

# **INTERNAL ORGANIZATION RULES OF INVESTMENT BROKER "INTERCAPITAL MARKETS" AD**

## **I. GENERAL PROVISIONS**

1. The internal organization rules of investment broker (IB) "INTERCAPITAL MARKETS" AD (the "Rules") have been adopted on the basis of (Art. 16(1) of MiFID II) Markets in Financial Instruments Act and Art. 21 of Delegated Regulation 2017/565.

2. The following abbreviations will be used in these Rules: Markets in Financial Instruments Act – MFIA, Law on the Implementation of Measures against Market Abuse of Financial Instruments – MFA; Financial Supervision Commission – FSC.

3. INTERCAPITAL MARKETS has established and maintains an internal organization that meets at all times the requirements of the law and is in compliance with the provision of the investment and additional services and activities under MFI, including qualified personnel, material, technical and software provision, which:

3.1. to create conditions for the provision of services and activities continuously and regularly and in accordance with the requirements of the MFIA, Ordinance No. 38 and all other acts of the current legislation;

3.2. to create conditions for preventing and detecting conflicts of interest between the IB and its clients, as well as between their clients, and when such conflicts arise - for fair treatment of the clients, disclosure of information and prevention of damage to the clients' interests;

3.3. to create conditions for observance of the existing rules for personal transactions in the investment intermediary;

3.4. to create conditions for storing all information about the services and activities of the investment intermediary;

3.5. to create conditions in the cases where the IB holds financial instruments and cash to clients, for compliance with the requirements of Art. 92 of the MiFIA;

3.6. to create conditions for immediate and accurate execution of client orders, as well as for execution of identical orders in the order of their receipt;

3.7. to guarantee the preservation of the client's interest in cases of merging orders;

3.8. to create effective rules for identifying, assessing, monitoring and managing the risks to which the investment intermediary is exposed including the risks from the macroeconomic environment;

3.9. to establish effective mechanisms to limit operational risk when outsourcing important operational functions to a third party, including ensuring proper internal control to meet legal requirements in the investment broker;

3.10. to implement remuneration policies for persons working for the investment broker;

3.11. the establishment of appropriate and sound administrative and accounting procedures, including for accounting;

3.12. to establish effective procedures for control and protection of information systems;

3.13. to ensure the implementation of the requirements of the Law on Measures against Money Laundering and the Law on Measures against the Financing of Terrorism;

3.14. to ensure control over the compliance by the members of the management body, the employees and other persons working for the investment intermediary with the requirements for carrying out the activity, established in the law and in the implementing acts, and for the fulfillment of the undertaken obligations to the clients and on the basis of the performed control to ensure the implementation of measures against violation of these requirements;

3.15. to ensure timely consideration of customer complaints and the possibility of preventing or detecting irregularities, including in cooperation with the Financial Supervision Commission;

3.16. to allocate the rights, obligations and responsibilities in connection with the activity under Art. 6 of the MFIA between the persons working under the contract for the investment intermediary;

3.17. to provide an opportunity to keep up-to-date roll-call office of the employees and a list of other persons working for the investment intermediary;

3.18. to set up reliable and effective systems for protecting information, ensuring its authenticity and integrity in its transfer and storage, minimizing the risks of loss, alteration and unauthorized

- access to information or the risks of unauthorized dissemination of information, and ensuring confidentiality of information;
- 3.19. to create conditions for storing the information on the provided services and activities under Art. 6, para. 2 and 3 of the MFIA and the operations of the investment intermediary, necessary for establishing the fulfillment of the obligations of the investment intermediary according to the requirements of the law;
- 3.20. to create conditions for protection of client assets.

4. The internal organization of "Intercapital Markets" AD has the following objectives:

- 4.1. The Investment broker, its management and control bodies, employees to carry out activities in accordance with the requirements of the law;
- 4.2. In carrying out its activities, the investment broker is obliged to keep the trade secret of its clients as well as their commercial prestige;
- 4.3. Timely determination of any risk of non-compliance of the investment intermediary's activity with the legal requirements;
- 4.4. To ensure continuity of the activities performed by the personnel of the investment intermediary;
- 4.5. Storing and recovering of the information in the investment intermediary;
- 4.6. Protection of client assets and funds.

5. The internal organization of "Intercapital Markets" AD is elaborated in compliance with the principles of equal and fair treatment of clients, best execution of clients' orders and protection of their interests, ensuring transparency and stability on the financial instruments market, defining in detail the rights and obligations, and the most rapid access to information, fulfilling the requirement for quality analysis and control over the entity's activity and checking all times the compliance of the investment broker's activities with the requirements of the applicable legislation.

5.1. The Board of Directors of the Investment broker shall periodically review these Rules as necessary, but not less than once a year.

## **II. ORGANIZATIONAL STRUCTURE**

6. The IB organizes its work on the following management system and accountability: Management bodies (Board of Directors); Front Office Department, Back Office Department, Brokers Department, Accounting Department; Portfolio Management Department, Regulatory Compliance Department, Risk Management Unit; Internal Audit Department and other departments that the IB may establish, acting according to the nature, size and complexity of its business.

### **7. Management of the investment broker**

7.1. According to the Articles of association of INTERCAPITAL MARKETS AD, its management is carried out by the Board of Directors, which adopts all internal rules in the investment broker and organizes the internal structure.

7.2. The Board of Directors may authorize third parties to perform separate actions.

7.3. The members of the management body of the investment broker shall perform their functions honestly and independently in order to carry out an accurate own discretion of the decisions of the management staff and to exercise effective control and monitoring of management decision-making.

7.4. The members of the management body shall have collectively sufficient knowledge, skills and experience necessary to manage the business of the investment broker.

7.5. The members of the management body of the investment broker shall devote sufficient time to ensure the proper performance of the functions assigned to them;

7.6. The members of the management and control body of the investment broker, as well as the persons who manage its activities, shall be subject to approval by the Commission prior to their entry in the commercial register, and natural persons representing legal persons representing members of the management or control body of the investment broker shall be subject to approval by the Commission prior to their designation as representatives of the legal persons members of the management or control body of the investment broker;

7.7. The managing body of the investment broker, depending on the internal allocation of functions: 1. shall be responsible for the effective and reliable management of the investment broker in accordance with regulatory requirements, including the appropriate allocation of obligations and responsibilities in determining the organisational structure, for the adoption of all internal rules and policies and for monitoring their implementation, and for preventing and establishing conflicts of interest; 2. approve and supervise the implementation of the investment broker's strategic objectives and the risk strategy and internal governance; 3. ensure the integrity and continuous functioning of accounting and financial reporting systems, including financial and operational controls, and compliance of the activity with regulatory requirements and applicable standards; 4. manage and monitor the fulfilment of the requirements under MFIA on the disclosure and provision of information; 5. be responsible for exercising effective control over senior management personnel; 6. be responsible for the effectiveness of the management systems in the investment broker and shall, where necessary, take the necessary measures to remedy the discrepancies found. 7. taking into account the nature, scope and complexity of the activity carried out by the investment broker and of all applicable regulatory requirements, adopts, respectively approves and supervises compliance with: (a) the organisational structure of the investment broker for the performance of the services and activities within the meaning of MFIA; (b) the knowledge, skills and experience requirements of the staff in the relevant units; (c) the allocation of resources necessary for the performance of MFIA services and activities; (d) the policies, rules and procedures of the investment broker governing the provision of services and the performance of MFIA activities. (e) a policy under which services, activities, products and operations are offered and carried out by the investment broker in accordance with the risk tolerance set for the investment broker and according to the characteristics and needs of the clients concerned, and for this purpose, where appropriate, stress tests shall be carried out. (e) the remuneration policy of employees involved in the provision of services to clients of the investment broker to promote responsible business conduct, fair treatment of clients, including in the event of conflicts of interest. 8. monitor and assess at least once a year: (a) the adequacy of the strategic objectives of the investment broker on the performance of MFIA services and activities; (b) the effectiveness of the organisation and management of the investment broker; (c) the adequacy of the investment broker's policies, rules and procedures governing the provision of services and the performance of MFIA activities. 9. in the event of infringements and inconsistencies found, take measures to remedy them.

## **8. Front Office Department**

8.1. Employees must be persons who have not been convicted, are not subject to administrative sanctions by the FSC or BNB, have a good reputation, have adequate education and experience in office. Certain employees may also be required to learn a foreign language(s). In order to hold a position in the sector, the employee must have passed an initial professional instruction;

### **8.2. Employees of the department**

a/ accept or contact the clients of the IB and, when establishing a contractual relationship with them, and taking their identity;

b/ explain and provide the clients of the IB with the general conditions for carrying out transactions in financial instruments and the tariff for the standard commission remuneration of the IB; Explain and provide clients with the policy for execution of orders and for the treatment of conflicts of interest;

c/ explain to the clients market conditions, risks related to investment and transactions in financial instruments, the substance of the specific type of financial instrument and its rights, shall notify clients of potential and emerging conflicts of interest where necessary. Provide all the information that, in accordance with the general terms and conditions, MFIA and Delegated Regulation 2017/565 to be provided to the client or potential client prior to its commitment to a contract with the investment broker. If is necessary to provide specific information to the client related to the investment and/or additional service provided, the transactions with financial instruments, trading venues or any other conditions, requirements or a description of risks, the employee shall provide the information with the assistance of employees from other departments of the IB.

d/ conclude on behalf of the IB the contracts by which clients assign to the IB to perform investment or additional services for them, unless the conclusion is carried out by an Executive Director, fills in other necessary documentation;

e/ accept orders from clients for the conclusion of transactions in financial instruments and requires the compilation and signing of all required documents and declarations by clients/their representatives.

f/ accept documents for registration in a depository institution of transactions in financial instruments previously concluded directly between the parties, transfer of dematerialized financial instruments in case of donation and inheritance, as well as change of data on holders of dematerialized financial instruments, correction of erroneous data, issuance of duplicates of supporting documents and other actions provided for in the Rules of Procedure of the respective depository institution;

g/ identify clients when establishing commercial or professional relations, including when opening an account, as well as when performing an operation or concluding a transaction over BGN 30,000 or their equivalent in foreign currency and in case of transaction on behalf of a customer or the conclusion of a transaction in stock more than BGN 10 000 or their equivalent in foreign currency. Perform identification of the client and in the case of more than one operation or transaction, which does not individually exceed BGN 30 000 or their equivalent in the foreign currency, bgn 10 000 or their equivalent in foreign currency, respectively, but are there is evidence that the transactions or transactions are linked.

h/ send on a durable medium to non professional clients confirmations of concluded transactions and periodic reports on the results of portfolio management and acquisition of qualifying holding in a public company; and/informs clients of the existing Investor Compensation Fund (ICF), including its scope and the guaranteed amount of client assets, and shall provide, upon request, details of the terms and conditions for compensation;

j/ accept the complaints of clients, if the client provides them to this department, enters them in the relevant journal, clarifies the circumstances related to these complaints initially and reports them to the Regulatory Compliance Department;

k/ ask clients the necessary information under MFIA and Delegated Regulation 2017/565 – for financial condition, experience, knowledge, skills in investing, education and any other information relevant to the client under the investment or ancillary service provided;

l/ when interacting with the Brokers Department and with other departments in the IB performs categorization of the client – professional, non professional, acceptable counterparties;

m/ in case of interaction with the Brokers Department and other departments in the investment broker shall assess an appropriate or corresponding service to the client, according to the information received by the client and the requirements of MFIA and Delegated Regulation 2017/565;

n/ prepare confirmations for the concluded transactions and the relevant periodic reports with the established content, unless they are automatically generated by an electronic trading platform and the client does not receive them directly from the platform and sends them to the client;

o/ notify the customers in the order specified in the concluded contracts, when an obligation under Art. 145 of POSA as a result of transactions in financial instruments carried out on their own account, including in the case of trust management of an individual portfolio;

p/ performs the correct and timely archiving of document turnover in the IB related to the provision of investment and additional services;

p/ after final conclusion of a contract with a potential client or final acceptance of an order by a client, inform the other departments and transmit to the Back Office Department all documentation and other information requested and collected by the client according to the requirements of MFIA and Ordinance No 38;

s/ analyze the transactions with potential conflict of interest and in case of potential or specific conflicts of interest arise, immediately informs the heads of the "Brokers", "Back Office", "Regulatory Compliance" and "Risk Management Unit";

s/ after clarification and analysis of the circumstances of the complaints of clients of the IB, report them to the Regulatory Compliance Department;

t/ systematize, archive and store under the conditions of Art. 74 of Ordinance 38 all information and all documents related to the activities of INTERCAPITAL MARKETS AD as an investment intermediary.

### **8.3. Coordination relations**

The employees shall perform their duties arising both from the individual contract of each of them with the investment firm and from the direct orders of the Executive Director relating to the functions and work of the department. At the same time, they interact with each other, with the employees and heads of the other departments with a view to maximising efficiency in the general activity of the Intermediary.

## **9. Back office department**

9.1. Employees must be persons who have not been convicted, are not subject to administrative sanctions by the FSC or BNB, have a good reputation, have adequate education and experience in office. Certain employees may also be required to learn a foreign language(s).

### **9.2. Employees of the department**

(a) process the concluded contracts accepted, accepted client orders;

(b) keep the accounts relating to the activity under b. "a" as required by MFIA, Delegated Regulation 2017/565 and Regulation No 600/2014/EU on markets in financial instruments (MiFIR) and the Rules for keeping and storing information of the IB;

c/ adopt for execution mandatory orders concerning concluded transactions in financial instruments by a broker, filling in directly all required forms and forms accepted for work by a depository institution, from execution venues (regulated market, multilateral trading system, etc.), as well as any other necessary documents for the completion of any transaction received by the broker;

d/ transmit to the depository institution the necessary data and documents in connection with the activities of the IB as a registration agent;

(e) keep the accounts relating to the activity referred to in (b). "c" and "d", as well as customer batches as required by Delegated Regulation 2017/565, Delegated Regulation 2017/590 as regards regulatory technical standards for the reporting of transactions to competent authorities, Regulation No 600/2014/EU and the Rules on the keeping of record and storage of information of the NRA, including on the personal transactions of persons working under an IB contract.

f/ together with the Accounting Department of the IB shall provide reconciliation and reporting for transactions in financial instruments for the day and at the end of each month;

g/ keep the required records and logs set out in Delegated Regulation 2017/565, Delegated Regulation 2017/590 as regards regulatory technical standards for transaction reporting to competent authorities, Regulation No 600/2014/EU, indicating all required particulars and in such a way as to clearly identify any change in data;

h/ prepares together with the Accounting Department and submits to the FSC and the Fund for Compensation to investors the report under Art. 77n, para. 12 of POSA; and/shall be responsible for preparing and sending the notifications to the FSC provided for by MFIA and Delegated Regulation 2017/565, prepare and keep the remaining necessary records and documentation in accordance with the said regulations.

### **9.3. Coordination relations**

In the performance of their duties, the employees of the department make continuous contact with the employees of the other departments of the IB: with the departments "Front Office" and "Accounting" - in connection with the preparation and presentation of the daily reports on the transactions carried out in financial instruments; with the "Brokers" department – upon receipt of mandatory orders regarding concluded transactions with clients; with departments "Regulatory compliance" and "Internal audit" – when checking the documentation on closed transactions, the prepared reports, the prepared and/or sent notifications to the FSC in accordance with the provisions of the MFIA and its implementing acts.

## **10. Brokerage Department**

10.1. Employees must be persons who have not been convicted, have not been imposed administrative sanctions by the FSC or BNB, have a good reputation, have adequate education and

experience in office, have permanent residence in the country, have successfully passed the examination for acquiring the right to act as a broker, to possess foreign language(s).

#### **10.2. Employees of the Department**

a/ concludes contracts with clients for the provision of investment services and accepts orders from clients for the conclusion of transactions in financial instruments;

(b) transmit client orders in relation to one or more financial instruments;

c/ concludes transactions in financial instruments (brokerage);

d/ gives mandatory orders to the back office employee regarding the completion and documentary clearance of concluded transactions in financial instruments. Gives mandatory orders to the Front Office Department in connection with the initial establishment of relations with clients, as well as their categorization assessment of an appropriate/suitable service.

e/ is responsible for executing client orders according to the Best execution policy and for achieving the best results of the clients.

f/ responsible for the administration of the systems for the submission of orders over the internet, administration of electronic ordering and trade-making systems (electronic trading platforms), as well as for all others remote means of submitting orders.

g/ assist and interact with other departments in the IB for categorization of clients, assessment of an appropriate/suitable service, provision of information to the client, request information from the client, etc. actions specified in these rules.

#### **10.3. Coordination relations**

The activities of the employees of the "Brokers" Department are directly dependent on the performance of the functions of the Front Office Department and are subject to control and verification by the employees of the departments "Regulatory Compliance" and "Internal Audit".

### **11. Accounting Department**

11.1. Employees must be persons who have not been convicted, have not been imposed administrative sanctions by the FSC or BNB, have a good reputation, have higher education in the field of accounting and have experience in the position.

#### **11.2. Chief Accountant**

a/ ensure synchronised implementation of chronological and systematic accounting of the activities of the IB in order to achieve a true and fair presentation of the property and financial position in the annual financial statements;

b/ constantly monitors compliance with the regulatory requirements on capital adequacy and liquidity and keeps accounting according to Ordinance No 50 on capital adequacy, liquidity of investment firms and supervision of compliance with them (Ordinance No 50), Regulation (EU) 575/2013 on prudential requirements for credit institutions and investment firms and the Accountancy Act;

c/ reflects daily executed transactions, as well as transactions concluded by another IB as a result of acceptance and transmission of orders to it, in the company's accounts, observing the principles of documentary justification, reliability and advantage of content over form, accurate compliance with established accounting policies, etc.;

d/ monitors the fulfillment of the capital requirements to cover the risks associated with the activity of the IB by maintaining at all times equity, cash and other assets in accordance with the requirements of Ordinance No 50;

(e) contact the banks and monitor the turnover of the funds by referring them to the sub-accounts of clients of the investment firm in accordance with the transactions carried out;

f/ maintains a computerized accounting and information system for current reporting and control of the financial positions of the company (the state of assets and liabilities, revenue and expenses, etc.);

g/ monitor the exposures of the IB, keep the relevant accounts for them and notify the Board of directors immediately in case of a large exposure;

h/ prepare and, where due, submit in the FSC reports and notifications; and/ submit to the FSC within 90 days of the completion of the financial year an annual financial report certified by a registered auditor;

k/ notify the FSC at the latest by the next business day if the value of its own funds is below the minimum required;

l/ makes payments with the clients in accordance with the Procedures of "Central Depository" AD for settling payments between the IB and its clients and the Regulations of "BSE-Sofia" AD;

m/ monitors the separation of client assets from the Company's own assets and leads a strict dimension for client money and financial instruments;

n/ make payments with customers in accordance with the procedures of other depository institutions for settling payments between the IB and its clients, as well as in accordance with the applicable procedures at other execution venues.

### **11.3. Accountant**

(a) daily reflects the execution of transactions;

b/ daily account of the movement of clients' and investment broker's cash by referring them to their accounts (client lots) in accordance with the transactions carried out;

c/ and makes payments in a non-cash manner;

(d) shall record revenue and expenditure on a daily basis.

## **12. Portfolio Management Department**

12.1. Employees must be persons who have not been convicted, have not been imposed administrative sanctions by the FSC or BNB, have a good reputation, have adequate education and experience in office, have permanent residence in the country, have successfully passed the examination for acquiring the right to pursue an activity as an investment consultant, have a foreign language(s) in possession.

### **12.2. Employees of the Department**

(a) make investment decisions to manage portfolios of financial instruments, in accordance with the investment objectives and intentions of clients on the basis of the information they provide;

b/ transmit to the Brokers Department orders for the conclusion of transactions in financial instruments on behalf of clients under trust;

c/ carry out a periodic revaluation of trust portfolios according to the methods agreed with clients;

d/ assist other departments in the performance of their duties related to clients of trust.

### **12.3. Coordination relationsh**

The employees of the Portfolio Management Department, in the performance of their duties, cooperate with the "Brokers" departments to which they transmit the orders of clients for the conclusion of transactions in financial instruments; with the other departments – if different information for customers, market situation, etc.

## **13. Regulatory Compliance Department**

13.1. Employees must be persons who have not been convicted, are not subject to administrative sanctions by the FSC or BNB, enjoy adequate education and have at least 3 years of experience in the field of capital markets, have permanent residence in the country, are not members of the management and control bodies, broker, investment consultant or other person entrusted with the operational management of the investment broker or who is involved in carrying out activities or individual actions , over which it controls.

### **13.2. Head of department:**

(a) manage and supervise the activities of the employees of the department;

b/ checks the certifications carried out by the employees of the department under Art. 61, para. 3 and/or para. 4 of Ordinance No 38;

c/ assist the FSC in its inspections of the activities of the IB, including providing an employee of the department at the disposal of the officials of the FSC carrying out the inspection;

d/ supervises the implementation of the obligations of the IB to public authorities, in view of the provisions of MFIA and its implementing acts;

e/ organize professional instruction of the employees of the department in their appointment, necessary for the performance of their duties, as well as professional instruction in the appointment of

the persons under Art. 39, para. 1, item 2 of Ordinance No 38, necessary for the fulfillment of their obligations and periodically when the need arises, as well as in case of changes in regulations or internal rules requiring it.

f/ draw up a document certifying the conduct of the briefing, contains a general description of its subject and is signed by it and the persons instructed;

g/ performs individual training to each newly appointed official who performs functions related to the services and activities under Art. 6, para. 2 and/or para. 3 MFIA, the investment firm and draw up a document certifying the training carried out.

j/ carry out other internal checks and require oral and written explanations from brokers and employees;

k/ approve the options proposed by the employees for resolving issues and problems related to conflicts of interest or other aspects of the investment firm's activities, directly related to its relations with clients, indicated by the latter in complaints and requests to the Regulatory Compliance Department;

l/ approve the minutes prepared by the employees of the checks carried out by the Regulatory Compliance Department during the previous month, draw up a report therein and submit it to the management body of the investment firm by the 10th of each month;

m/ propose to the Executive Directors specific measures to remedy inconsistencies and gaps in the internal organization of the intermediary, the adopted rules and policies for carrying out its activities and preventing violations of MFIA and other legal acts;

n/ ensure the misuse of inside information within the meaning of MFIA by employees and brokers of the Investment broker;

o/ monitor the timely transmission of reports to customers and their content and reliability;

p/ prepare a report on each training under Art. 76a, para. 1, which shall be presented to the management body of the company and, upon request, to the Vice-President;

(q) at least once a year, by 31 January, shall draw up and submit to the management authority a written document containing a reasoned assessment of the level of risk to which the investment firm is exposed from non-compliance with the regulatory requirements. When preparing the assessment, account shall be taken of the investment services and activities of the investment firm as well as the types of financial instruments traded and disseminated. The investment broker shall provide the Head of Regulatory Compliance with all information necessary to meet the requirements of the regulation.

t/ on the basis of the risk assessment prepared in accordance with the preceding paragraph, the Head of the Regulatory Compliance Department shall draw up and submit to the Management Authority a monitoring programme by 31 January.

t/ for the results of the monitoring carried out, in accordance with the programme under item t/, the Head of the Regulatory Compliance Department shall draw up and submit to the Management Body a report by 31 January of the following year.

u/ observes the presentation by the investment firm of the report under item y/. the Vice-Chair of the FSC within seven days of the submission of the report to the Management Authority.

v/ prepare and submit to the management body of the investment firm by the 10th of each month a report on the checks carried out by the department during the previous month.

w/ has the right to propose to the Executive Directors specific measures to remedy weaknesses in the work and prevent violations of MFIs and other legal acts.

### **13.3. Employees of the Department**

(a) carry out preventive and ex post controls on the overall activity of the IB;

b/ carry out the certifications provided for in Ordinance 38 on documents marked "true to the original", date and signature of the certifier, and then provide them to the Head of the Inspection Department;

c/ carry out certifications under Art. 61 para. 3 of Ordinance 38 if they are printed on paper;

d/ ensure compliance with the rules on the avoidance of conflicts of interest, respectively for the fair treatment of customers when they occur;

(e) ensure the misuse of inside information within the meaning of MFIA by employees and brokers of the investment broker;



(f) periodically check the compliance of the advice given and transactions in securities carried out on behalf of clients with the information submitted by the client on financial situation, investment purposes and experience;

g/ check periodically the compliance of the operations and transactions performed in the management of a client portfolio without special orders with the investment purposes and limitations given by the client, as well as with the information submitted by the client on financial situation, investment purposes and experience;

h/ monitor the compliance with the investment firm's policy for executing client orders in the best interests of the client;

and/ carry out monthly checks for the entry and execution of client orders and transactions carried out under them;

j/ monitor the implementation, update and effectiveness of the intermediary's IT strategy;

k/ control the timely and separate accounting of operations for own and client account (for financial instruments held on behalf of the IB, only the situations under Article 6 of Ordinance No 50 on capital adequacy, liquidity of investment firms and supervision of compliance with them shall be taken into account);

l/ check monthly the documents certifying the information received from clients about their investment culture and risk appetite, as well as the information and advice provided to the client;

m/ control the timely performance of obligations to customers;

n/ monitor the timely transmission of reports to customers and their content and reliability;

o/ monitor the timely entry of data in the IB logs;

p/ control access to customer records and proper keeping and storage of the data and documents contained therein;

q/ ensure that the investment firm's cash is separated from investors' funds, as well as the preservation of clients' financial instruments and cash and guaranteeing their property rights relating to the financial instruments and cash involved in them;

s/ ensure that clients' financial instruments and cash are not used for purposes not related to the activity that the Investment Firm carries out on their behalf;

s/ examine notifications, complaints and requests of clients within 5 working days of their receipt, notify the Head of the Department of the circumstances of them and offer options for resolving the issues and conflicts of interest arising;

t/ carry out other internal checks and require oral and written explanations from brokers and employees;

u/ supervise the performance of the intermediary's obligations to public authorities, in view of the provisions of MFIA and its implementing acts;

x/ monitor the preservation of all documentation and information under Art. 61, para. 1 of Ordinance 38 on paper and/or magnetic media and for compliance with measures to protect their confidentiality, as well as for keeping records in accordance with the requirements of Chapter Seven of Ordinance 38;

w/ periodically check the purchases, sales and exchanges of securities made on behalf of members of the board of directors of the company, of other persons who manage the IB as procurators and commercial proxies, and of persons who, under contract with the IB, perform a function directly related to the activities of the IB;

x/ control the performance of the investment firm's obligations under the Anti-Money Laundering Act;

y/ assist the FSC in its inspections of the activities of the IB, as an employee of the department explicitly appointed by the Head is available to the officials of the FSC carrying out the inspection; the correspondence and exchange of information with the Financial Supervision Commission, the Central Depository, the tax authorities and other institutions;

u/ control the maintenance of an up-to-date official schedule of the employees of the IB by ensuring compliance with the practical separation of the functions of the departments and employees of the Investment broker; at the end of each month, the employees of the department carry out a check on the accepted orders, the documents submitted and drawn up in connection with them, the

confirmations submitted to clients for the conclusion of transactions and the payments made; at the end of each month, the staff of the department shall verify the transactions of each individual portfolio of securities managed at the discretion of the investment firm, without orders from the client and the reports submitted to clients, as well as of the transactions which the members of its management and control bodies and the persons working under a contract for the investment firm conclude on their own account; draw up a protocol for the above inspections, indicating the specific contracts and contracts to be checked, as well as the discrepancies found and the advice given pursuant to Art. 76, para. 1, item 2 of Ordinance No 38. In the case of discrepancies found, verify the actions taken in accordance with the findings and advice and the measures applied; Submit the inspection protocol to the Head of The Department within 3 working days for approval and approval; Carry out ex post controls for the implementation of measures imposed by the Management Authority to remedy inconsistencies and omissions where such have been found in the course of ongoing checks on the activities of the individual units in the intermediary; In relation to the previous obligation, notify the Head of Unit in the event that the measures imposed are not implemented by the officials responsible.

(ya) organize training of the employees of the investment firm who perform functions related to the services and activities under Art. 6, para. 2 and/or para. 3 MFIs; Periodically assess whether employees performing functions in the field of investment services and activities are sufficiently informed and whether they correctly implement the policies and procedures of the investment firm.

#### **13.4. Coordination relations**

The employees of the department are directly subordinate to the Head of the department. In the performance of their duties, they work in cooperation with the employees and managers of all other departments of the investment broker, as the Department operates independently and performs constant monitoring of compliance by the persons entrusted with the operational management of the investment firm and all other persons working under a contract for the investment firm, the MFIA, its implementing acts and the rules under Ordinance 38.

#### **14. Risk Management Unit**

14.1. Employees must be persons who have not been convicted, have not been imposed administrative sanctions by the FSC or BNB, have a good reputation, have adequate education and at least 3 years of experience in the field of capital markets, have permanent residence in the country, are fluent in a foreign language(s). The head of the unit is elected by the Board of Directors of the IB. The Department operates independently and its main functions are expressed in the application of the following policies and procedures:

1. establishing the policy and procedures for determining the risks associated with the IB's activities, including with regard to the activities, processes and systems of the GOIs applied, and to determine the acceptable level of risk, if one can be established;
2. establishing effective rules, processes and mechanisms for risk management under item 1 in accordance with the specified acceptable levels for the different risks;
3. establishing the mechanisms for monitoring the policy and procedures under item 1, compliance by the ID and all other persons working under a contract for the investment firm, the procedures and measures under item 2;
4. establishment of a mechanism for remediation of deficiencies and inconsistencies in the policy and procedures under item 1 and the procedures and measures under item 2, incl. inability to comply with them by the persons working under a contract for the investment firm, as well as to monitor the adequacy and effectiveness of the measures implemented to remedy those inadequacies and inconsistencies.

14.2. With regard to risk management, the Unit shall have the following functions:

- (a) develop and implement the risk management system;
- (b) prepare and analyse reports on risk measurement results and take measures to comply with the relevant limits;
- (c) carry out an initial and ongoing verification of the relevant risk management models;

(d) review once a month the accuracy of the input data necessary to assess the risks, according to an applicable method of assurance and assurance;

(e) calculate and monitor compliance with the own funds requirements to cover all types of risks that may arise in the IB's activities.

14.3. The Head of the Risk Management Unit shall prepare and submit to the Board of Directors each month a report on the activities of the department during the previous month.

14.4. The Risk Management Unit shall be formed and functioned according to the nature, scale and complexity of the IB's activities, as well as according to the type and scope of the investment services and activities carried out in its implementation.

14.5. The IB may not establish a risk management unit under item 14.4 or may merge it with another department if the maintenance of such does not correspond to the nature, scale and complexity of its activities and the type and scope of the investment services and activities performed and can demonstrate at any time that the policy and procedures meet the requirements of Art. 23(1) of Delegated Regulation 2017/565. In such cases, at the request of the Vice-President, the investment firm shall provide evidence of the existence of the conditions.

### **15. Internal Audit Department**

15.1. Employees must be persons who have not been convicted, have not been imposed administrative sanctions by the FSC or BNB, have a good reputation, have adequate education and at least 3 years of experience in the field of capital markets, have permanent residence in the country, are fluent in a foreign language(s).

#### **15.2. Head of department:**

(a) manage the checks and assessments of the conformity and effectiveness of the internal rules adopted by the investment firm and the systems established for internal organisation, internal control, storage and processing of information, accounting, etc., carried out by the employees of the department;

(b) adopt a plan to carry out the checks referred to in the preceding paragraph and ensure compliance;

(c) after carrying out an inspection in accordance with the plan, the manager may make recommendations to remedy the deficiencies and inconsistencies identified, in which case the Department shall verify the actions taken in accordance with them and the measures applied and certify their implementation;

d/ shall submit to the management body of the investment firm by the 10th day of the month following each half-year report on the activities of the department indicating the deficiencies and inconsistencies identified and the measures taken to remedy them.

#### **15.3. Coordination relationships**

The Head of The Department shall manage the activities of the employees in the department, shall ensure the proper performance of their duties; monitor and evaluate the work of the other departments in the intermediary with regard to compliance with the rules adopted by the intermediary and the systems established for internal organization, internal control, storage and processing of information, accounting, etc.; shall submit to the managing body of the intermediary the report referred to in Art. 83, para. 4 of Ordinance 38.

#### **15.4. Employees of the Department**

(a) carry out verification and evaluation of the conformity and effectiveness of the internal rules adopted by the investment firm and the systems established for internal organisation, internal control, storage and processing of information, accounting, etc., in accordance with the adopted Internal Audit Plan;

b/ prepare and submit to the Head of Unit a report on the checks carried out;

c/ in the event of breaches, inconsistencies, system failures or gaps in the adopted rules and policies compared to the actual activity of the IB, the staff of the department shall indicate them in the report to the manager and propose specific measures and options to remedy the irregularities and shortcomings.

### **15.5. Coordination relations IBs**

The employees of the Internal Audit Department are directly subordinate to the Head of the Department. In carrying out the checks – subject to their duties – they work in cooperation with the employees and heads of the other departments in the intermediary with regard to compliance with the rules adopted by the intermediary and the established systems for internal organization, internal control, storage and processing of information, accounting, etc.

### **III. TERRITORIAL STRUCTURE**

16. The territorial structure of the IB includes:

- (a) head office and address of management;
- (b) a branch of the Intermediary in the territory of the Republic of Poland.

16.1. The investment broker shall place at the entrance of each of the offices and branches information on its name and registered office, showing the opening hours.

### **IV. PROCEDURES**

#### **17. Procedure for making decisions, taking measures for removing defects in the internal rules approved by IB “Intercapital Markets” AD and control over the implementation of measures**

17.1. The management body of IB “Intercapital Markets” AD approves and takes a decision to accept the rules for internal organization of the company according to the requirements under MFIA and Ordinance No 38 regarding the principles, objectives and the minimum contents of those rules, namely:

- a/ structural allocation of the activity along the departments and specific positions providing clear distinction of the competences and responsibilities between the different departments, as well as between the employees within a department;
- b/ best execution policy including the policy for aggregating clients’ orders;
- c/ conflict of interest policy;
- d/ rules for personal orders;
- e/ rules for treatment of client complaints, applications and notifications;
- f/ rules for accountancy and information safe-keeping, for safe-keeping of financial instruments and clients funds’;
- g/ rules for risk management;
- h/ rules for internal control;
- i/ plan for internal audit;
- J/ business continuity rules.

17.2. In accordance with the regulations of MFIA and Ordinance No 38 the Management body watches for the adequacy and efficiency of the approved rules, policies and procedures. The Board of Directors of IB “Intercapital Markets” AD performs its duties by examining the monthly reports of the Internal Audit department, commenting on the suggested measures for defect removing defects, approving them, complementing them or approving new ones, and notifying the Head of the respective department, in which omissions and discrepancies are found, about their duties concerning the implementation of specific measures and their respective deadlines. The Board of Directors assigns the Regulatory Compliance department to watch for the fulfillment and duly implementation of measures. In case of any subsequent non-fulfillment, the Head of the department shall notify the Board of Directors. In this case the Board examines the question on a conference and makes a decision to impose an extra-legal penalty on the employees, respectively the managers of the departments responsible for the measures.

17.3. The procedure is applicable if the Board of Directors has been notified by the Head of the Regulatory Compliance department about the disturbances and discrepancies in the systems of organization of IB “Intercapital Markets” AD and/ or in the policies and rules concerning the IB’s activity, found in the process of performing statutory weekly and monthly inspections, as well as while

performing other ongoing inspections on the entire activity and all the departments, described in detail in the Rules for internal control.

#### **18. Procedure for reviewing clients' complaints**

18.1. If a client's complaint is received, an employee from the Regulatory Compliance department considers it within 5 days from the receipt and suggests to the Head of the department solutions to the problem or question raised in the complaint.

18.2. The communication with the complainant shall be conducted in plain, clear and easily understood language.

18.3. Contact information for the Regulatory Compliance Department is: [petrova@intercapitalmarkets.com](mailto:petrova@intercapitalmarkets.com).

18.4. The investment broker may contact the client to further clarify the circumstances or to supplement vaguely presented information, informing the client that failure to provide the information could hinder the proper handling of the complaint.

18.5. The Head of the Regulatory Compliance Department within 5 working days after receiving information about the complaint shall give its opinion on the merits of the complaint and, if it is justified, decide on specific measures on the question raised by the client, approving the measures proposed by the employee, supplementing them or designating others - and specifying the employee/employees, responsible for their implementation.

18.6. After consideration of the complaint, but no later than within 10 working days of duly receiving it, respectively from the provision of the additional information, a written response shall be sent to the sender outlining the measures taken, as well as a notification that he or she may refer the complaint to the Consumer Protection Commission or to file a civil action. In case of factual and legal complexity, the period for consideration of the complaint is 15 working days.

18.7. The employees of the Regulatory Compliance department shall monitor the implementation of the imposed measures and notify the supervisor in case of their non-fulfillment by the responsible officer(s). In turn, the manager notifies the executive directors of the mediator and proposes disciplinary sanctions to the aforementioned employees.

18.8. By the 15th day of the month from which the new quarter begins, the Investment broker shall notify the FSC of the number and the summary content of:

1. the written complaints received by his clients during the past quarter, if any, as well as the results of the consideration of the received complaints;
2. court cases related to his subject of activity as an IB, filed during the last quarter by him and against him, respectively against members of the Board of Directors and against the persons working under contract for him, as well as for the decisions rendered in pending cases, if any are available.

### **V. RULES AND POLICIES**

#### **19. BEST EXECUTION POLICY**

19.1. As performing investment services and activities for the clients' account, the investment intermediary operates honestly, fairly and as a professional in compliance with the best interests of its clients.

19.2. INTERCAPITAL MARKETS AD has developed and implements a policy to work in the best interest and to achieve the best results for its clients, which is a separate document.

#### **20. Rules for keeping records, storing information, safe keeping of the financial instruments and funds of the clients**

20.1. The purpose of the Rules is to ensure the protection of the clients of the Investment broker, as well as to provide true, complete and up-to-date information about the activity it carries out;

20.2. INTERCAPITAL MARKETS has developed and implements the rules for keeping records, storing information and safe keeping the financial instruments and funds of the clients and has separated them in a separate document.

## **21. Conflict of interest policy**

21.1. The system of:

1. The treatment of conflicts of interest, in accordance with the size and organisational structure of the investment firm and the nature, scale and complexity of the investment services and activities carried out;
2. Circumstances constituting a conflict of interest or which may give rise to a conflict of interest giving rise to a risk of harm to the interests of a client or clients of the investment broker in respect of any particular service or activity carried out by the investment broker;
3. The procedures and measures for the treatment of conflicts of interest shall be contained in a separate Policy on the treatment of conflicts of interests of the IB, which shall be applied by all persons working under an IB contract, in accordance with their functions and official duties.

## **22. Rules for the Personal Transactions of Securities of the Members of the Board of Directors, the related with them persons, the Employees and other persons working for IB INTERCAPITAL MARKETS AD**

22.1. Separate rules regulate the internal terms and conditions for carrying out personal transactions in financial instruments by the members of the Board of Directors of the IB, the related persons, the employees of the IP and other persons working under a contract with the company, as well as the restrictions on the conclusion of such transactions.

22.2. The purpose of these rules is to ensure transparency in the conclusion of personal transactions by the persons under para. 1, ensuring compliance with all applicable requirements of the Markets in Financial Instruments Act (MFIA), the Public Offering of Securities Act, Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulation or Regulation 596/2014) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Directives 2003/124/EC, 2003/125/EC and 2004/72/EC, The Law on Enforcement of Measures against Market Abuse of Financial Instruments (IFIS), their implementing acts in the execution of such transactions, as well as ensuring the interests of all clients of the investment firm.

22.3. The IB shall keep a log of the personal transactions carried out, for which it has been notified or otherwise established, as well as information on the granted authorisations and prohibitions imposed in connection with these transactions.

22.4. In cases where a contract has been concluded between the IB and a third party for the award of the activity of this third party, the IB shall require that person to keep a register of personal transactions concluded by persons under Art. 58 and to provide that information to the investment broker at its request.

22.5. At the end of each month, the Regulatory Compliance Department of the IB shall conduct a check on the transactions that the persons under Art. 58 conclude at their own expense. The Head of the Regulatory Compliance Department shall prepare and submit to the Board of Directors by the 10th of each month a report on the inspection carried out by the Regulatory Compliance Department in the previous month.

## **23. BUSINESS CONTINUITY POLICY**

23.1. The investment broker shall establish, implement and maintain an adequate business continuity policy designed to ensure, in the event of interruption of its systems and procedures, that the safeguarding of basic information and functions, as well as the maintenance of services and activities or, where this is not possible, the timely recovery of information and functions and the timely resumption of their services and activities.

23.2. The investment broker may assign critical or important operational functions to a third party under the terms of Art. 31 of Delegated Regulation 2017/565 and while continuing to be fully responsible for its obligations under MFIA.

23.3. An operational function shall be considered critical or important if a deficiency or failure to fulfil this function would significantly infringe the investment firm's continued compliance with the terms and obligations relating to its authorisation or other obligations under the MFIA or its financial performance, or the stability or continuity of its investment services or activities.

23.4. The following functions shall not be considered critical or important within the meaning of 23.3:

1. providing the investment broker with advisory services or other services which do not form part of the broker's investment activities, including the provision of legal advice to the broker, training of the broker's staff, billing services, and the security of the broker's premises and staff;
2. the purchase of standardised services, including market information services and the provision of price information.

23.5. The IB's business continuity policy is set out in a separate document.

## **VI. FINAL PROVISIONS**

§ 1. Where problems are identified in the practice of the IB, the resolution or complementment of these Rules requires, the Board of Directors of the IB may make the appropriate adjustments. Notwithstanding the application of sentence one, the Board of Directors shall, by 31 January, review and evaluate these Rules annually in order to ensure the lawful functioning of the entire IB, and in case of incompleteness and/or need to improve the activity, they shall adopt amendments to these Rules.

§ 2. The Board of Directors of the IB may issue orders and instructions for the application of these Rules. The words and expressions used and not defined in these Rules have the meaning given to them by MFIs and the directly applicable Delegated Regulations.

§ 3. Rules have been adopted by the Board of Directors of INTERCAPITAL MARKETS AD by decision of a board meeting on 31.03.2020.