents with obvious irregularities or the data in them is incomplete, has inaccuracies or contradictions or
3. there is another circumstance that gives rise to suspicion of improper identification or representation

(2) The investment intermediary undertakes to execute, by the end of the next working day at the latest, an order received from the client for the transfer of financial instruments to the sub-account of another investment intermediary or depository institution. In case the financial instruments are the object of a transaction with an unfinished settlement, the completion of the settlement is awaited, after which the client's order is executed within the next business day.

Art. 45. When concluding a contract with a client, the investment intermediary assigns to the same unique number, maintains a file for each client and a register of its clients with the data specified in the Rules for keeping accounts of II "FACTORI" AD.

Art. 46. In its activity of providing investment services, the investment intermediary does not allow:

- Entering client orders for execution before the client's sub-account has been opened to the account of the investment intermediary depository institution;
- Use of financial instruments and/or funds of one client at the expense of another client of the investment intermediary, except under conditions and order in accordance with the applicable legislation and express consent of the client;
- Use of financial instruments and/or customer funds for the benefit of the investment intermediary;
- Use of funds of the investment intermediary to fulfill customer obligations;
- Lending to customers for the purchase of financial instruments, except in the cases provided for in the applicable legislation.

Art. 47. For other issues related to the storage of the client's financial instruments and funds, not regulated in these general terms and conditions, the provisions agreed in the contract between the parties and the Rules of the investment intermediary for keeping records, storing information and storing financial instruments and funds shall apply of customers, as well as the applicable national and European legislation.

XII. HANDLING CONFLICTS OF INTEREST

Art. 48. A conflict of interest is a situation that arises in connection with the provision of investment and/or additional services by the investment intermediary and may harm the client's interest.

Art. 49. When performing investment services and activities, the investment intermediary takes the necessary measures to prevent, establish and manage potential conflicts of interest between:

1. the investment intermediary, including the persons who manage the investment intermediary, the persons who work under contract for it, the tied agents or any person, directly or indirectly related to the investment intermediary through a relationship of control, on the one hand, and its clients, on the other hand ;
2. its individual clients.

Art. 50. The investment intermediary undertakes the actions under Art. 49 and in cases where a conflict of interest may arise as a result of receiving remuneration from the investment intermediary, from providing incentives from third parties or from other incentive mechanisms.

Art. 51.(1) If, despite the application of the rules for the prevention of conflicts of interest, there continues to be a risk to the interests of the client, the investment intermediary shall not carry out activities on behalf of the client, if he has not informed him of the general nature and/or sources of the potential conflicts of interest and the measures taken to limit the risk to the client's interests.

(2) For the purposes of para. 1 the investment intermediary shall provide sufficiently detailed information on a durable medium to each individual client to enable him to make an informed decision about the service in respect of which the conflict of interest has arisen.

Art. 52. (1) Additional regulations for the treatment of conflicts of interest are contained in the Policy of the investment intermediary for the prevention, detection and management of conflicts of interest. A summary of the policy is provided to the client in good time before the provision of investment or additional services by the intermediary.

(2) By signing a contract for the provision of investment and/or additional services, the client agrees that the investment intermediary in the treatment of conflicts of interest will act in accordance with its Policy for the prevention, detection and management of conflicts of interest and accepts the Policy in question.

(3) The client has the right to receive from the investment intermediary the Policy for the prevention, identification and management of conflicts of interest on a durable medium before concluding a contract for the provision of investment or additional services.

XIII. CURRENT AND PERIODICAL INFORMATION TO CUSTOMERS

Art. 53. (1) In cases where the investment intermediary executes an order on behalf of a client, which is not in fulfillment of a portfolio management contract, he:

a) immediately provides the customer on a durable medium with the main information regarding the execution of this order;

or

b) sends the client a message on a durable medium confirming the execution of the order as soon as possible, but no later than the first business day after the execution, or when the investment intermediary has received the confirmation from a third party — no later than the first business day after receiving the confirmation from the third party.

(2) Letter "b" of the previous paragraph does not apply when the confirmation would contain the same information as the confirmation that is sent immediately to the customer by another person.

(3) Letters "a" and "b" of para. 1 do not apply when the orders executed on behalf of clients are related to bonds for the financing of mortgage loan contracts with said clients, in which case the report on the transaction is carried out simultaneously with the communication of the terms of the mortgage loan, but not after - later than one month after execution of the order.

(4) In the case of customer orders related to units or shares in a collective investment enterprise, which are executed periodically, FACTORI AD takes the measure specified in para. 1, letter "b", or provides the customer at least once every six months with the information specified in para. 5, in respect of these transactions.

(5) The notification (confirmation) referred to in para. 1(b) shall include that part of the following information which is appropriate and where applicable in accordance with the regulatory technical standards on reporting obligations adopted in accordance with Article 26 of Regulation (EU) No 600/2014:

a) identification of the investment intermediary that gives the message;

b) name or other designation of the client;

c) trading day;

d) trading hours;

e) type of order;

f) identification of the place of execution of the order;

g) instrument identification;

h) "buy"/"sell" indicator;

i) nature of the order, if different from "buy"/"sell";

j) quantity;

k) unit price;

l) aggregate value;

m) total amount of charged commissions and expenses and, at the request of the client, a detailed breakdown that includes, where applicable, any imposed increase or decrease, if the transaction is executed by the investment intermediary when trading for its own account and the investment intermediary owes best customer performance;

n) the resulting exchange rate if the transaction involves currency exchange;

o) the customer's responsibilities in relation to the settlement of the transaction, including payment or delivery time and appropriate account details, where such details and responsibilities have not been previously communicated to the customer;

p) when the client's counterparty was the investment intermediary itself or any person from the investment intermediary's group, or another client of the investment intermediary - the indication of this fact, unless the order was executed through a trading system that facilitates anonymous trading.

For the purposes of letter "k", when an order is executed in tranches, the investment intermediary may provide the client with information regarding the price of each tranche or the average price. When an average price is provided, the investment intermediary shall provide information on the price of each tranche to the client upon request.

(6) The investment intermediary may provide the client with the information under para. 5, using standard codes, while providing the customer with an explanation of the codes used.

(7) The investment intermediary provides the client with information on the status of the order and its execution upon request.

(8) In the case of acceptance of orders from a client through an electronic trading system, the message (confirmation) under para. 5, respectively, all the necessary information is provided to the client through the electronic system.

Art. 54. (1) An investment intermediary, when providing clients with a portfolio management service, shall provide each such client with a periodic statement on a durable medium of the portfolio management activities carried out on behalf of that client, unless such statement is provided by another person.

(2) The periodic report required under para. 1, provides the client with a fair and balanced overview of the activities carried out and the results of the portfolio during the reporting period and includes, where applicable, the following information

a) name of the investment intermediary;

b) name or other designation of the customer's account;

(c) a description of the contents and valuation of the portfolio, including details of each financial instrument held, its market or fair value where market value is not available, and the cash balance at the beginning and end of the reporting period, as well as the results of the portfolio during the reporting period;

(d) the total amount of fees and charges charged during the reporting period, breaking down at least total management fees and total performance-related costs and, where appropriate, a statement that a more detailed breakdown will be provided upon request; e) comparison of the results during the period covered by the reference with the target investment performance indicator (if any) agreed between the investment intermediary and the client;

f) the total amount of dividends, interest and other payments received during the reporting period in relation to the client's portfolio;

g) information on other corporate actions giving rise to rights in relation to the financial instruments held in the portfolio;

h) for each executed transaction during the period - the information under Article 59, paragraph 4, letters "c"- "l" of Regulation (EU) No. 2017/565, as far as applicable, unless the customer chooses to receive the information regarding the executed transactions on individual basis, in which case para. 5 of this article.

(3) The periodic report under para. 1 is provided once every three months, except in the following cases:

(a) where the investment firm provides its clients with access to an online system meeting the criteria for a durable medium, if up-to-date valuations of the client's portfolio are available and if the client has easy access to the client's asset information required by Article 63(2) of Regulation (EU) No. 2017/565, and the investment intermediary has evidence that the client has accessed the assessment of his portfolio at least once during the relevant quarter.

The customer has the right to express a desire to verify the information under para. 1 through the IP's company website at www.factory-bg.com

b) in cases where para. 5, the periodic statement must be provided at least once every 12 months;

c) where the contract between the investment intermediary and the portfolio management client allows for a debt-financed portfolio, the periodic statement must be provided at least once a month.

(4) The exception provided for in letter "b" of para. 3, does not apply in the case of transactions with financial instruments covered by Article 4, paragraph 1, point 44, letter c) of Directive 2014/65/EU or falling under any of points 4-11 in section C of Annex I of the said directive.

(5) The client has the right to choose to receive the information about executed transactions on an individual basis, II "FACTORI" AD immediately provides the client with the execution of a transaction by the portfolio manager the basic information about this transaction on a durable medium.

The investment intermediary sends the client a message confirming the transaction and containing the information under Article 53, para. 5 of these OU no later than the first business day after the execution or when the investment intermediary receives the confirmation from a third party — no later than the first business day after receiving the confirmation from the third party.

The preceding sentence does not apply where the confirmation would contain the same information as a confirmation that is immediately sent to the customer by another person.

(6) The investment intermediary notifies the non-professional client for whose account he manages a portfolio when there are uncovered open positions under conditional transactions.

Art. 55. In cases where an investment intermediary manages a portfolio on behalf of a client, it is obliged to inform the client if the total value of the portfolio, assessed at the beginning of each reporting period, depreciates by 10% and subsequently by multiples of 10% , no later than the end of the business day on which this threshold was crossed, or if the threshold was crossed on a non-business day — until the end of the next business day.

(2) In cases where II "FACTORI" AD holds an account of a non-professional client, including positions in debt-financed financial instruments or transactions with contingent liabilities, he is obliged to inform the client when the initial value of each instrument depreciates by 10% and subsequently with multiples of 10 % values.

The reporting under this paragraph is carried out for each individual instrument, unless otherwise agreed with the client, and by the end of the business day on which this threshold was crossed, or if the threshold was crossed on a non-business day, by the end of the next business day.

Art. 56. The investment intermediary shall notify its client under conditions and according to the procedure specified in the contract, when an obligation arises for the client under Art. 145 of the LPA as a result of transactions with financial instruments on his account, including when managing a portfolio.

Art. 57. (1) The investment intermediary, when holding money or financial instruments for a client, provides him once a quarter with a statement on a durable medium for these financial instruments or money, unless such a statement is provided in another periodic statement. Upon request from the client, II "FACTORI" AD provides this reference more often for a fee determined on a commercial basis.

(2) The reference under para. 1 contains the following information:

a) details of any financial instruments or funds held by the investment intermediary for the client at the end of the period covered by the reference;

- b) the extent to which any financial instrument or funds of the customer have been subject to securities financing transactions;
- (c) the amount of any benefit achieved for the client as a result of participation in securities financing transactions and the basis on which such benefits were achieved.
- d) explicit indication of the assets or funds that are subject to the rules of Directive 2014/65/EU and its implementation measures and those that are not, for example that are the subject of a financial collateral contract with the transfer of rights;
- e) explicit indication of the assets that are affected by certain features in terms of property rights, for example that are subject to a security interest;
- f) the market or estimated value, if the market value is not available, of the financial instruments included in the reference, with an explicit reference to the fact that the absence of a market price may be indicative of a lack of liquidity. The appraised value is determined by the investment intermediary on a best-effort basis.
- (3) In cases where the client's portfolio contains proceeds from one or more unsettled transactions, the information under para. 2(a) may be based on either the transaction date or the settlement date, provided that the same basis is used consistently for all such information in the reference.

(4) The periodic report on the client's assets under paragraph 1 is not provided when the investment intermediary provides its clients with access to an online system that meets the criteria for a durable medium, if up-to-date reports on the client's financial instruments or funds are easily accessible by the client and the investment intermediary has evidence that the client has accessed this reference at least once during the relevant quarter.

(5) In cases where the PE "FACTORI" AD holds financial instruments or cash of clients and performs a portfolio management service for a client, the PE has the right to include the client's asset reference under para. 1 in the periodic report that they provide to this client under Article 54, para. 1 and 2.

XIV. OUTSOURCING ACTIVITIES

Art. 58. The client is informed that the investment intermediary can assign the performance of critical and important operational functions or investment services and activities to a third party - an external contractor. The assignment is carried out on the basis of a written contract between the investment intermediary and the third party-external contractor, in which the rights and obligations of the parties are comprehensively indicated.

Art. 59. The assignment of critical and important operational functions, as well as investment services and activities, is carried out in a way that does not lead to the exemption of the investment intermediary from its obligations according to the MFFI and the acts on its implementation.

Art. 60. When the investment intermediary entrusts the performance of critical and important operational functions or investment services and activities to a third party, this is done in strict compliance with the requirements of the MFRS, the acts on its implementation and the requirements of Regulation (EU) No. 2017/565.

XV. INVESTMENT ADVICE

Art. 61. The investment advice that II "FACTORI" AD gives to its clients must be fully tailored to their interests, be justified, and cannot be based on exaggerated favorable facts or on unreported unfavorable facts, and cannot be motivated solely by the pursuit of reward.

Art. 62. (1) II "FACTORI" AD may provide investment advice to clients who are: a) dependent and b) on an independent basis.

(2) II "FACTORI" AD concludes a contract for providing investment advice to clients in writing, only in cases where it has undertaken the obligation to periodically assess the suitability of the recommended financial instruments or services, in other cases the contract may not be in writing form.

Art. 63. When providing investment advice to the lay client, FACTORI AD presents a report that includes a general description of the advice and a justification for why the given recommendation is suitable for the lay client, including how it meets the objectives and individual circumstances in view of the required term of the investment, the knowledge and experience of the client, the client's attitude to risk and the client's ability to bear loss.

Art. 64. When giving investment advice and recommendations, II "FACTORI" AD complies with the provisions of the Law on the Implementation of Measures Against Market Abuse of Financial Instruments and Regulation (EU) 596/2014, in applicable cases.

Art. 65. When providing investment advice, no matter what type, FACTORI AD shall promptly inform the client on a durable medium of the following:

1. whether the board is independent or not;
2. whether the advice is based on a broad or limited analysis of the various types of financial instruments, and in particular, whether the scope is limited to financial instruments issued or offered by persons related to the investment intermediary or by persons located in other legal, economic or contractual relationship with the investment intermediary, as a result of which there is a risk that the advice provided is not independent;
3. whether II "FACTORI" AD will provide the client with a periodic assessment and whether the financial instruments recommended to him continue to meet the needs of the client.
4. information that II "FACTORI" AD maintains appropriate organizational requirements and control mechanisms, which ensure that the two types of advice services and the respective consultants are clearly separated (both organizationally and physically separated) from each other, and that there is no possibility that there are no misunderstandings among clients about the type of advice they receive, and that clients are given exactly the advice that is appropriate for them.

(2) In its activity, II "FACTORI" AD does not allow the same individual to provide both independent advice and advice that is not independent.

When the information provided by II "FACTORI" AD contains data on the profitability of certain financial instruments or services in the past or a forecast is made about their profitability in the future, II "FACTORI" AD indicates the source of this data and the rules for disclosure of information on past returns.

(3) The advice may be given orally, and at the express request of the client, the investment advice may be given in writing.

(4) II "FACTORI" AD is obliged to ensure the fair presentation of investment advice and to disclose its interests or conflicts of interest related to the financial instruments to which the advice refers, if it has such interests.

Art. 66. (1) II "FACTORI" AD explains to the client in a clear and concise manner whether and why a given investment advice is classified as independent or as not independent, as well as the type and nature of the applicable restrictions, including when the investment advice is provided on an independent basis, the prohibition to receive and retain incentives.

(2) When advice is offered or provided to the same client both in an independent way and in a way that is not independent, FACTORI AD is obliged to explain the scope of both types of services to allow the Client to understand the difference between them, and does not represent itself as an independent investment consultant for the activity as a whole. In their communication with clients, II "FACTORI" AD does not gratuitously emphasize its independent investment advice services over non-independent investment services.

Art. 67. II "FACTORI" AD when providing investment advice in an independent way or in a way that is not independent, explains to the client the range of financial instruments that can be recommended, including the relationship of II "FACTORI" AD with the issuers or suppliers of the tools.

Art. 68 (1). II "FACTORI" AD provides a description of the considered types of financial instruments, the range of financial instruments and the analyzed providers for each type of instrument according to the scope of services and, when providing independent advice, how the provided service satisfies the conditions for providing investment advice on an independent basis and the factors taken into account in the process for selecting the recommended financial instruments used by FACTORI AD, for example risks, costs and complexity of the financial instruments.

(2) When the range of financial instruments evaluated by II "FACTORI" AD, providing investment advice on an independent basis, includes the Investment intermediary's own financial instruments or instruments issued or provided by persons having close ties or other close legal or economic relations with II "FACTORI" AD, as well as other issuers or suppliers with which it has no connection or relationship, then II "FACTORI" AD differentiates, for each type of financial instrument, the range of financial instruments that are issued or provided by persons who do not have no ties to him.

Art. 69. (1) In cases where II "FACTORI" AD, by agreement with the client, provides periodic evaluations of the appropriateness of the provided recommendations, it is obliged to disclose the following elements:

- (a) the frequency and extent of the periodic suitability assessment and, where applicable, the conditions that trigger such an assessment;
- b) the extent to which previously collected information will be re-evaluated, and
- c) the way in which the updated recommendation will be communicated to the customer.

Investment advice on an independent basis

Art. 70 (1) When II "FACTORI" AD provides independent investment advice, it is obliged to analyze a sufficiently wide range of financial instruments offered on the market by different issuers or product suppliers to ensure that the client's investment goals can be achieved in an appropriate manner, without being limited to financial instruments issued or offered by II "FACTORI" AD itself by persons related to it or by persons who are in other legal, economic or contractual relations with II "FACTORI" AD, as a result of which there is a risk that the advice provided is not independent.

(2) In the cases under the preceding paragraph, II "FACTORI" AD has no right to accept remuneration, commission or any other monetary or non-monetary benefit from a third party in connection with the provision of investment services to the client. An exception is allowed for insignificant non-monetary benefits that improve the quality of the services offered to the client and their provision does not violate the obligation of II "FACTORI" AD to act honestly, fairly and as a professional in the best interest of the client. II "FACTORI" AD discloses information about all minor non-monetary benefits received.

(2) The requirements under the previous paragraph are also applied in cases where II "FACTORI" AD carries out portfolio management.

Art. 71 (1) When II "FACTORI" AD provides investment advice on an independent basis, it develops and implements a selection process for evaluating and comparing a sufficient range of financial instruments available on the market in accordance with Art. 72, para. 1 of ZPFI.

(2) The selection process includes the following elements:

- a) the number and varieties of financial instruments under consideration are proportional to the scope of investment advice services offered by the independent investment consultant;
- b) the number and types of financial instruments under consideration are sufficiently representative of those available on the market;
- c) the amount of financial instruments issued by II "FACTORI" AD or by persons closely related to the Investment intermediary is proportional to the total amount of financial instruments under consideration; and
- d) the criteria for the selection of the various types of financial instruments include all significant aspects, for example risks, costs and complexity, as well as the characteristics of the clients of II "FACTORI" AD, and guarantee the absence of subjectivity in the selection of the financial instruments that can be recommended .

(3) When such a comparison is not possible due to the business model or the specific scope of the services provided, FACTORI AD, if it provides investment advice to the client, indicates that this advice is not independent.

(4) The client is deemed to have been informed that the selection process is a series of elements and assessments, the availability, consistency and final result of which determine the advice as independent.

Art. 72 (1) II "FACTORI" AD may consider in its relations with a specific client or group of clients, or entirely for its entire activity, that in cases where it provides investment advice on an independent basis, it will specialize in certain categories or in a certain range of financial instruments.

(2) In the hypothesis under the preceding paragraph, II "FACTORI" AD complies with the following requirements:

- a) II "FACTORI" AD is advertised in a way designed to attract only customers who have a preference for these categories or ranges of financial instruments;
- b) II "FACTORI" AD requires clients to indicate that they are only interested in investing in the specified category or range of financial instruments; and
- c) before providing the service, II "FACTORI" AD makes sure that the service is suitable for each new client based on the fact that its business model corresponds to the client's needs and goals, and to the range of financial instruments that are suitable for this customer. When this is not the case, FACTORI AD cannot provide an investment advisory service to the client.

Art. 73. In addition to the above-mentioned requirements for investment advice, any investment advice provided by II "FACTORI" AD must clearly and prominently state the name and position of the individual who prepared the advice, as well as the name of II "FACTORI" AD, which, in its capacity as a licensed investment intermediary, is responsible for its preparation.

Art. 74. (1). II "FACTORI" AD is obliged to take due care to ensure that when providing investment advice:

- a) the facts are clearly distinguished from interpretations, assessments, opinions or any other type of information that is not related to the presentation of facts;

- b) the sources of information are reliable, and if there is doubt about their reliability, that this circumstance is clearly indicated;
- c) all predictions, forecasts and expected prices are clearly stated as such and the material assumptions made in their preparation or use are stated;
- d) all main sources of information are specified, including the relevant issuer of financial instruments to which the advice directly or indirectly refers;
- e) any valuation basis or methodology used to value financial instruments or an issuer of financial instruments or to determine an expected price of financial instruments is set out briefly in a clear and accessible way for investors;
- f) the meaning of any personal recommendation made to buy, sell or hold, exchange, buy back or take over financial instruments, which may also include the period for which the recommendation is valid, is explained in a clear and accessible way for investors and contains a warning for each relevant risk, including a sensitivity analysis of the relevant assumptions;
- g) the frequency of updating the personal recommendation, if such updating is planned, and any important changes in the scope of the already announced policy are indicated;
- h) the date on which the personal recommendation was first provided to the client, as well as the corresponding date and time for each stated price of a financial instrument, is clearly and prominently indicated;
- i) where the personal recommendation differs from a previous recommendation relating to the same financial instruments or to the same issuer prepared and provided in the previous 12 months prior to the preparation and provision of the second recommendation, this difference and the date of the earlier recommendation are clearly indicated and At visible place.
- (2) If the information referred to in paragraph 1 is disproportionate to the volume of the personal recommendation and overall investment advice, it is sufficient for the written recommendation to clearly and prominently indicate where this information is directly, easily accessible and public, such as a direct Internet connection on the Internet the page of II "FACTORI" AD, provided that there is no change in the evaluation base or methodology used.

XVI. ACCOUNTABILITY BY INVESTMENT INTERMEDIARY

Art. 75. (1) The investment intermediary on the basis of art. 65, para. 1, item 9 of the PFFI and Art. 72-76 of Regulation (EU) No. 2017/565 adopts the Accounting Rules and conducts its accounting in accordance with their provisions.

(2) 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.

XVIII. INVESTOR COMPENSATION SCHEMES

Art. 76. With these General Terms and Conditions, the clients of the investment intermediary are expressly notified of the existing Investor Compensation Fund, which provides compensation to the clients of the investment intermediary in the event that it is unable to fulfill its obligations to clients, for reasons directly related to his financial condition (opening of bankruptcy proceedings or revocation of the license/authorization of the investment intermediary due to a deteriorated financial condition and inability to fulfill his obligations). The client becomes aware of the fact that claims arising due to the inability of the Investment Broker to return client assets (financial instruments, money, etc.) are compensated and that the amount of compensation is up to 90% of the value of the claim, but not more than BGN 40,000 .

X VIII. TERMS AND CONDITIONS AND PROCEDURE FOR AMENDMENT AND SUPPLEMENT TO THE GENERAL TERMS AND CONDITIONS AND THE INVESTMENT INTERMEDIARY'S TARIFF

Art. 77 . These General Terms and Conditions and the Tariff under Art. 19, para. 1 and Art. 64, para. 1 are amended, replaced and supplemented by a decision of the Board of Directors of FACTORI AD. The investment intermediary is obliged to publish in a prominent place on its website any amendment and addition to the General Conditions and/or the tariff, containing information about the date of their acceptance and the date of entry into force. The publication of the general conditions is carried out in a period not shorter than 1 month before the entry into force of the amendments and additions.

Art. 78 . In case of disagreement with the amendments and additions to the general conditions and/or the tariff, the customer has the right to terminate the contract without notice before the date of entry into force of the general conditions and/or the tariff, without being liable for penalties and costs, with the exception of costs, related to the assets it owns, and the investment intermediary settles its relations with the client within seven days of receiving the termination notice.

(2) In the event that within the one-month period in which the General Terms and/or the tariff were published on the website of II "FACTORI" AD, the client did not terminate his contract with the investment intermediary and did not expressly disagree in writing with the changes in The customer is deemed to accept the general conditions and/or the II tariff.

XIX. TERMS AND PROCEDURE FOR SUPPLEMENT, AMENDMENT AND TERMINATION OF CONTRACTS CONCLUDED WITH CUSTOMERS

Art. 79. Any change in the contract concluded between the investment intermediary and the client is made with the express written consent of the parties in the form of an additional agreement and comes into force from the moment of its signing by both parties.

Art. 80. The contract may contain a clause that changes to it can be made by e-mail or other remote means of communication and come into force from the moment the party proposing the change receives the other party's consent to it. As soon as possible, the change in the contract must be made in writing or in another way with probative value recognized by law.

Art. 81. (1) The contract between the client and the investment intermediary, concluded on the basis of these general terms and conditions, may be terminated upon:

- a) mutual agreement;
- b) fulfillment of the obligations of the investment intermediary under the contract;
- c) upon expiration of the contract;
- d) in case of death or guardianship of a client-natural person or termination of a client-legal entity;
- e) upon initiation of bankruptcy or liquidation proceedings of a client - a legal entity;

f) unilaterally by the investment intermediary;

g) in case of withdrawal of the client's will in accordance with Art. 82 of these General Terms and Conditions;

h) in case of revocation by the FSC of the license of the investment intermediary;

i) other grounds provided for in the contract and the applicable legislation.

(2) Contracts concluded for an indefinite period are terminated with a notice agreed between the parties in the specific contract. Upon termination of the contract on the basis of Art. 85, para. 1, b. "b", "c" and "e" the client is obliged within 3 days, and for the hypothesis under b. "g" - within 7 days, after receiving the notice of termination from the investment intermediary, to indicate to which other investment intermediary the financial instruments owned by the client should be transferred. If the client does not specify an investment intermediary of his choice within the period specified in the previous sentence, FACTORI AD has the right to transfer the financial instruments to the client's personal account in the depository institution.

(3) After the termination of a contract for the provision of investment services, the client has the right to keep the financial instruments owned by him on the account of the investment intermediary, only if he concludes a contract with the investment intermediary and uses his services as a trustee, for which he pays the corresponding fee.

(4) In case of non-fulfilment of the obligations of one of the parties due to a reason for which it is responsible, the party in good standing may cancel the contract by giving an appropriate period for performance to the party in default with a warning that after its expiration it will consider the contract canceled. The warning must be given in writing.

(5) The form established by law is necessary for the validity of the contracts concluded by the investment intermediary.

Art. 82. In case of inconsistency between provisions entered in a contract with a client and provisions in the general terms and conditions, the former shall prevail, even if the latter have not been deleted.

XX. REASONABLE AND FAIR DISPUTE RESOLUTION

Art. 83. (1) In case of contradictions between the investment intermediary and the client in connection with the interpretation and execution of the contract, they must be settled by following the principle of good faith. The parties resolve disputes arising between them by mutual agreement and through negotiations.

(2) Disputes between the parties, not resolved according to the order of the previous paragraph, are referred to the relevant court, in accordance with the Bulgarian commercial and civil legislation.

XXI. MEASURES AGAINST MONEY LAUNDERING AND OTHER RESTRICTIONS

Art. 84. (1) The rights and obligations of II "FACTORI" AD in relation to the implementation of the Law on Measures against Money Laundering, the Law on Measures Against the Financing of Terrorism and the by-laws on their implementation, are regulated in detail in the internal rules of the investment intermediary, regulating the relations that arose during the performance of its activities.

(2) II "FACTORI" AD refuses to enter into a contract for the performance of investment or additional services under the MFFI, as well as to execute a client's order for a transaction with financial instruments, if this would lead to non-fulfillment of the requirements of the Anti-Money Laundering Measures Act money, the Law on measures against the financing of terrorism and the acts on their implementation,

immediately notifying the relevant authorities.

(3) II "FACTORI" AD does not have the right to carry out transactions or other activities in violation of the provisions of the PFFI, PFMSFFI, PFPC, the acts on their implementation, the Law on Measures against Money Laundering, the Law on Measures Against Financing terrorism and the by-laws on their implementation, directly applicable EC Regulations, as well as the other applicable legislation in the Republic of Bulgaria.

XXII. ADDITIONAL PROVISIONS

- 1. The words, expressions and terms used in these General Terms and Conditions have the meaning given to them by the MFRS, the Regulations of the FSC and Regulation (EU) No. 565/2017 of the European Commission.
- 2. By signing a contract with the investment intermediary, the client gives his consent for his personal data to be processed for the purposes of concluding, executing, documenting or statistical and accounting reporting of transactions with financial instruments concluded on the basis of the contract under Art. 25, para. 1 of these general conditions. The client is deemed to have been notified that II "FACTORI" AD is registered by the CPLD as a personal data administrator and the mode of collection, processing, storage and distribution of the client's personal data is subject to the norms of the Law on the Protection of Personal Data and the relevant applicable Regulations of EC.

Documents containing personal data of customers who have expressed to the II verbally or in writing a wish that their personal data be subject to stricter protection, are kept in a safe in a separate room of the executive director of the II, with limited access and technical monitoring.

- 3. The customer is informed and agrees that:
 1. the investment intermediary will process and store his personal data in electronic and written form and agrees with the methods of access and correction of the collected data;
 2. the recipients to whom his personal data may be provided are only the registrants, supervisory authorities, verifiers or other authorities permitted according to the current legislation.
 3. his refusal to provide his personal data, required by the FSA, the FSA, the FSA, the Law on Measures Against Money Laundering and the Law on Measures Against the Financing of Terrorism and the Acts on Their Implementation, as well as directly applicable EC Regulations, is a reason for the investment intermediary to refuse to conclude a contract for the provision of investment/additional services under these general conditions or to stop the provision of investment or additional services.

- 4. The client is informed of the following rights under the various types of financial instruments:

1. Rights to **the shares** traded on a regulated market in the Republic of Bulgaria:

- a) dividend right,
- b) right to vote and participate in the general meeting of the company's shareholders and in its management;
- c) right to a proportionate part of the new shares in case of capital increase; and
- d) right to liquidation share;

2. Rights under **the bonds** traded on a regulated market in the Republic of Bulgaria:

- a) right to receive the amount (principal) of the bonds;

b) right to receive interest payments on the bonds;

c) right to participate and vote in a general meeting of bondholders;

3. **Option** rights : the right to buy or sell a certain number of financial instruments at a pre-fixed price until the expiration of a certain period or on a certain date;
 4. **Futures** rights - give the right, but also the obligation, to buy or sell a certain number of financial instruments at a pre-fixed price on a certain date;
 5. Rights under **contracts for differences** - give the right to: a) to receive the difference between the market value of a certain number of financial instruments and their pre-fixed price in the contract; b) under contracts for differences, the Client also has the obligation to pay the difference between the market value of a certain number of financial instruments and their pre-fixed price in the contract, when there is such a difference.
 6. Rights under **other derivative financial instruments** - in accordance with the specific contract concluded with the client and the legislation applicable to the transaction.
- **5.** The client is informed, understands and accepts the following risks when investing and dealing with financial instruments, namely:
 1. Financial instruments to decrease in price in the future, leading to partial losses or the loss of the entire investment;
 2. The decrease in the price of financial instruments may be due to a number of factors related to the activity of the company that issued them or to the world economy, foreign financial markets, force majeure circumstances and others, the change of which the investment intermediary has no possibility to influence;
 3. The purchased financial instruments cannot be transformed into money in whole or in parts;
 4. Not to receive a dividend if there is no realized and reported profit at all or sufficient profit or the general meeting of the public company or the issuer decides not to distribute a dividend;
 5. To not be able to influence the management of the issuing company, due to the small number of shares that the client owns;
 6. Not to receive a liquidation share upon termination of the issuing company, due to excess of liabilities to creditors over its assets.
 7. To lose part or all of the investment due to insolvency, non-performance or delayed performance by execution venues, issuers of financial instruments, counterparties to the transactions or by other capital market participants;
 8. The client may assume financial and other additional obligations as a result of transactions with financial instruments, including contingent liabilities additional to the costs of acquiring the instruments;
 - **6.** These General Terms and Conditions apply accordingly when concluding, executing and reporting transactions with compensatory instruments within the meaning of the Law on Transactions with Compensatory Instruments.

XXI II . 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 General Terms and Conditions 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 General Terms and Conditions. Regardless of the requirement under the previous sentence, the governing body accepts amendments and additions to the General Terms and Conditions when it is found necessary.
- **2.** These General Terms and Conditions were adopted by the Board of Directors of FACTORI AD with the Minutes of the meeting dated 05.02.2018.

APPENDIX #1

RISKS IN INVESTING IN FINANCIAL INSTRUMENTS

The client is informed of the main risks when making investments in financial instruments:

1. Market risk - the possibility of realizing losses due to unfavorable changes in the prices of financial instruments, market interest rates, exchange rates and others. The components of market risk are:

a) Interest rate risk - the risk of a decrease in the value of the investment in a given financial instrument due to a change in the level of interest rates. The change in the prices of fixed income instruments is inversely proportional to the change in interest rates. In terms of the risk affecting their time structure, a serious factor is the difference between the fixed interest rate and the floating interest rate, and their change also reflects on the performance of the relevant instruments.

b) Currency risk - the risk of a decrease in the value of the investment in a financial instrument or deposit denominated in a currency other than BGN and EUR due to a change in the exchange rate between this currency and BGN or EUR. As of the date of preparation of this appendix, the Republic of Bulgaria operates a fixed exchange rate to the single main currency, the euro, which is why, even as long as there is a Currency Board, currency risk to the euro practically does not exist.

c) Price risk associated with investments in financial instruments - the risk of a decrease in the value of the investment in a given security in the event of unfavorable changes in market price levels.

2. Liquidity risk – the risk of realizing losses due to the inability to sell an asset at a value close to its fair price when free funds are needed to cover short-term obligations. This risk is present when the freely tradable volume (so-called free float) of the relevant issue is not large enough or the interest in the financial instrument is not shared by a large number of investors, which is why there is no possibility of realization (sale) of the corresponding number of financial instruments at the desired price.

3. Credit risk – the possibility of a reduction in the value of the position in a financial instrument in the event of unexpected credit events related to the issuer of financial instruments, the counterparty in exchange and over-the-counter transactions. This risk also reflects the probability of bankruptcy of a credit or financial institution in which the funds under management are kept /or in which deposits or deposits are found as an investment/. It should be borne in mind that the higher the credit risk, the more -high is the interest rate that investors expect to receive for their borrowed capital. Credit risk relates to:

1. a) Counterparty credit risk / default risk – the probability that the counterparty to a transaction with financial instruments will not fulfill its contractual obligations, due to reasons directly related to its financial condition.

b) Investment credit risk - the risk of loss due to a decrease in the value of the investment in a given financial instrument due to a credit event at the issuer of this instrument. A credit event can be a declaration of bankruptcy, insolvency, a significant change in the capital structure, a reduction in the credit rating, etc. Investment credit risk in debt securities also covers the risk of changes in the conditions under which given debt securities were subscribed or subsequently acquired.

c) Residual risk - the risk that remains if recognized techniques for credit risk reduction show lower performance than expected. In reality, this is the risk that remains despite all best efforts to eliminate or significantly reduce the underlying risks. After appropriate risk assessment, it may be identified, not controllable, or not known at all.

4. Political risk - the probability of loss as a result of government-led economic policy and possible changes in legislation affecting the investment climate. As a result of sudden changes in the policy of the country concerned, instability can occur and hence the

returns that investors can achieve, as these changes can significantly affect the appetite for risk in the country concerned.

5. Macroeconomic risk - the probability of direct losses for the client due to sharp fluctuations and negative trends in the macroeconomic environment. A change in the macroeconomic environment can significantly reduce the risk appetite of all investors, as a result of a sharp change in their expectations for the development of the economy.
6. Inflation risk - the probability of a decrease in the purchasing power of the local currency and, accordingly, of an increase in the general price level in the country and realization of losses due to devaluation of assets denominated in BGN. In reality, this is the risk of the depreciation of the base currency used for investment purposes, since it is assumed that the client will consume goods denominated in the relevant currency. At such a time, it may be that inflation has significantly reduced the investor's purchasing power over these assets.
7. Industry risk - this is the risk of realizing a loss due to negative trends in the development of the specific industry in which a company in which the client's assets are invested operates.
8. Information risk - the risk of losses due to an incorrect investment decision as a result of unequal access to data about the issuer of a given financial instrument, delay of essential information about it, its partial disclosure or incorrect presentation. In principle, all issuers of financial instruments that are traded on a regulated market are obliged under the applicable legislation to periodically disclose information about their financial position, as well as other regulated information (including inside information, etc.), but there is still a risk of default of this statutory obligation.
9. Concentration risk – the possibility of loss due to improper diversification of exposures to customers, groups of related customers, customers from the same economic sector or geographical area. The risk is expressed in the fact that the exposure to a certain group is too large and, in the event of uncontrollable negative circumstances surrounding it, the possibility of too large losses may arise, which will negatively affect the performance of the portfolio. This type of risk is minimized with the diversification of assets under management.
10. Risk of the issuer - the risk consists in the danger that the issuer (issuer) of the financial instrument will not realize a profit or realize a loss from its activity, as well as fall into financial difficulties, insolvency or bankruptcy.
11. Counterparty risk and settlement risk – these risks include the risk that the settlement of a transaction in financial instruments will be delayed or not completed due to the fault of the counterparty to the transaction, due to an error by one of the investment intermediaries, involved in the transaction or for technical reasons. In principle, trading on a regulated market (in particular on the "Bulgarian Stock Exchange - Sofia" AD) is carried out on the settlement principle of delivery against payment (or the so-called DVP model), in which the depository and settlement institution automatically exchanges the financial instruments of the seller for the cash of the buyer in the transaction with financial instruments in order to minimize these risks related to the counterparty to the transaction and to the settlement in particular. However, it should be borne in mind that
12. Tracking Error Risk (when an ETF's performance deviates from the index) - measures the divergence in performance from that of the benchmark chosen to be replicated. It can occur with ETFs that seek to track the performance of an index or those that invest in commodities. The differences are obtained as a result of a change in the indices, which the respective ETF fails to reflect in time, or during the so-called rolling of the futures, which are used to replicate the presentation of the price of the relevant raw material.
13. Risk of using leverage - the risk consists in the danger that the investor will suffer the greater losses, the more borrowed resources he uses for his investment, as well as the risk of losing the entire investment made. When using high leverage (i.e. a large loan/equity ratio), it is possible for the investor to lose the full amount of the investment and even for his losses to exceed the

amount of the investment made. Leverage, for example, is available when trading on margin, and the use of leverage leads to the so-called "leverage effect", i.e. both the potential gain and the potential loss are increased. In this regard, with a negative return on the investment, the leverage leads to a multiplication of losses according to the used ratio of borrowed to own funds.

APPENDIX #2

SIMPLE FINANCIAL INSTRUMENTS

According to Art. 79, para. 5, item 1, b. "a-d" of the MFIF and Regulation (EU) No. 2017/565 uncomplicated financial instruments are:

(a) shares admitted to trading on a regulated market or on an equivalent market of a third country, or on an MTF, when these are shares of companies, with the exception of units of undertakings which are not undertakings for collective investment and shares which include a derivative instrument ;

b) bonds or other debt securities admitted to trading on a regulated market or on an equivalent market of a third country or in the MTF, with the exception of those bonds or other debt securities that include a derivative instrument or have a structure due to which for the client it is more difficult to understand the risk involved;

c) money market instruments with the exception of those that include a derivative instrument or have a structure that makes it more difficult for the client to understand the associated risk;

d) shares or units of collective investment schemes, with the exception of structured collective investment undertakings under Article 36, paragraph 1, second subparagraph of Regulation (EU) No. 583/2010;

e) structured deposits, with the exception of those with a structure that makes it more difficult for the customer to understand the risk of return or the costs of early withdrawal of the product;

f) other simple financial instruments;

According to Art. 57 of Regulation (EU) No. 2017/565 other simple financial instruments are:

A financial instrument that is not explicitly stated in Art. 79, para. 5, item 1, b. "a-d" of the MFPA (Article 25, Paragraph 4, Letter a of Directive 2014/65/EU), is considered non-complex for the purposes of Art. 79, para. 5, item 1, b. "f" of the MFDA (Article 25, paragraph 4, letter a, sub-point vi of Directive 2014/65/EU), if it meets the following criteria:

a) it does not fall within the scope of Article 4, paragraph 1, point 44, letter c) of Directive 2014/65/EU or section C, points 4 to 11 of Annex I to that directive;

b) there are regular opportunities to sell, repurchase or otherwise realize that instrument at prices that are publicly available to market participants and that are either market prices or publicly available or confirmed by valuation systems independent of the issuer ;

c) it is not associated with any actual or potential liability to the customer that exceeds the cost of acquiring the instrument;

d) it does not include a clause, condition or trigger that could fundamentally change the nature of the risk of the investment or the payoff profile of the investment, for example investments that include a right to convert the instrument into a different instrument;

e) it does not include explicit or implicit fees for early withdrawal, as a result of which the investment becomes illiquid even in the presence of technically frequent opportunities for sale, redemption or other realization of the investment;

(f) sufficiently comprehensive information about its characteristics is publicly available and likely to be readily understood to enable the average lay investor to make an informed judgment as to whether to enter into a transaction in such an instrument.

When providing investment services for accepting and transmitting orders or executing orders to a CLIENT, as well as the additional services related to them, concerning uncomplicated financial instruments, when the order is submitted at the initiative of the CLIENT, no information is collected about the knowledge and experience of the customer in relation to the specific product or service.

In the hypothesis of the first sentence, the INVESTMENT BROKER has the right not to carry out an evaluation of the suitability of the CLIENT, but is obliged to comply with its rules and policies for the prevention, detection and management of conflicts of interest.

The CLIENT is deemed to have been expressly informed in writing that, in the cumulative presence of the above conditions, the INVESTMENT INTERMEDIARY will not carry out an appropriateness assessment.
