ORDINANCE No 50 of 30.03.2022 on capital adequacy, liquidity of investment firms and supervision of compliance thereof Promulgated State Gazette No. 27 / 05.04.2022, effective from 05.04.2021; amended and supplemented No. 36 /21.04.2023 Adopted by Decision No. 243-H of 30.03.2022 of the Swiss Financial Commission, Chapter one GENERAL Art. 1. (1) The ordinance defines: 1. capital requirements for investment firms, including the holding of additional own funds; 2. requirements for investment firms regarding capital adequacy and liquidity; 3. the types of capital buffers that investment firms under Art. 9a, para. 2 of the Markets in Financial Instruments Act (MFIA) must maintain, the scope, conditions and procedure for their formation and updating; 4. the conditions, criteria and procedure for exemption from liquidity requirements; 5. information reporting and disclosure requirements for parent companies and investment firms; 6. the supervision of compliance with the requirements of items 1 - 5; 7. the financial instruments that investment firms can hold for their own account, in cases where they perform investment services under Art. 6, para. 2, item 2 of MFIA; 8. the conditions and procedure for issuing a permit under Art. 11, para. 3 of the MFIA and the procedure for issuing the permits and approvals under Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014, (OJ, L 314/1 of 5 December 2019) (Regulation (EU) 2019/2033), under Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ, L 176/1 of June 27, 2013) (Regulation (EU) No. 575/2013), under Regulation (EU) No. 600/2014 of the European Parliament and of the Council of 15 May 2014on markets in financial instruments and amending Regulation (EU) No 648/2012 (OJ, L 173/84 of 12 June 2014) (Regulation (EU) No 600/2014), under Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (OJ, L 201/1 of 27 July 2012) (Regulation (EU) No. 648/2012), on their implementing acts, as well as on the implementing acts of Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU (OJ, L 314/64 of 5 December 2019), Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ, L 176/338 of 27 June 2013) (Directive 2013/36/EU) and Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (OJ, L 173/349 of 12 June 2014) (Directive 2014/65/EU); 9. additional requirements to significant investment firms; 10. the requirements for the risk

committees and the remuneration committees in the investment firms under Art. 61a, para. 1 of MFIA; 11. remuneration requirements, remuneration policy and its implementation; 12. the order, manner, scope and criteria for review and assessment of the rules, strategies, processes and mechanisms introduced by the investment firm; 13. the requirements for the reorganization program and the procedure for its approval; 14. the requirements that transactions must meet to be considered significant. (2) The requirements of chapters two and five apply to investment firms under Art. 9a, para. 1 of the MFIA, and the requirements of chapters three, four and five - to investment firms under Art. 9a, para. 2 of MFIA. Chapter two REQUIREMENTS TO INVESTMENT FIRMS UNDER ART. 9a, PARA. 1 of MFIA Section I Requirements for investment firms that meet the conditions for qualifying as small and non-interconnected investment firms set out in Art. 12(1) of Regulation (EU) 2019/2033 Art. 2. (1) The requirements of Art. 15 - 17, Art. 18, para. 1, item 2, art. 22 - 32 and Art. 37, para. 3 do not apply to investment firms that meet the conditions for qualifying as small and non-interconnected investment firms set out in Art. 12(1) of Regulation (EU) 2019/2033. (2) When an investment firm that does not meet the conditions for small and non-interconnected investment firms set out in Art. 12(1) of Regulation (EU) 2019/2033 subsequently meets these conditions, the requirements of Art. 15-17, Art. 18, para. 1, item 2, art. 22 - 32 and Art. 37, para. 3 shall not apply to the investment firm after the expiration of six months from the date on which these conditions were met, if the firm has met these conditions throughout the specified period and notified the Swiss Financial Commission (the Commission) of that fact. (3) An investment firm that meets the conditions for small and non- interconnected investment firms set out in Art. 12(1) of Regulation (EU) 2019/2033, shall make an assessment whether it continues to meet the conditions set out in Art. 12, paragraph 1 of Regulation (EU) 2019/2033. (4) If as a result of the assessment under para. 3 the investment firm finds that it does not meet the conditions for small and non-interconnected investment firms set out in Art. 12(1) of Regulation (EU) 2019/2033, it shall notify the Commission and begin to fulfil the requirements of Art. 15 - 17, Art. 18, para. 1, item 2, art. (5) The investment firm shall fulfil the requirements of Art. 25 - 29 regarding remuneration for services rendered or work performed in the financial year following the one in which the assessment under para. 3 took place. (6) An investment firm that does not meet the conditions for small and non-interconnected investment firms set out in Art. 12(1) of Regulation (EU) 2019/2033 shall apply Art. 8 of Regulation (EU) 2019/2033 and the requirements of Art. 28, para. 2, item 2, art. 64, 65 and 134 of the MFIA and of Chapter Two of this ordinance on a separate basis. (7) An investment firm that does not meet the conditions for small and non-interconnected investment firms set out in Art. 12(1) of Regulation (EU) 2019/2033 shall apply Art. 7 of Regulation (EU) 2019/2033 and the requirements of Art. 28, para. 2, item 2, art. 64, 65 and 134 of the MFIA and of Chapter Two of this ordinance on a separate and consolidated basis. (8) Paragraph 7 does not apply to subsidiaries included in the consolidated state of a group that are established in third countries, if the parent company in the Union

provides evidence to the Commission that the application of Art. 28, para. 2, item 2, Art. 64, 65 and 134 of the MFIA and of Chapter Two of this Ordinance is prohibited under the applicable legislation of the third country in which these subsidiaries are established. Section II Capital requirements, including the holding of additional own funds Requirements for the reorganization program and the procedure for its approval Art. 3. The initial capital of an operating company is determined in accordance with Art. 9 of Regulation (EU) 2019/2033. Art. 4. The initial capital of an operating company, calculated in accordance with Art. 3, which has rights in rem over immovable property, includes only the value of the rights that are directly related to the activities and services under Art. 6, para. 2 and 3 of MFIA, in the amount of no more than 20 percent of the required minimum amount of capital under Art. 10 of the MFIA. Art. 5. (1) The conditions for issuing a permit under Art. 11, para. 3, item 1 of the MFIA for an investment firm that does not perform any of the investment services and activities under Art. 6, para. 2, items 3 and 6 of the MFIA and executes customer orders in connection with financial instruments, to hold such instruments for their own account are the following: 1. the positions arose as a result of the inability of the investment firm to execute the orders accurately; 2. the aggregate market value of all these positions cannot exceed 15% of the initial capital of the investment firm; 3. the investment firm meet the requirements of Art. 11 of Delegated Regulation EU 2019/2033. 4. such positions are of a random and temporary nature and are strictly limited to the time required to execute the relevant transaction. (2)In cases of occurrence of positions for own account under para. 1 the investment firm notifies the Commission immediately, but no later than the end of the business day following the day of occurrence, by submitting a notification that specifies at least the type, volume and value of the financial instruments, the time required to close the positions, as well as the reasons for the occurrence of these positions. (3) The Commission, on the proposal of the Deputy Chairperson in charge of Investment Activity Supervision department (the Deputy Chairperson), issues the permit under para. 1 within 3 working days of receiving the notification, and when additional data and documents were requested - within 3 working days from their receipt, respectively from the expiration of the specified time for their provision. Art. 167 shall apply accordingly. (4) When the Commission does not issue the permit under para. 3, the investment firm closes the position immediately. Art. 6. (1) An investment firm that wants to obtain a permit under Art. 77 of Regulation (EU) No. 575/2013 in connection with Art. 9, paragraph 3 of Regulation (EU) 2019/2033 for the buyback of own shares submits an application to the Commission, to which the following must be attached: 1. a certified copy of the decision of the General Meeting of Shareholders of the company to buy back the shares issued by the company, in which the purpose of the buy back is indicated; 2. the data and documents under Art. 29, para. 30 of Commission Delegated Regulation (EU) 241/2014 of 7m January 2014, supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards on the capital requirements for institutions (OJ, L 74/8 of 14

March 2014), hereinafter “Delegated Regulation (EU) 241/2014”. (2) The Commission refuses to issue the permit under para. 1 when: 1. the requirements of Art. 187a of the Commercial Act; 2. the buyback of the shares by the company would lead to a violation of the requirements of the MFIA, of Regulation (EU) 2019/2033, of the acts on their implementation, as well as of Art. 9, paragraph 3 of Regulation (EU) 2019/2033 in relation to Regulation (EU) No. 575/2013 or Delegated Regulation (EU) No. 241/2014. (3) The permission under para. 1 is given in accordance with Art. 172 in the term under Art. 31, para. 3 of Delegated Regulation (EU) No. 241/2014. Art. 7. (1) An investment firm that wants to obtain a permit under Art. 77 of Regulation (EU) No. 575/2013 in connection with Art. 9, paragraph 3 of Regulation (EU) 2019/2033 for reducing own fund submits an application to the Commission, to which the following must be attached: 1. a certified copy of the decision of the General Meeting of Shareholders, respectively the members of the company for reducing own funds, including the purpose of the reduction; 2. the data and documents under Art. 29, para. 30 of Delegated Regulation (EU) 241/2014. (2) The Commission refuses to issue the permit under para. 1 when: 1. the reduction of own funds was carried out in violation of the requirements of Art. 199-203 of the Commercial Act, respectively of Art. 149 of the Commercial Act; 2. the reductions of own funds would lead to a violation of the requirements of the MFIA, of Regulation (EU) 2019/2033, of the acts on their implementation, of Regulation (EU) No. 575/2013 or Delegated Regulation (EU) 241/2014 in connection with Art. 9, para. 3 of Regulation (EU) No. 2019/2033. (3) The permission under para. 1 is given in accordance with Art. 172 in the term under Art. 31, para. 3 of Delegated Regulation (EU) No. 241/2014. Art. 8. Article 7 applies accordingly to an investment firm that wants to obtain permission to reduce share premium accounts from issues related to capital instruments and subordinated loans. Art. 9. (1) An investment firm that wants to obtain a permit under Art. 26(2) of Regulation (EU) No. 575/2013 in connection with Art. 9(1)(i)of Regulation (EU) 2019/2033 on the inclusion of the interim or annual profit in common equity Tier 1, before its competent authority takes, respectively offers to the relevant competent authority an official decision for the annual result, shall submit an application to the Commission, to which the following must be attached: 1. a document certified by the auditor of the investment firm confirming the profit, such as: (a) in respect of the annual profit, an auditor's report or certification letter is submitted stating that the audit has not been completed and that the auditors have not found anything to give them reason to believe that the final report will contain a modified opinion; b) in respect of the interim profit, an auditor's report (in the event of an audit) or a review report within the meaning of IAS 2400 "Engagements to review financial statements" is submitted, or a certification letter in accordance with the conditions of letter "a" if the confirmation submitted by the management company, is an auditor's report; 2. a statement signed by the persons who manage and represent the investment firm that the profit is recorded in accordance with the principles provided for in the applicable accounting framework and that the scope of the prudential consolidation is not significantly wider than the scope of

the confirmation contained in the auditor's document under 1; 3. declaration according to Annex No. 1, signed by the persons who manage and represent the investment firm, indicating the main elements of the interim or annual profit, including the deductions for any foreseeable charge or dividend or other documents certifying foreseen charges or dividends ; 4. a certified copy of the decision/proposal of the competent authority of the investment firm to include the interim or annual profit in the common equity Tier 1; (2) In cases where the interim or annual profit is included on a consolidated basis, the requirements of para. 1, items 2 and 3 are performed by the parent investment firm from the Union, the parent investment holding from the Union or the parent mixed financial holding from the Union. (3) The amount of deductions for foreseen dividends and charges is determined according to Art. 2(3) of Delegated Regulation (EU) No. 241/2014 in connection with Art. 9(1)(i), of Regulation (EU) 2019/2033. (4) The commission refuses to issue a permit under para. 1, when the conditions under Regulation (EU) No. 575/2013, Delegated Regulation (EU) No. 241/2014 in connection with Art. 9(1)(i) of Regulation (EU) 2019/2033 or this ordinance are not met, as well as when the conditions under Regulation (EU) 2019/2033 are not met. (5) Para. 172 applies accordingly for obtaining the permit under para. 1. Art. 10. (1) An investment firm that wants to obtain a permit under Art. 26, paragraph 3 of Regulation (EU) No. 575/2013 on inclusion of capital instruments under Art. 26(1)(a) of Regulation (EU) No. 575/2013 in relation to Article 9(1)(i) of Regulation (EU) 2019/2033 in Common Equity Tier 1, shall submit an application to the Commission, to which the following must be attached: 1. a certified copy of the decision of the competent authority of the investment firm to issue capital instruments and to amend the articles of association, respectively the act of incorporation; 2. a list of persons who have acquired capital instruments, data on the amount of instruments held by each person and documents certifying that everyone who has acquired capital instruments has deposited their value into the collection account of the investment firm, as well as documents proving the origin of the funds; 3. a declaration signed by the persons who manage and represent the investment firm, to the effect that the investment firm did not directly or indirectly finance the acquisition of the instruments; 4. the data and documents under Art. 4 and 5 of Commission Delegated Regulation (EU) 2017/1946 of 11 July 2017 supplementing Directives 2004/39/EC and 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards for an exhaustive list of information to be included by proposed acquirers in the notification of a proposed acquisition of a qualifying holding in an investment firm (OJ, L 276/32 of 26 October 2017) (Delegated Regulation (EU) No. 2017/1946) and Ordinance No. 11 of 03.12.2003 on licenses for operating as a regulated market, market operator, for organizing a multilateral trading facility or an organized trading facility, for operating as an investment firm, investment company, management company, special purpose investment company, sovereign fund, and alternative investment fund manager; and a data reporting provider (SG No. 109/ 2003) (Ordinance No. 11 of 3.12.2003) for persons who, as a result of the capital increase, will directly or

indirectly acquire 10 and more than 10 percent of the voting shares, respectively of the shares; 5. a certificate issued by Central Depository - AD, for registering the issue of capital instruments in cases where shares are issued; 6. amended statute, respectively articles of association, containing the new amount of capital; 7. table for assessing the compliance of capital instruments with the requirements of Regulation (EU) No. 575/2013 and Delegated Regulation (EU) No. 241/2014 in connection with Art. 9(1)(i) of Regulation (EU) 2019/2033 according to Annex No. 2, which is prepared by the investment firm and contains information on the compliance of capital instruments with the relevant requirements of the specified regulations to qualify as common equity Tier 1; 8. a declaration signed by the persons who manage and represent the investment firm, that the information presented is accurate and complete, and that the capital instruments meet the conditions to qualify as common equity Tier 1. (2)The commission refuses to issue a permit under para. 1, when the conditions under Regulation (EU) No. 575/2013, Delegated Regulation (EU) No. 241/2014 in connection with Art. 9(1)(i) of Regulation (EU) 2019/2033 or this ordinance are not met, as well as when the conditions under Regulation (EU) 2019/2033 are not met. (3) Para. 172 applies accordingly for obtaining the permit under para. 1. Art. 11. (1) An investment firm who wants to include capital instruments and subordinated loans in the additional Tier 1 capital, respectively in Tier 2 capital in connection with Art. 9(1)(i) of Regulation (EU) 2019/2033 shall submit an application for approval to the Commission, to which the following must be attached: 1. a contract or other document for the issuance of the capital instrument or for obtaining the subordinated loan and a certified copy of the decision of the competent authority of the investment firm on the conclusion of the contract or the issuance of the instrument; 2. for capital instruments and subordinated loans with new or complex features - a motivated and independent legal opinion confirming that the capital instruments or subordinated loans meet the conditions for their inclusion as an instrument of additional Tier 1 capital or Tier 2 capital; 3. for capital instruments which require approval to be included as additional Tier 1 capital instruments - indication of the minimum amount of common equity that will be formed if the principal value of the instrument is fully reduced or converted into common equity (Art. 54(3) of Regulation (EU) No 575/2013) after a reduction of any foreseeable tax liabilities or payments resulting from the conversion or reduction or arising from and related to the instrument at the time of the conversion or reduction, the investment firm having to assess and explain the amount based on the tax treatment applicable at the valuation date and the structure of the group; 4. table for assessing the compliance of the capital instrument, respectively the subordinated loan, with the requirements of Regulation (EU) No. 575/2013 and Delegated Regulation (EU) No. 241/2014 in connection with Art. 9(1)(i) of Regulation (EU) 2019/2033 according to Annex No. 3, which is prepared by the investment firm and contains information on the compliance of the capital instrument, respectively the subordinated loan, with the requirements of the specified regulations to be included as additional Tier 1 capital, respectively Tier 2

capital, taking into account the applicable questions and answers of the European Banking Authority (EBA) and the EBA Report on monitoring additional Tier 1 instruments; 5. a declaration signed by the persons who manage and represent the investment firm, to the effect that the investment firm did not directly or indirectly finance the acquisition of the instruments; 6. a declaration signed by the persons who manage and represent the investment firm, that the information presented is accurate and complete, that the capital instruments meet the conditions to qualify as additional Tier 1 capital and that there are no undisclosed agreements which would affect their eligibility; 7. a document for the receipt of the funds to the bank account of the investment firm; 8. other documents, at the discretion of the investment firm necessary for the assessment of whether to issue the requested approval. (2) The investment firm indicates in the application the reasons for issuing the capital instrument and for planning the loan, as well as their compliance with the capital plan (on a separate and consolidated basis). The application under para. 1 shall also include a description of the impact on equity (common equity, Additional Tier 1 capital and total capital) and the indebtedness/leverage ratio (for Additional Tier 1 capital) for all levels of application in accordance with Part One, Title Two of Regulation (EU) No. 575/2013 in connection with Art. 9(1)(i), of Regulation (EU) 2019/2033 for a three-year period, based on a forecast for the capital plan and taking into account paragraph 1, item 3. (3) The investment firm may use EBA's published standardized templates for the characteristics and conditions for issuing capital instruments, as well as EBA's Report on the Monitoring of Additional Tier 1 Capital Instruments. (4) The Commission refuses to issue the approval under para. 1, when the capital instruments and subordinated loans cannot be included in additional Tier 1 capital, respectively in Tier 2 capital, as well as when the requirements for their inclusion under Regulation (EU) No. 575/2013, Delegated Regulation (EU) No. 241/2014 or this Ordinance in connection with Art. 9(1)(i) of Regulation (EU) 2019/2033 have not been met. (5) The Commission, on the proposal of the Deputy Chairperson, decides on the application within one month, with the corresponding application of Art. 172. If no decision is made within this period, it is considered that the inclusion of capital instruments and subordinated loans in additional Tier 1 capital, respectively in Tier 2 capital, has been approved. (6) The investment firm is obliged to notify the Commission of any change in the contract or document for the issuance of the capital instrument or for obtaining the subordinated loan or of circumstances that may affect their inclusion as an instrument of additional Tier 1 capital or Tier 2 capital. Art. 12. (1) In the event of significant deterioration in the financial position, the investment firm is obliged within 5 days from the occurrence of the non-compliance to propose a reorganization program for approval by the Commission with a deadline for bringing its financial situation, capital adequacy and liquidity in line with the requirements of Regulation (EU) 2019 /2033 and the acts on its implementation, MFIA and this ordinance no longer than 3 months. (2) A significant deterioration of the financial condition of the investment firm is a condition that has led or could lead to a violation of the

capital adequacy and liquidity requirements of Regulation (EU) 2019/2033 and the acts on its implementation, of the MFIA and this ordinance. (3) The reorganisation program should contain: 1. a description of the violation or the deteriorated financial condition; 2. the reasons that led to the violation of the capital adequacy and liquidity of the investment firm or to the deterioration of the financial situation; 3. specific measures to bring its financial situation in line with the requirements of Regulation (EU) 2019/2033 and its implementing acts, of the MFIA and this ordinance, which are adequate to the committed violation, if any, as well as the deadline for their implementation; 4. documents from which it is evident that the proposed reorganisation program, respectively the foreseen measures, have been accepted by the members of the competent body of the company according to its organizational acts; 5. capital adequacy and liquidity report, balance sheet and profit and loss statement of the investment firm as of the date of the violation, respectively of the deterioration of the financial condition; 6. estimate capital adequacy and liquidity report, balance sheet and profit and loss statement of the investment firm as of the date of implementation of the program. (4) The Commission, on the proposal of the Deputy Chairperson, decides on the application for approval of the reorganisation program within 14 days of the submission of all necessary documents, and within 3 days of making the decision, it sends a written notification to the investment firm. (5) When the investment firm has brought its financial condition, capital adequacy and liquidity in line with the requirements of Regulation (EU) 2019/2033 and the acts on its implementation, of the MFIA and this ordinance within the time frame under para. 1, it shall notify the Commission of this at the latest on the next working day. In this case, he is obliged to submit the information under para. 3, items 1, 2 and 5, as well as a capital adequacy and liquidity report, balance sheet and profit and loss statement as of the date of alignment with the requirements of Regulation (EU) 2019/2033 and its implementing acts, of MFIA and this ordinance. (6) The provisions of this article do not apply to investment firms that operate under Art. 6, para. 2, items 3 and 6 and para. 3, item 1 of the MFIA. Section III Capital adequacy and liquidity requirements Art. 13. (1) An investment firm that does not meet the conditions for small and non-interconnected investment firms defined in Art. 12 (1) of Regulation (EU) 2019/2033, develops and implements reliable, effective and comprehensive mechanisms, strategies and processes that enable it to assess and maintain on an ongoing basis internal capital and liquid assets in amounts, types and allocations so that are adequate to cover the risks to which the investment firms is or may be exposed, as well as the risks it may pose to others. (2) The mechanisms, strategies and processes under para. 1 are approved by the management body of the investment firm. They must be appropriate and proportionate to the nature, scale and complexity of the business of the relevant investment firm. They are subject to a periodic internal review by the investment firm once a year until January 31 to assess their compliance with the regulatory requirements and to what extent they are proportionate to the nature, scale and complexity of the business of the respective investment firm. (3) The management body of the

investment firm presents the approved mechanisms, strategies and processes under para. 1 in the Commission within 14 days of receiving a license to operate as an investment firm or of accepting amendments therein. (4) The investment firm applies the requirements of para. 1 - 3 on an individual basis, unless otherwise provided in Regulation (EU) 2019/2033, this ordinance or another regulatory act. (5) The requirements of para. 1 - 3 are applied by the investment firm and the persons under Art. 7, paragraph 1 of Regulation (EU) 2019/2033 on a consolidated basis in accordance with Regulation (EU) No. 2019/2033, this ordinance or another regulatory act. Art. 14. (1) The Commission, on the proposal of the Deputy Chairperson may decide to require an investment firm that does not meet the conditions for small and non‑interconnected investment firms defined in Art. 12 (1) of Regulation (EU) 2019/2033, to develop and implement reliable, effective and comprehensive mechanisms, strategies and processes that enable it to assess and maintain on an ongoing basis internal capital and liquid assets in amounts, types and allocations so that are adequate to cover the risks to which the investment firms is or may be exposed. (2) In cases under para. 1, Art. 13, para. 2 sentence one and para. 3-5 shall apply. (3) In cases under para. 1, the mechanisms, strategies and processes under para. 1 are subject to a periodic internal review by the investment firm once every two years until January 31 of the calendar year after the relevant two-year period expires, to assess their compliance with the regulatory requirements and to what extent they are proportionate to the nature, scale and complexity of the business of the respective investment firm. Art. 14a. (New - State Gazette No. 36 of 2023)(1) The Commission, on the proposal of the Deputy Chairperson, may take a decision to exempt , at its request, an investment firm that meets the conditions for small and non‑interconnected investment firms specified in Art. 12(1) of Regulation (EU) 2019/2033, from the application of the liquidity requirement under Art. 43(1) of the same regulation. (2)For the exemption from liquidity requirements, the criteria under Art. 43 of Regulation (EU) 2019/2033 and the additional criteria under the Guidelines on the criteria for the exemption of investment firms from liquidity requirements in accordance with Article 43(4) of Regulation (EU) 2019/2033 (EBA/GL/2022/10), which the Commission has decided to implement pursuant to Art. 13, para. 1, item 26 of the Swiss Financial Commission Act. (3) Para. 172 applies accordingly for the exemption decision under para. 1. (4) The Commission, on the proposal of the Deputy Chairperson, may decide to amend or cancel the decision of exemption under para. 1 subject to compliance with the additional criteria under para. 2. Section IV Risk Management Organization Art. 15. (1) The management body of the investment firm approves the strategies and policies for taking, managing, monitoring and reducing the risks to which the investment firm is exposed or may be exposed, taking into account the macroeconomic environment and its business cycle. (2) The management body of the investment firm periodically reviews the strategies and policies under para. 1 once a year until January 31. If necessary, the review under sentence one is performed more often. Art. 16. The investment firm shall establish clear rules for reporting to the

management and control body covering all significant risks, risk management policies and their amendments. Art. 17. (1) Only representatives of the control body may participate in the risk committee of an investment firm under Art. 61a, para. 1 of the MFIA. An investment firm which is obliged to establish a risk committee, must also establish a control body. (2) The members of the risk committee have the knowledge, skills and expertise necessary to fully understand and monitor the implementation of the investment firm's risk strategy and risk appetite. (3) The risk committee advises the investment firm's management and control bodies on the investment firm's overall current and future risk strategy and risk appetite and assists senior management in reviewing and monitoring the implementation of the strategy. The management and control bodies of the investment firm are responsible for the strategies and policies related to risk management and control. (4) When a risk committee is established, it has access to information about the risks to which the investment firm is exposed or may be exposed. Art. 18. (1) The investment firm develops, adopts and implements strategies, policies, processes and systems to establish, measure, manage and monitor: 1. the material sources and effects of customer risk, as well as any material impact on equity; 2. the material sources and effects of market risk, as well as any material impact on equity; 3. the material sources and effects of risk for the investment firm, in particular those that may reduce the amount of equity available to the investment firm; 4. the liquidity risk determined for appropriate periods of different duration, including within one day, to ensure that the investment firm maintains an adequate level of liquid resources, including in relation to the treatment of the significant sources of risk under items 1 - 3. (2) The strategies, policies, processes and systems under para. 1 are approved by the management body of the investment firm. (3) The strategies, policies, processes and systems under para. 1 must: 1. be proportional to the complexity, risk profile, scope of business of the investment firm and the risk tolerance determined by the management body of the investment firm; 2. reflect the importance of the investment firm in each Member State in which it operates. (4) For the purposes of para. 1, item 1 and para. 3, the investment firm takes into account the requirements of the MFIA and the acts on its implementation for the safekeeping of client funds. Art. 19. (1) The investment firm considers the possibility of taking out Professional Liability insurance as an effective means of management of the risk under Art. 18 para. 1, item 1. (2) The investment firm's own funds may be held cash or in current or deposit accounts in a bank that is not in bankruptcy proceedings or placed under special supervision, in accordance with Art. 43 of Regulation (EU) 2019/2033. The investment firm's own funds in current or deposit accounts in a bank must be no less than 70 percent of all the investment firm's funds. Client funds are held in kept with Art. 93 of MFIA. (3) Own funds in current or deposit accounts in a bank, with which the investment firm can dispose at any time, must be in the amount of not less than 70 percent of all funds, and the investment firm shall take actions to diversify them. Art. 20. The material sources of risk for the investment firm under Art. 18, para. 1, item 3, when applicable,

include: 1. material changes in the book value of assets, including any claims against tied agents; 2. default by clients or counterparties; 3. items in financial instruments, foreign currencies or commodities; 4. payables to defined benefit pension schemes. Art. 21. The investment firm duly takes into account any significant impact on equity when there are risks that are not adequately covered by the capital requirements determined pursuant to Art. 11 of Regulation (EU) 2019/2033. Section V Remuneration requirements, remuneration policy and its implementation Art. 22. The investment firm develops and implements a remuneration policy that covers all forms of remuneration, such as salaries and other financial and material incentives, including retirement benefits, for the following categories of personnel: 1. members of the management and control bodies and senior management; 2. employees whose activity is related to taking risks; 3. employees performing control functions; 4. all employees whose remuneration is at least equal to the lowest remuneration received by the staff categories under items 1 and 2 and whose professional activities have a significant impact on the risk profile of the investment firm or the assets it manages. Art. 23. (1) When developing and implementing the remuneration policy, the investment firm applies the following principles: 1. the remuneration policy is clearly documented and proportionate to the scale, internal organization and nature, as well as the scope and complexity of the investment firm's business; 2. the remuneration policy is gender neutral; 3. the remuneration policy is consistent with reasonable and effective risk management and encourages such behaviour; 4. the remuneration policy corresponds to the business strategy and objectives of the investment firm and is consistent with the long-term consequences of the investment decisions made; 5. the remuneration policy includes measures to avoid conflicts of interest, encourages responsible business performance and promotes risk awareness and prudent risk-taking; 6. the control body of the investment firm, and when one has not been established - the management body of the investment firm, adopts and periodically reviews the remuneration policy and is responsible for control over its implementation; 7. the implementation of the remuneration policy is subject at least once a year to a central and independent internal review by the internal audit unit, if there is one, and in other cases - by the unit performing the function in accordance with the regulatory requirements; 8. employees performing control functions are independent of the functions in the investment firm over which they exercise control, they have the necessary powers and receive remuneration according to how well they perform their functions, regardless of the results achieved by the structural units they control; 9. the remuneration of the heads of the risk management unit and of the unit performing the function of compliance with regulatory requirements is directly controlled by the remuneration committee, and when such a committee has not been established - by the control body of the investment firm, and when a control body is not established - by the management body of the investment firm, and the two exceptions in this item do not apply in relation to investment firms under Art. 61a, para. 1 of the MFIA; 10. the remuneration policy sets out separate

criteria for determining: (a) the basic fixed remuneration, which mostly reflects the relevant professional experience and responsibilities within the organization, as specified in the employee's job description as part of the terms of his employment contract or in the management contract; (b) the variable remuneration, which reflects the sustainable and risk-adjusted results of the employee's work, as well as the performance exceeding the requirements of the employee's job description as part of the terms of the employment contract or in the management contract; 11. the fixed element (fixed remuneration) constitutes the major share of the total remuneration, so as to allow the implementation of a fully flexible policy regarding the variable elements (variable remuneration) of remuneration, including the possibility not to pay variable elements of remuneration. (2) In the remuneration policy, the investment firm determines appropriate ratios between the permanent and variable elements of the total remuneration, taking into account the business of the investment firm and the risks associated with it, as well as the influence of the different categories of personnel specified in Art. 22, on the risk profile of the investment firm. (3) The investment firm introduces and applies the principles specified in para. 1, in a manner appropriate to its scale and internal organization and to the nature, scope and complexity of its business. Art. 24. When an investment firm receives extraordinary public financial support within the meaning of § 1, item 13 of the additional provisions of the Recovery and Resolution of Credit Institutions and Investment Firms Act, the following rules apply: 1. the investment firm does not pay variable remuneration to the members of the management and control body; 2. when it is incompatible with the maintenance of a stable capital base of the investment firm and with the timely termination of extraordinary public financial support, the payment of variable remuneration to all employees who are not members of the management and control body is limited to a part of the net income. Art. 25. (1) For each variable remuneration granted and paid by an investment firm to the categories of personnel specified in Art. 22, apply in addition to the requirements of Art. 23, para. 3 and the following requirements: 1. when the variable remuneration is tied to performance, its total amount is determined as a combination of the individual performance, the relevant structural unit performance, as well as of the overall performance of the investment firm; 2. financial and non-financial criteria are taken into account when evaluating a person's performance; 3. the evaluation of results under item 1 covers a period of several years, taking into account the business cycle of the investment firm, as well as its business risks; 4. the variable remuneration is determined so as not to affect the investment firm's ability to provide a stable capital base; 5. the variable remuneration may be guaranteed by exception only for newly appointed employees for the first year of their appointment and provided that the investment firm has own funds in excess of the statutory requirements; 6. the benefits related to the early termination of an employment contract reflect the results achieved over time by the individual, and they do not reward failure or improper behaviour; 7. benefits related to previous employment contracts are consistent with the long-term interests of the investment firm; 8. the measurement

of performance used to calculate the groups of variable remuneration elements takes into account all types of current and future risks and costs related to capital requirements and liquidity requirements in application of Regulation (EU) 2019/2033; 9. all types of current and future risks are taken into account during the distribution of the variable remuneration elements within the investment firm; 10. at least 50% of the variable remuneration consists of one of the following instruments: a) shares or equivalent property rights - depending on the legal and organizational form of the relevant investment firm; b) share-linked instruments or equivalent non-monetary instruments - depending on the legal and organizational form of the relevant investment firm; c) Additional Tier 1 or Tier 2 capital instruments or other instruments that can be fully converted into Common Equity Tier 1 instruments or written off and that adequately reflect the credit quality of the investment firm as a going concern ; d) non-monetary instruments that reflect the instruments of the managed portfolio; 11. when an investment firm does not issue any of the instruments specified in item 10, it submits an application to the Commission for approval of the use of alternative measures to achieve the objectives under item 10, and for the issuance of the approval, Art. 172; 12. at least 40% of the variable remuneration is deferred for a period of three to five years depending on the business cycle of the investment firm, the nature of its business activity, its risks and the activity of the relevant employee, except when the amount of the variable remuneration is particularly high, in which case the part of the deferred variable remuneration amounts to at least 60%; 13. up to 100% of the variable remuneration is not paid in the event of a low or negative financial result of the investment firm, and paid variable remuneration may be withheld or refunded, subject to the criteria defined in the remuneration policy, which include at least the cases, in which the relevant employee: a) had or was responsible for conduct that led to significant losses for the investment firm; b) no longer meets the fit and proper requirements; 14. the pension policy of the investment firm corresponds to the activity strategy, goals, values and long-term interests of the investment firm. (2) The personnel categories specified in Art. 22, may not use personal strategies for hedging or insurance related to remuneration and liability in order to reduce the effect of the requirements referred to in para. 1. (3) The variable remuneration shall not be paid by means of financial instruments or methods that facilitate non-compliance with Regulation (EU) 2019/2033, the MFIA and this ordinance. Art. 26. (1) For the instruments specified in Art. 25, para. 1, item 10, an appropriate retention policy is conducted to achieve compliance between the incentives for the employee and the long-term interests of the investment firm, its creditors and clients. (2) The Commission, on the proposal of the Deputy Chairperson, may impose restrictions on the type and form of the specified in Art. 25, para. 1, item 10 instruments or to prohibit the use of certain instruments for the purposes of variable remuneration. Art. 27. The variable remuneration payable according to Art. 25, para. 1, item 12 under the conditions of deferred distribution, is not [provided faster than on a proportional basis. Art. 28. (1) When an employee leaves the investment firm before reaching retirement age,

the investment firms retains for a period of five years the retirement benefits which are in the form of the instruments specified in Art. 25, para. 1, item 10. (2) When an employee acquires the right to a pension for length of service and age and retires, the retirement benefits shall be paid to the employee in the form of the instruments specified in Art. 25, para. 1, item 10 and are subject to a five-year restriction period on their transfer. Art. 29. (1) The requirements of Art. 25, para. 1, items 10 and 12 and Art. 26 - 28 may not apply in respect of: 1. an investment firm, when the amount of its balance sheet and offbalance sheet assets during the four-year period immediately preceding the current financial year does not exceed, as an average value, the BGN equivalent of EUR 100 million; 2. an employee whose annual variable remuneration does not exceed the BGN equivalent of EUR 50,000 and does not exceed 25 percent of his total annual remuneration. (2) The Commission, on the proposal of the Deputy Chairperson may raise the threshold under para. 1, item 1, when the investment firm meets the following conditions: a) the investment firm is not among the three largest investment firms by total asset value in the Republic of Switzerland; b) the investment firm does not fall within the scope of Art. 1, para. 1, item 2 of the Recovery and Resolution of Credit Institutions and Investment Firms Act or, if the latter is applicable, the firm is subject to simplified requirements in the preparation of recovery plans and resolution plans under Art. 25, para. 1 of the same act; c) the amount of the balance sheet and off-balance sheet activity in the trading book of the investment firm does not exceed the BGN equivalent of EUR 150 million; d) the amount of the investment firm's balance sheet and off-balance sheet operations with derivatives does not exceed the BGN equivalent of EUR 100 million; e) the threshold does not exceed the BGN equivalent of EUR 300 million; f) the increase of the threshold is appropriate, taking into account the nature and scope of the business of the investment firm, its internal organization and, when applicable, the characteristics of the group to which it belongs. (3) The Commission, on the proposal of the Deputy Chairperson, may approve the application of a threshold that is lower than the threshold under para. 1, item 1, if this is appropriate, taking into account the nature and scope of the investment firm's business, its internal organization and, when applicable, the characteristics of the group to which it belongs. (4) Proceedings under para. 2 and 3 begin upon the application of the investment firm or on the initiative of the Commission. Art. 172 shall apply accordingly. Art. 30. (1) The remuneration committee in an investment firm under Art. 61a, para. 1 of the MFIA must meet the requirements for a balanced representation of the sexes and its composition is so determined that it can competently and independently decide on the remuneration policy and practices, as well as on the incentives for risk, capital and liquidity management. (2) The remuneration committee is responsible for preparing decisions regarding remuneration, including decisions that have an impact on the risk and risk management of the investment firm and which must be taken by the management or control body of the investment firm. (3) The Chairperson and members of the remuneration committee are members of the control body in the relevant

investment firm. The investment firm under Art. 61a, para. 1 of MFIA, which does not have a control body, shall establish a control body. (4) When preparing the decisions specified in para. 2, the remuneration committee takes into account the public interest and the long-term interests of the shareholders, investors and other interested parties in the investment firm. Art. 31. (1) In relation to the remuneration policy, the investment firm shall provide to the Commission and make public on the day it publishes its annual financial statement, at least the information under Art. 51, paragraph one, letters "c" and "d" of Regulation (EU) 2019/2033, including the aspects of gender neutrality and the pay gap between women and men - for the categories of personnel whose professional activities have a significant impact on the risk profile of the investment firm. (2) The Commission shall provide the information under para. 1 of the EBA and use it to compare remuneration trends and practices. (3) The investment firm complies with the EBA's guidelines on the implementation of a reasonable remuneration policy and the EBA's guidelines on gender-neutral remuneration policies, when the Commission has decided to implement them in its supervisory practice. Art. 32. (1) The investment firm shall provide the Commission with information on the number of natural persons it employs whose remuneration for the financial year is in the amount of the BGN equivalent of EUR 1 million or more, with a breakdown by degrees of the BGN equivalent of EUR1 million, including information about their job duties, the relevant field of activity and the main elements of salary, bonuses, long-term benefits and pension contributions. (2) Upon request, the investment firm shall provide the Commission with the data on the total remuneration of each member of the management and control body, as well as of each senior management employee. (3) The Commission shall provide the information under para. 1 and 2 of the EBA. (4) The investment firm complies with the EBA's guidelines to facilitate the implementation of Art. 1 and 2 and to ensure the consistency of the collected information when the Commission has decided to implement them in its supervisory practice. Section VI Supervisory review and evaluation Art. 33. (1) The Commission carries out the review and evaluation under Art. 66 of the MFIA of the rules, strategies, processes and mechanisms introduced by investment firms, in order to ensure good management and coverage of their risks, as well as verification of compliance with the requirements of the MFIA, Regulation (EU) 2019/2033 and their implementing acts. (2) When carrying out the review and evaluation under Art. 66 of the MFIA, the scale , risk profile and business model of the investment firm are taken into account. (3) When carrying out the review and evaluation under Art. 66 of the MFIA, at least the following elements are assessed, as far as it is expedient and applicable: 1. the risks specified in Art. 18 - 21; 2. the geographical location of the exposures of the investment firm; 3. the business model of the investment firm; 4. the assessment of systemic risk, taking into account the criteria for identifying and measuring systemic risk under Art. 23 of Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No

716/2009/EC and repealing Commission Decision 2009/78/EC (OJ, L 331/12 of 15 December 2010) (Regulation (EU) No. 1093/2010) or the recommendations of the European Systemic Risk Board (ESRB); 5. the security risks of the investment firm's networks and information systems to ensure the confidentiality, integrity and availability of its processes, data and assets; 6. the investment firm's exposure to interest rate risk in activities outside the trading book; 7. the management method of the investment firm, as well as the ability of the members of the management and control body to fulfil their duties. (4) When carrying out the review and evaluation under Art. 66 of the MFIA, it is taken into account whether the investment firm has concluded and valid professional liability insurance. (5) When evaluating the element under para. 3, item 7, the Commission has access to the agenda, protocols and accompanying documents for the meetings of the management and control body and their committees, as well as to the results of the internal or external evaluation of the activities of these bodies. Art. 34. (1) When determining the frequency and intensity of the review and evaluation under Art. 66 of the MFIA are taken into account: 1. the size, nature, scope and complexity of the activity of the respective investment firm; 2. the systemic importance of the investment firm, when applicable; 3. the principle of proportionality. (2) When the Commission deems it necessary in view of the size, nature, scope and complexity of the activities of investment firms that meet the conditions for small and non-interconnected investment firms, defined in Art. 12(1) of Regulation (EU) 2019/2033, it determines for each individual case whether and in what form the review and evaluation under Art. 66 of the MFIA of the relevant investment firm. (3) For the purpose of para. 1, the rules for safekeeping client funds are taken into account, as defined in Ordinance No. 58 of 28.02.2018 on the requirements for protection of financial instruments and cash of clients, for product management and for providing or receiving remuneration, commissions, other monetary or non-monetary benefits (SG No. 22 /2018) Art. 35. (1) The Deputy Chairperson shall conduct a regular review at least once every three years of compliance with the requirements for authorizing the use of the internal models specified in Art. 22 of Regulation (EU) 2019/2033. (2) In the review under para. 1 the Deputy Chairperson analyses the changes in the activity of the investment firm and the application of these internal models in relation to the introduced new products and analyses and assesses whether he uses well-developed and modern techniques and practices in these internal models. (3) When significant deficiencies are identified in relation to risk coverage of the internal model of the investment firm the Commission, on the proposal of the Deputy Chairperson, takes action to eliminate the deficiencies or undertakes specific measures to limit their consequences, including by imposing requirements for provision of additional capital or higher multiplication factors. (4) When in the internal market risk model applied by the investment firm there are multiple cases of overshootings as specified in Art. 366 of Regulation (EU) No. 575/2013, which show that the internal model is not sufficiently accurate or does not correspond to the approved one, the Commission withdraws the authorization to use the internal

model or imposes relevant measures to ensure its rapid improvement within a period determined by the Commission. Art. 36. (1) When an investment firm has received permission to use internal models, but it no longer meets the requirements for applying these internal models, the Commission requires it to either prove that non-compliance with these requirements has no significant impact, or to present a plan and set a deadline for achieving compliance with those requirements. (2) When there is a possibility that the plan presented under para. 1 does not lead to full compliance with the requirements or if the deadline set under para. 1 is not acceptable, on the proposal of the Deputy Chairperson the Commission requires that the presented plan be amended. (3) If the probability that the investment firm will achieve compliance with the requirements within the specified period is small or sufficient evidence is not presented that the impact of non-compliance is insignificant, the Commission revokes the permission to use internal models or limits it to the areas in which compliance is present or in which such compliance can be achieved within a reasonable time. (4) The investment firm shall comply with the EBA's guidelines on criteria for how investment firms should use internal models, as well as for the way these internal models should treat similar risks or exposures, when the Commission has decided to apply them in its supervisory practice. Art. 37. (1) The Commission shall inform the EBA of: 1. the process of review and evaluation under Art. 66 of the MFIA; 2. the methodology of making the decisions under Art. 276, para. 1, item 11, letter "a", item 12, item 13, letter "a", items 14 - 19, item 20, letter "a", item 21, letter "a", item 22 and 25, Art. 276a, 276b and 276d of the MFIA; 3. the level of administrative sanctions determined by the Republic of Switzerland. (2) The Commission may decide to apply in its supervisory practice the guidelines of the EBA and ESMA which specify the general procedures and methodologies for the process of supervisory review and evaluation, as well as for the evaluation of the treatment of risks in a manner that corresponds to the size, structure and internal organization of investment firms, as well as to the nature, scope and complexity of their business, (3) The Commission may decide to apply in its supervisory practice the guidelines of the EBA for the introduction of criteria regarding the risks of an ecological, social or managerial nature for the process of supervisory review and evaluation. Section VI Information reporting and disclosure requirements for parent companies and investment firms; Art. 38. (1) Investment firms that do not meet the conditions to qualify as small and non‑interconnected investment firms, defined in Art. 12(1) of Regulation (EU) 2019/2033, and the investment firms referred to in Art. 46(2) of Regulation (EU) 2019/2033, disclose the information under Art. 46 of Regulation (EU) 2019/2033 on an individual basis once a year within 90 days of the end of the financial year, and on a consolidated basis - once a year within 180 days of the end of the financial year. (2) Investment firms under para. 1 disclose all or part of the information under para. 1 more than once a year by decision of the Deputy Chairperson which also defined a deadline for its disclosure. (3) Investment firms under para. 1 and the parent companies disclose the information under para. 1 and 2, as well as the annual financial statement at

least on their websites. (4) Parent companies of the investment firms under para. 1 annually publish in full or through references to equivalent information a description of their legal structure and the management and organizational structure of the group of investment firms, as well as relevant information about shareholders or partners. Art. 39. The investment firm discloses on its website the information under Art. 51 of Delegated Regulation EU 2019/2033. Section VIII Additional requirements for valuation of client assets Art. 40. The investment firm evaluates the client's assets for the purpose of determining factors in assets under management (AUM), client money held (CMH) and safekeeping and assets safeguarded and administered (ASA) in accordance with International Accounting Standards. Art. 41. (1) The investment firm adopts and applies rules for the evaluation of client assets, regardless of whether they are related to the provision of investment and/or additional services, which contain at least the following: 1. a description of the method of determining the fair value of client assets, including the chosen valuation method, as well as a justification for the choice; 2. the sources of the information on which the valuation is based, as well as the conditions and procedure for obtaining it; 3. the terms and conditions for storing the data and documents received or prepared in connection with the valuation. (2) Investment firms submit to the Commission the rules under para. 1 within a 7-day period from their adoption, respectively from the adoption of amendments to them. Section IX Obligation to submit information to the Commission Art. 42. The investment firm submits the references defined in the technical standard for implementation under Art. 54(3) of Regulation (EU) 2019/2033 through a designated electronic system of the Commission, in a format defined by the European Banking Authority (XBRL format) and in accordance with the requirements defined in the specified technical standard. Art. 43. (1) Investment firms submit to the Commission for each quarter and within the terms defined in the implementing technical standard under Art. 54(3) of Regulation (EU) 2019/2033, additional references in the form, format and order determined by the Deputy Chairperson. (2) At the request of the Deputy Chairperson, investment firms shall submit additional information, including reports on financial information, as well as a report on capital adequacy and liquidity, for a shorter period. (3) By request of the Deputy Chairperson, the investment firm presents additional information and clarification regarding the reports, including analytical reports for each item. Art. 44. When the investment firm does not deduct items in equity instruments of an enterprise from the financial sector within a group of investment firms in accordance with Art. 9(5) of Regulation (EU) 2019/2033 for the purposes of calculating own funds, it shall notify the Commission and provide the following information: 1. evidence of the lack of significant practical or legal obstacles to the rapid transfer of capital or payment of liabilities by the parent company; 2. a description of the parent undertaking's risk assessment, measurement and control procedures and how they include the financial sector undertaking. Chapter three REQUIREMENTS TO INVESTMENT FIRMS UNDER ART. 9a, PARA. 2 of MFIA Section I Capital requirements, including the holding of

additional own funds Requirements for the reorganization program and the procedure for its approval Art. 45. The initial capital of an operating company is determined in accordance with Art. 9 of Regulation (EU) 2019/2033. Art. 46. The initial capital of an operating company, calculated in accordance with Art. 45, which has rights in rem over immovable property, includes only the value of the rights that are directly related to the activities and services under Art. 6, para. 2 and 3 of MFIA, in the amount of no more than 20 percent of the required minimum amount of capital under Art. 10 of the MFIA. Art. 47. (1) The conditions for issuing a permit under Art. 11, para. 3, item 1 of the MFIA for an investment firm that does not perform any of the investment services and activities under Art. 6, para. 2, items 3 and 6 of the MFIA involving financial instruments within the meaning of Regulation (EU) No. 575/2013 and executes customer orders in connection with financial instruments, to hold such instruments for their own account are the following: 1. the positions arose as a result of the inability of the investment firm to execute the orders accurately; 2. the aggregate market value of all these positions cannot exceed 15% of the initial capital of the investment firm; 3. the investment firm meet the requirements of Art. 92- 95 and part four of Delegated Regulation EU 575/2013. 4. such positions are of a random and temporary nature and are strictly limited to the time required to execute the relevant transaction. (2)In cases of occurrence of positions for own account under para. 1 the investment firm notifies the Commission immediately, but no later than the end of the business day following the day of occurrence, by submitting a notification that specifies at least the type, volume and value of the financial instruments, the time required to close the positions, as well as the reasons for the occurrence of these positions. (3) The Commission, on the proposal of the Deputy Chairperson issues the permit under para. 1 within 3 working days of receiving the notification, and when additional data and documents were requested - within 3 working days from their receipt, respectively from the expiration of the specified time for their provision. Art. 172 shall apply accordingly. (4) If the Commission does not issue the permit under para. 3, the investment firm closes the position immediately. Art. 48. (1) An investment firm that wants to obtain a permit under Art. 77 of Regulation (EU) No. 575/2013 for the buyback of own shares submits an application to the Commission, to which the following must be attached: 1. a certified copy of the decision of the General Meeting of Shareholders of the company to buy back the shares issued by the company, in which the purpose of the buy back is indicated; 2. the data and documents under Art. 29, para. 30 of Delegated Regulation (EU) 241/2014. (2) The Commission refuses to issue the permit under para. 1 when: 1. the requirements of Art. 187a of the Commercial Act have not been met; 2. the buyback of the shares by the company would lead to a violation of the requirements of the MFIA, of the acts on its implementation, of Regulation (EU) No. 575/2013 or Delegated Regulation (EU) No. 241/2014. (3) Para. 172 applies accordingly for obtaining the permit under para. 1. Art. 49. (1) An investment firm that wants to obtain a permit under Art. 77 of Regulation (EU) No. 575/2013 for the reduction of its capital submits an application to the Commission, to which the

following must be attached: 1. a certified copy of the decision of the General Meeting of Shareholders, respectively the members of the company for reducing own funds, including the purpose of the reduction; 2. the data and documents under Art. 29, para. 30 of Delegated Regulation (EU) 241/2014. (2) The Commission refuses to issue the permit under para. 1 when: 1. the capital reduction was carried out in violation of the requirements of Art. 199-203 of the Commercial Act, respectively of Art. 149 of the Commercial Act; 2. the capital reduction by the company would lead to a violation of the requirements of the MFIA, of the acts on its implementation, of Regulation (EU) No. 575/2013 or Delegated Regulation (EU) No. 241/2014. (3) Para. 172 applies accordingly for obtaining the permit under para. 1. Art. 50. Article 49 applies accordingly to an investment firm that wants to obtain permission to reduce share premium accounts from issues related to capital instruments and subordinated loans. Art. 51. (1) An investment firm that wants to obtain a permit under Art. 26(2) of Regulation (EU) No. 575/2013 on the inclusion of the interim or annual profit in common equity Tier 1, before its competent authority takes, respectively offers to the relevant competent authority an official decision for the annual result, shall submit an application to the Commission, to which the following must be attached: 1. a document certified by the auditor of the investment firm confirming the profit, such as: (a) in respect of the annual profit, an auditor's report or certification letter is submitted stating that the audit has not been completed and that the auditors have not found anything to give them reason to believe that the final report will contain a modified opinion; b) in respect of the interim profit, an auditor's report (in the event of an audit) or a review report within the meaning of IAS 2400 "Engagements to review financial statements" is submitted, or a certification letter in accordance with the conditions of letter "a" if the confirmation submitted by the management company, is an auditor's report; 2. a statement signed by the persons who manage and represent the investment firm that the profit is recorded in accordance with the principles provided for in the applicable accounting framework and that the scope of the prudential consolidation is not significantly wider than the scope of the confirmation contained in the auditor's document under 1; 3. declaration according to Annex No. 1, signed by the persons who manage and represent the investment firm, indicating the main elements of the interim or annual profit, including the deductions for any foreseeable charge or dividend or other documents certifying foreseen charges or dividends ; 4. a certified copy of the decision/proposal of the competent authority of the investment firm to include the interim or annual profit in the common equity Tier 1; (2) In cases where the interim or annual profit is included on a consolidated or sub-consolidated basis, the requirements under para. 1, items 2 and 3 are performed by the consolidating entity. (3) The amount of deductions for foreseen dividends and charges is determined according to Art. 2(3) of Delegated Regulation (EU) No. 241/2014. (4) The Commission refuses to issue a permit under para. 1, when the conditions of Regulation (EU) No. 575/2013, Delegated Regulation (EU) No. 241/2014 or this ordinance are not met. (5) Para. 172 applies accordingly for obtaining the permit

under para. 1. Art. 52. (1) An investment firm that wants to obtain a permit under Art. 26, paragraph 2 of Regulation (EU) No. 575/2013 on inclusion of capital instruments under Art. 26(1)(a) of Regulation (EU) No. 575/2013 in Common Equity Tier 1, shall submit an application to the Commission, to which the following must be attached: 1. a certified copy of the decision of the competent authority of the investment firm to issue capital instruments and to amend the articles of association, respectively the act of incorporation; 2. a list of persons who have acquired capital instruments, data on the amount of instruments held by each person and documents certifying that everyone who has acquired capital instruments has deposited their value into the collection account of the investment firm, as well as documents proving the origin of the funds; 3. a declaration signed by the persons who manage and represent the investment firm, to the effect that the investment firm did not directly or indirectly finance the acquisition of the instruments; 4. the data and documents under Art. 4, para. 5 of Delegated Regulation (EU) 2017/1946 and Ordinance No. 11 of 3.12.2003) for persons who, as a result of the capital increase, will directly or indirectly acquire 10 and more than 10 percent of the voting shares, respectively of the shares; 5. a certificate issued by Central Depository - AD, for registering the issue of capital instruments in cases where shares are issued; 6. amended statute, respectively articles of association, containing the new amount of capital; 7. table for assessing the compliance of capital instruments with the requirements of Regulation (EU) No. 575/2013 and Delegated Regulation (EU) No. 241/2014 according to Annex No. 2, which is prepared by the investment firm and contains information on the compliance of capital instruments with the relevant requirements of the specified regulations to qualify as common equity Tier 1; 8. a declaration signed by the persons who manage and represent the investment firm, that the information presented is accurate and complete, and that the capital instruments meet the conditions to qualify as common equity Tier 1. (2) The Commission refuses to issue a permit under para. 1, when the conditions of Regulation (EU) No. 575/2013, Delegated Regulation (EU) No. 241/2014 or this ordinance are not met. (3) Para. 172 applies accordingly for obtaining the permit under para. 1. Art. 53. (1) An investment firm who wants to include capital instruments and subordinated loans in the additional Tier 1 capital, respectively in Tier 2 capital shall submit an application for approval to the Commission, to which the following must be attached: 1. a contract or other document for the issuance of the capital instrument or for obtaining the subordinated loan and a certified copy of the decision of the competent authority of the investment firm on the conclusion of the contract or the issuance of the instrument; 2. for capital instruments and subordinated loans with new or complex features - a motivated and independent legal opinion confirming that the capital instruments or subordinated loans meet the conditions for their inclusion as an instrument of additional Tier 1 capital or Tier 2 capital; 3. for capital instruments which require approval to be included as additional Tier 1 capital instruments - indication of the minimum amount of common equity that will be formed if the principal value of the

instrument is fully reduced or converted into common equity (Art. 54(3) of Regulation (EU) No 575/2013) after a reduction of any foreseeable tax liabilities or payments resulting from the conversion or reduction or arising from and related to the instrument at the time of the conversion or reduction, the investment firm having to assess and explain the amount based on the tax treatment applicable at the valuation date and the structure of the group; 4. table for assessing the compliance of the capital instrument, respectively the subordinated loan, with the requirements of Regulation (EU) No. 575/2013 and Delegated Regulation (EU) No. 241/2014 according to Annex No. 3, which is prepared by the investment firm and contains information on the compliance of the capital instrument, respectively the subordinated loan, with the requirements of the specified regulations to be included as additional Tier 1 capital, respectively Tier 2 capital, taking into account the applicable questions and answers of the EBA and the EBA Report on monitoring additional Tier 1 instruments; 5. a declaration signed by the persons who manage and represent the investment firm, to the effect that the investment firm did not directly or indirectly finance the acquisition of the instruments; 6. a declaration signed by the persons who manage and represent the investment firm, that the information presented is accurate and complete, that the capital instruments meet the conditions to qualify as additional Tier 1 capital and that there are no undisclosed agreements which would affect their eligibility; 7. a document for the receipt of the funds to the bank account of the investment firm; 8. other documents, at the discretion of the investment firm necessary for the assessment of whether to issue the requested approval. (2) The investment firm indicates in the application the reasons for issuing the capital instrument and for planning the loan, as well as their compliance with the capital plan (on a separate and consolidated basis). The application under para. 1 shall also include a description of the impact on equity (common equity, Additional Tier 1 capital and total capital) and the indebtedness/leverage ratio (for Additional Tier 1 capital) for all levels of application in accordance with Part One, Title Two of Regulation (EU) No. 575/2013 for a three-year period, based on a forecast for the capital plan and taking into account paragraph 1, item 3. (3) The investment firm may use EBA's published standardized templates for the characteristics and conditions for issuing capital instruments, as well as EBA's Report on the Monitoring of Additional Tier 1 Capital Instruments. (4) The Commission refuses to issue the approval under para. 1, when the capital instruments and subordinated loans cannot be included in additional Tier 1 capital, respectively in Tier 2 capital, as well as when the requirements for their inclusion under Regulation (EU) No. 575/2013, Delegated Regulation (EU) No. 241/2014 or this ordinance. (5) The Commission, on the proposal of the Deputy Chairperson, decides on the application within one month, with the corresponding application of Art. 172. If no decision is made within this period, it is considered that the inclusion of capital instruments and subordinated loans in additional Tier 1 capital, respectively in Tier 2 capital, has been approved. (6) The investment firm is obliged to notify the Commission of any change in the contract or document for the issuance of the

capital instrument or for obtaining the subordinated loan or of circumstances that may affect their inclusion as an instrument of additional Tier 1 capital or Tier 2 capital. Art. 54. The requirements for the reorganization program of investment firms under Art. 9a, para. 2 of the MFIA and the procedure for its approval are pursuant to Art. 12. Section II Capital adequacy and liquidity requirements Art. 55. (1) The rules, procedures and mechanisms of the investment firm governing the internal organization, organizational structure, risk management, remuneration policies, administrative and accounting procedures, internal control under Art. 65 of the MFIA, are comprehensive and proportionate to the nature, scale and complexity of the risks inherent in the business model and activities of the investment firm, and ensure compliance with prudential requirements. (2) The rules under para. 1 are prepared taking into account the requirements for internal capital adequacy assessment, the internal organization and the treatment of risks, the remuneration policy, risk management, as well as the requirements for the management and control body of the investment firm according to Art. 14, 62 and 64 of the MFIA. (3) The investment firm periodically reviews the rules and procedures and updates them once a year by January 31. (4) The management body of the investment firm monitors the process and the fulfilment of its obligations for disclosure and communication of the statutory required information. (5) When drawing up the rules, the investment firm complies with the guidelines of the EBA, when the Commission has decided to apply them in its supervisory practice. Art. 56. (1) Each investment firm develops and implements reliable, effective and comprehensive strategies and processes that allow it to assess and continuously maintain internal capital in the amount, type and distribution so that it is adequate to cover the risks it is or may be exposed to, depending on the degree and nature of the risks. (2) The strategies and processes under Art. 1 are subject to a periodic internal review by the investment firm once a year until January 31 to assess their compliance with the regulatory requirements and to what extent they are proportionate to the nature, scale and complexity of the business. (3) The management body of the investment firm prepares the strategies under para. 1 and presents them for approval by the general meeting. The management body of the investment firm adopts rules of implementation of the strategies and description of the processes under para. 1 in the Commission within 14 days of receiving a license to operate as an investment firm or of accepting amendments therein. (4) The investment firm applies the requirements of para. 1 - 3 on an individual basis, unless otherwise provided in Regulation (EU) No. 575/2013, this ordinance or another regulatory act. (5) The requirements of para. 1 - 3 are applied by the investment firm on a consolidated basis when it is a subsidiary in the Republic of Switzerland or a parent company, as well as when it is included in consolidation under Art. 19 of Regulation (EU) No. 575/2013. (6) In cases where an investment firm is a parent institution in the Republic of Switzerland, it ensures the implementation of para. 1 on a consolidated basis to the extent and in the manner described in Part One, Title II, Chapter 2, Sections 2 and 3 of Regulation (EU) No. 575/2013. (7) In cases where an investment firm is

controlled by a parent financial holding or a parent mixed financial holding in a Member State to the extent and in the manner regulated in Part one, Title II, Chapter 2, Sections 2 and 3 of Regulation (EU) No. 575/2013, it fulfils the obligation under para. 1 on the basis of the consolidated state of the financial holding or the mixed financial holding. If the parent financial holding or the parent mixed financial holding in a Member State controls more than one investment firm, the first sentence applies only to the investment firm supervised on a consolidated basis in accordance with Art. 231 of MFIA. (8) An investment firm which is a subsidiary, fulfils the requirements of para. 1 on a sub-consolidated basis, if it or its parent company, when the latter is a financial holding or a fixed financial holding owns an institution, a financial institution or a management company as defined in § 1, item 4 of the additional provisions of the Additional Supervision of Financial Conglomerates Act, as a subsidiary in a third country, as well as when they have a shareholding in such an enterprise. Art. 57. (1) Each investment firm applies the requirements of sections I - IV and the requirements according to Art. 14, 62 and 64 of the MFIA on an individual basis, unless the Commission, on the proposal of the Deputy Chairperson grants an exemption from the requirements of Art. 6(1) of Regulation (EU) No. 575/2013 according to Art. 7 of Regulation (EU) No. 575/2013. (2) Investment firms, financial holdings, mixed financial holdings or mixed holdings which are subject to supervision on a consolidated basis by the Commission, apply the requirements of sections I - IV and the requirements according to Art. 14, 62 and 64 of the MFIA on a consolidated or sub-consolidated basis, ensuring that the rules, procedures and mechanisms applied by them in implementation of the said provisions are consistent and well-integrated and allow them to prepare data and information in connection with the implementation of the regulatory requirements applicable to them. (3) Investment firms, financial holdings, mixed financial holdings or mixed holdings which are subject to supervision on a consolidated basis by the Commission, ensure the implementation of the rules, procedures and mechanisms under para. 2 in their subsidiaries, including those that are not covered by the MFIA and this ordinance. (4) The requirements of sections I - IV and the requirements pursuant to Art. 14, 62 and 64 of the MFIA for subsidiaries not covered by the MFIA and this ordinance do not apply if the investment firm, which is a parent institution from the European Union (EU), is controlled by a parent financial holding from the EU or by parent mixed financial holding from the EU proves to the Commission that the application of these requirements is unlawful under the legislation of the relevant third country where the subsidiary is established. (5) The internal organization, administrative and accounting procedures of the investment firm provide an opportunity for the Deputy Chairperson, respectively the Commission, to establish at any time the compliance of its activity with the prudential requirements under Regulation (EU) No. 575/2013, MFIA and this Ordinance . Art. 58. (1) The investment firm that has received a license to provide investment services under Art. 6, para. 2, items 3 and 6 of the MFIA, applies the liquidity requirements under Part Six of Regulation (EU)

No. 575/2013 on an individual basis according to the provisions of Art. 6(4) of Regulation (EU) No. 575/2013. (2) With the permission of the Commission, on the proposal of the Deputy Chairperson, the investment firm may be exempted from the liquidity requirements under Part Six of Regulation (EU) No. 575/2013 on an individual basis, depending on the nature, scale and complexity of its business. (3) With the permission of the Commission, on the proposal of the Deputy Chairperson, the investment firm may be exempted from the liquidity requirements under Part Six of Regulation (EU) No. 575/2013 on a consolidated basis, depending on the nature, scale and complexity of its business. Art. 59. With the permission of the Commission on the proposal of the Deputy Chairperson in the cases under Art. 8 of Regulation (EU) No. 575/2013 the investment firm, all or some of its subsidiaries in the EU may be exempted from not fulfilling their liquidity obligations under Art. 58 in whole or in part. In the cases under the first sentence, the Commission supervises the liquidity of the entities in the group on a consolidated basis as a separate liquidity subgroup. Art. 60. The investment firm submits to the Commission all information regarding liquidity reporting in accordance with the provisions of Regulation (EU) No. 575/2013. Art. 61. (1) On the basis of the review and evaluation carried out pursuant to Art. 103 - 111, the Commission, on the proposal of the Deputy Chairperson, may oblige the investment firm to comply with a special liquidity requirement in order to cover the risks to which it is exposed or may be exposed with regard to liquidity, taking into account the following: 1. the specific business model of the investment firm; 2. the rules, processes and mechanisms of the investment firm, including the internal organization of the investment firm for compliance with prudential requirements and the processes of reviewing the adequacy of its capital, and in particular under Art. 80 - 85; 3. results of the review and evaluation performed in accordance with Art. 103. 4. systemic liquidity risk, which threatens the integrity of financial markets. (2) In the event of a discrepancy between the actual liquidity position of the investment firm and all requirements for liquidity and stable funding established at the national level or at the EU level, the Commission, respectively the Deputy Chairperson, may apply the measures and/or impose administrative penalties under Part Three, Title Three of the MFIA. Art. 62. (1) The investment firm's own funds may be held cash or in current or deposit accounts in a bank that is not in bankruptcy proceedings or placed under special supervision, in accordance with Art. 43 of Regulation (EU) 2019/2033. The investment firm's own funds in current or deposit accounts in a bank must be no less than 70 percent of all the investment firm's funds. Client funds are held in kept with Art. 93 of MFIA. (2) Own funds in current or deposit accounts in a bank, with which the investment firm can dispose at any time, must be in the amount of not less than 70 percent of all funds, and the investment firm shall take actions to diversify them. Section III Risk Management Organization Art. 63. (1) The management body of the investment firm prepares the strategies and policies for taking, managing, monitoring and reducing the risks to which the investment firm is exposed or may be exposed, which are approved by the general meeting. The management body of

the investment firm performs a periodic review at least once a year by January 31 and presents it to the general meeting together with the management report. If necessary, the review under sentence one is performed more often. (2) The strategies and policies under para. 1 also include the risks arising from the macro-level environment in which the investment firm carries out its activities relative to the relevant phase of the economic cycle. Art. 64. (1) The members of the management and control body of the investment firm devote sufficient time to considering the issues related to the risk. (2) The authorities under para. 1 actively participate in the process of managing all significant risks specified in Regulation (EU) No. 575/2013, MFIA and this ordinance, as well as in the assessment of assets (positions), the use of external credit ratings and internal models related to these risks. The authorities under para. 1 guarantee the participation of sufficient resources for the effective performance of the activities under the first sentence. (3) The investment firm shall establish clear rules for reporting to the management and control body and establishes responsibility tiers covering all significant risks, risk management policies and their amendments. Art. 65. (1) Only representatives of the control body participate in the risk committee of a significant investment firm. (2) The members of the risk committee have the knowledge, skills and expertise necessary to fully understand and monitor the implementation of the investment firm's risk strategy and risk appetite. (3) The risk committee advises the investment firm's management and control bodies on the investment firm's overall current and future risk strategy and risk appetite and assists senior management in reviewing and monitoring the implementation of the strategy. The management and control bodies of the investment firm are responsible for risk management and control. (4) The risk committee, independently of the remuneration committee, checks whether the incentives provided by the remuneration system take into account the risks, capital, liquidity, as well as the probability of realization of the planned revenues and their distribution over time. (5) The risk committee monitors whether the pricing of the products and services offered by the investment firm to clients adequately reflect its business model and risk strategy. (6) If the pricing under para. 5 does not adequately reflect the strategy of the investment firm in terms of risks and its business model, the risk committee submits to the governing body a plan to adjust the pricing. Art. 66. (1) The investment firm provides appropriate access to the control body and the risk committee to the necessary information about the overall risk profile of the investment firm, to the risk management unit, as well as to external expert opinions. (2) The bodies under para. 1 determine the nature, volume and format of the risk information that should be provided to them, as well as the frequency of provision. (3) The risk committee, without prejudice to the tasks of the remuneration committee, in order to support the establishment of good policies and practices in the field of remuneration, checks to what extent the incentives provided by the remuneration system of the investment firm take into account risks, capital, liquidity, the probability and timing of the formation and distribution of revenue. Art. 67. (1) The investment firm, when applicable in view of the nature,

scale and complexity of its business and the type and scope of the investment services and activities performed, shall have a risk management unit which is independent of the operational units and which has the necessary powers, status, resources and access to the management and control body. (2) The risk management unit ensures identification, measurement and proper reporting of all significant risks related to the activity of the investment firm. (3) The risk management unit actively participates in the development of the strategy for the risk taking and management of the investment firm and in making decisions related to the management of all significant risks. It must at all times be able to present a comprehensive overview of all the risks to which the investment firm is exposed. (4) The risk management unit reports directly to the control body, independently of senior management, in cases where the development of a specific risk affects or may affect the investment firm. The actions of the risk management unit under sentence one does not release the management and control body from their responsibility under the MFIA, this ordinance and Regulation (EU) No. 575/2013 in relation to risk management. (5) The head of the risk management unit is a person from the senior management who is expressly assigned responsibility for the risk management function. If the designation of a separate responsible person does not correspond to the nature, scale and complexity of the business of the investment firm, another person from the members of senior management may also perform this function, provided that there is no conflict of interest. (6) The head of the risk management unit cannot be dismissed without prior approval from the control body. The head of the risk management unit has the right to address and ask questions in this competence directly to the control body. Art. 68. (1) An investment firm which is significant in terms of its size, internal organization, the nature, scale and complexity of its activity, shall establish a suitable internal organization for the assessment of credit risk and for the use of the internal rating approach in the calculation of capital requirements for credit risk, when its exposures are material in absolute terms and it has a large number of significant counterparties. (2) Regardless of the requirement under para. 1 the investment firm must fulfil the criteria established in Part Three, Title II, Chapter 3, section 1 of Regulation (EU) No. 575/2013. (3) The investment firm shall not use solely or mechanically external credit ratings when assessing the creditworthiness of an entity or a financial instrument. The Deputy Chairperson supervises compliance with the requirement under the first sentence, taking into account the nature, scale and complexity of the business carried out by the investment firm. (4) The investment firm, taking into account its size, internal organization, nature, scale and complexity of its business, creates a suitable internal organization for carrying out an assessment of the specific risk and for the use of internal models for calculating the capital requirements for a specific risk for debt instruments in its commercial portfolio together with internal models for calculating capital requirements for default risk and migration risk when its exposure to a specific risk is material in absolute terms and has a large number of significant positions in debt instruments of different issuers. (5)

Regardless of the requirements under para. 4, the investment firm must fulfil the criteria established in Part Three, Title IV, Chapter 5, sections 1 -5 of Regulation (EU) No. 575/2013. (6) The investment firm shall comply with the technical standards of the European Commission regarding the definitions of the concepts "material in absolute terms" under para. 4, "thresholds for a large number of significant counterparties" as well as for "positions in debt instruments of different issuers". Art. 69. (1) An investment firm that has received permission to use an internal model for calculating the amount of risk-weighted exposures or capital requirements, with the exception of those for operational risk, shall submit to the Commission information on the results of calculations according to its internal models for its exposures or positions included in the comparative portfolios. The information under sentence one is first submitted to the Commission together with explanations of the methods used to obtain them within 90 days of the end of the financial year. (2) The investment firm shall present the information on the results of the calculations of its exposures or positions under para. 1 according to a model developed by the EBA, to the Commission and the EBA. (3) The Commission may develop special comparative portfolios after consultation with the EBA. The investment firm shall submit to the Commission the results of the calculations on the special comparative portfolios. The results under sentence one are presented separately from the results of the calculations for the specific portfolios under para. 2. Art. 70. (1) The Commission monitors the range of risk-weighted exposures and own funds requirements, to the extent applicable, excluding operational risk, for the exposures or transactions in the comparative portfolio resulting from the internal model of the investment firm. (2) The Commission assesses once a year after submitting the information under Art. 69 the quality of the models, paying particular attention to: 1. the models where there are significant differences in the capital requirements for the same exposure; 2. the models in which there is a particularly large or small variety, as well as in which there is also a substantial and systematic underestimation of the capital requirements. (3) In the event that the results of one investment firm deviate significantly from the results of most of the other investment firms, or when few common characteristics are observed between the models, leading to large differences in the results, the Commission shall investigate the reasons for the results. If it finds that an investment firm's model results in an underestimation of capital requirements that is not due to differences in the underlying risks of the exposures or positions, the Commission may require the investment firm to take corrective action. (4) If the Commission decides to obligate the investment firm to undertake corrective actions, it shall tailor them to the objectives of the investment firm's internal model and the Commission's decisions shall not: 1. result in standardization or use of preferred methods; 2. create improper incentives; 3. cause behaviour leading to the unification of applied internal models ("herd behaviour"). (5) The Commission applies the regulatory technical standards of the European Commission, developed by the EBA, for: 1. the procedures for exchange of evaluations between the competent

authorities and the EBA; 2. the standards for the evaluation prepared by the competent authorities. (6) The investment firm complies with the technical standards for the application of the European Commission on the proposal of the EBA for the comparative portfolios in Art. 69, para. 1. Art. 71. (1) The investment firm develops, adopts and implements internal policies, rules, procedures and mechanisms regarding risks and ensures that it monitors, assesses, reports and reduces the following risks: 1. credit risk and counterparty risk; 2. residual risk 3. concentration risk; 4. securitisation risk; 5. market risk; 6. interest rate risk arising from activities outside the trading book; 7. operations risk; 8. liquidity risk; 9. excessive leverage risk; 10. other risks included in Regulation (EU) No. 575/2013 and this ordinance, to which the investment firm is exposed or may be exposed. (2) The rules, procedures and mechanisms under para. 1 are approved by the management body of the investment firm. Art. 72. (1) The investment firm determines the amount of riskweighted exposures for credit risk, calculated in accordance with Part Three, Title II of Regulation (EU) No. 575/2013. (2) The investment firm determines the amount of exposures to counterparty credit risk in accordance with Part Three, Title II, Chapter 6 of Regulation (EU) No. 575/2013. (3) When managing credit risk and counterparty risk, the investment firm: 1. develops and applies consistent and clearly defined criteria for granting loans and financing related to the activity, as well as procedures for approving, amending, renewing and refinancing the loans and financing provided; 2. implements an effective system for ongoing management and monitoring of risks for various portfolios and exposures arising from the granted loans and financing related to the activity and the exposures related to them, including for identifying and managing problematic loans and financing and making adequate adjustments to valuations and allocation of provisions; 3. ensures diversification of portfolio risks in accordance with the markets in which the investment firm operates and with its overall strategy for providing loans and financing related to the activity; 4. develops and implements internal methods for assessing the credit risk of exposures to individuals, securities or securitization positions, as well as the credit risk of the entire portfolio. (4) The internal methods under para. 3, item 4 cannot be based solely or mechanically on external credit ratings. (5) In cases where the calculation of the capital requirements is based on a rating from an external credit assessment institution (ECAI) or on the fact that the exposures have not been awarded a credit rating for evaluation of the allocation of its internal capital, the investment firm shall collect and analyse any relevant information related to the allocation. Art. 73. The investment firm shall develop, adopt and implement a residual risk management policy and procedures that ensure the monitoring, reporting and control of the recognized credit risk reduction techniques if they show less effectiveness than expected. Art. 74. The investment firm shall develop, adopt and implement a policy and procedures for managing concentration risk arising from exposures to any counterparty, including to central counterparties, to groups of related counterparties, to counterparties from the same economic sector, geographical area or to counterparties engaged in the

same activity or commodities, as well as the concentration risk arising from the application of credit risk mitigation techniques, including the risks associated with large indirect credit exposures, such as exposures to a single collateral provider. Art. 75. (1) The investment firm develops, adopts and implements policy and procedures for managing the securitization risk arising from securitization transactions in which the investment firm is an investor, originator or sponsor, which ensure risk monitoring, evaluation, reporting and reduction. Internal policies and procedures under sentence one consider the reputational risk arising in relation to complex structures or products and ensure that the economic nature of the transaction is fully reflected in risk assessment and management decision-making. (2) The investment firm - originator of revolving securitization transactions with early repayment terms develops liquidity plans, including both scheduled and early repayment. Art. 76. (1) The investment firm market risk capital requirements, calculated in accordance with Part Three, Title IV of Regulation (EU) No. 575/2013. (2) The investment firm develops, adopts and implements a policy and procedures for managing market risk, which ensure that the firm: 1. establishes, measures and manages all significant sources and effects of market risk; 2. also provides for measures against the risk of a shortage of liquid funds, when the short position matures before the corresponding long position; 3. applies measures that ensure that the internal capital is adequate to cover the significant market risks for which no own funds requirement applies. (3) In the cases of calculating capital requirements for position risk according to Part Three, Title IV, Chapter 2 of Regulation (EU) No. 575/2013, if the investment firm has netted its positions in one or more securities constituting a stock index, against one or more positions in an index-linked future or other index-linked product, must have adequate internal capital to cover the basis risk of loss that may arise from a mismatch between the change in the value of the future or the other product and the change in the value of the securities constituting the index. The investment firm must also have adequate internal capital when it holds opposite positions in index-linked futures that are not identical in maturity or composition or both. (4) The investment firm maintains sufficient internal capital to cover the risk of loss existing between the moment of the initial assumption of the obligation and the next working day, when Art. 345 of Regulation (EU) No. 575/2013 applies. Art. 77. (1) The investment firm introduces and implements internal systems, uses a standardized methodology or a simplified standardized methodology for establishing, evaluating, managing and limiting the risks arising from potential changes in interest rates that affect both the economic value of the capital and the net interest income from activities outside the trading book of the investment firm. (2) The investment firm introduces and implements systems for assessing and monitoring the risks arising from potential changes in credit spreads, which affect both the economic value of the capital and the net interest income from activities outside the trading book of the investment firm.. (3) The Commission, on the proposal of the Deputy Chairperson may require an investment firm to use the standardized methodology specified in para. 1, when

the internal systems introduced for the purpose of evaluating the risks under para. 1 are not satisfactory. (4) The Commission, on the proposal of the Deputy Chairperson, may demand from an investment firm, which is a small and non-complex institution according to the definition in Art. 4(1)(145) of Regulation (EU) No. 575/2013, to use the standardized methodology when it considers that the simplified standardized methodology is not suitable for reflecting the interest rate risk arising from the activities outside the trading book of the investment firm. (5) The investment firm complies with the guidelines of the EBA, which define criteria for assessing the risks under para. 1 of the internal systems, for establishing, managing and limiting the risks under para. 1 on the part of the investment firms, to assess and monitor the risks under para. 2 by the investment firms and to determine which of the internal systems applied by the investment firms for the purposes of para. 1 are not satisfactory, as indicated in para. 3, when the Commission has decided to apply them in its supervisory practice. Art. 78. (1) The investment firm duly documents the data regarding loans granted to members of the management and control body and to their related parties, and upon request provides them to the Commission or the Deputy Chairperson. (2) For the purposes of para. 1 the term "related party" means: 1. spouse, registered partner under national law, child or parent of a member of the management or control body; 2. a company in which a member of the management or control body or a member of their family, referred to in item 1, owns a qualified shareholding of 10% or more of the capital or voting rights in the company or in which these persons can exercise significant influence or hold senior management positions, or are members of the management or control body. Art. 79. (1) The investment firm operational risk capital requirement calculated in accordance with Part Three, Title III of Regulation (EU) No. 575/2013. (2) The investment firm develops, adopts and implements policy and procedures for operational risk management, which ensure assessment and management of exposures to operational risk, including model risk, and to outsourcing risks, as well as to cover events with low frequency and significant negative impact. (3) For the purposes of para. 2 the investment firm determines the scope of the operational risk to which it is exposed, as well as the risk factors and events related to the operational risk. (4) The investment firm maintains action plans in case of unforeseen circumstances, to ensure the continuity of the activity and to limit losses in the event of crisis situations. Art. 80. (1) The investment firm develops policy, procedures and systems for establishing, measuring, managing and monitoring liquidity risk for appropriate time horizons, including within the working day, so as to ensure the maintenance of adequate levels of liquidity buffers. These procedures, policies and systems meet the following requirements: 1. they are developed depending on the groups of activities, currencies, branches and legal entities in the group; 2. they include appropriate mechanisms for the distribution of liquidity-related costs, benefits and risks; 3. they are proportional to the complexity, risk profile, scope of business of the investment firm and the risk tolerance determined by the management body of the investment firm; 4. reflect the importance of the investment firm in each

Member State in which it operates. (2) The investment firm shall publish appropriate information on the determined risk tolerance for each group of activities. Art. 81. (1) The risk profile of the investment firm, related to the liquidity risk, must be consistent with the nature, scale and complexity of its activity and comply with the requirements for a well-functioning and stable system. (2) The Deputy Chairperson supervises the risk profile of each investment firm and ensures that it is not exceeded. The assessment of the risk profile related to liquidity risk takes into account at least the models and volumes of the products offered, risk management, funding and concentration policy. (3) The Deputy Chairperson takes effective actions when the development of the liquidity risk-related risk profile may lead to instability of the investment firm or the system as a whole, and the Commission informs the EBA of the actions taken. Art. 82. The investment firm develops methodologies for establishing, measuring, managing and ongoing control of funding sources, which cover: 1. the current and projected significant cash flows in and resulting from assets, liabilities and off-balance sheet items, including contingent liabilities; 2. the possible effect of reputational risk. Art. 83. (1) When managing liquidity risk, the investment firm distinguishes, especially in emergency situations, the assets provided as collateral and the freely available unencumbered assets. (2) In the cases under para. 1 the investment firm takes into account at least the following factors: 1. the person holding the assets; 2. the country in which the assets are legally registered in a register or account; 3. to what extent the assets are eligible; 4. can the assets be mobilized in a timely manner. (3) In the management of liquidity risk the investment firm takes into account the existing legislative, regulatory and operational restrictions on the transfer of liquid funds and assets, free of encumbrances, between persons, both within the European Economic Area and outside it. Art. 84. (1) The investment firm adopts rules for credit risk mitigation, in which it considers the possibility of using various instruments, including the introduction of a system of limits and liquidity buffers, in order to be able to withstand a number of different crisis circumstances, as well as adequately diversifying the funding structure and access to funding sources. (2) The investment firm performs a regular review of the rules under para. 1 at least once a year by January 31. (3) For the purposes of liquidity risk management, the investment firm examines alternative scenarios in relation to its liquidity positions and risk-reducing factors and reviews at least once a year the assumptions on which its funding source decisions are made. (4) The alternative scenarios under para. 3 cover in particular the offbalance sheet positions and other contingent liabilities, including the liabilities of Securitisation Special Purpose Entities (SSPEs) or other special purpose entities in respect of which the investment firm acts as a sponsor or provides significant liquidity support. (5) The investment firm takes into account the possible impact of other alternative scenarios related to the specifics of its activity and the market as a whole, as well as combined alternative scenarios between the two. The investment firm takes into account different time horizons and different degrees of simulated crisis conditions. (6) The investment firm adjusts the policy and limits for liquidity

risk and develops effective plans for action in unforeseen circumstances, taking into account the results of the alternative scenarios specified in para. 3. Art. 85. (1) In order to overcome possible liquidity difficulties, the investment firm develops liquidity recovery plans, containing appropriate measures for their implementation in the event of a possible lack of liquidity, including for the branches opened in another Member State. (2) The plans under para. 1 are subject to testing at least once a year and updating based on the results obtained from the alternative scenarios specified in Art. 82, are reported to the management body of the investment firm which shall approve them. Liquidity risk management policy and processes are adjusted based on the results as necessary. (3) The investment firm shall take the necessary actions in advance to ensure that the liquidity recovery plans can be implemented immediately. (4) The actions under para. 3 include the holding of collateral that can be immediately used to obtain funding from the central bank. This includes, if necessary, holding collateral in the currency of another Member State or a third country to which the investment firm has exposures, and when necessary from an operational point of view - in the territory of a host Member State or a third country in whose currency the investment firm has exposures. Art. 86. (1) When determining the risk of excessive leverage, the investment firm complies with the provisions of Part Seven of Regulation (EU) No. 575/2013. (2) The investment firm adopts a policy and procedures that govern the risk of excessive leverage, which ensure that the firm identifies, manages and monitors the risk of excessive leverage. (3) The indicators for the risk of excessive leverage include a leverage ratio calculated according to Art. 429 of Regulation (EU) No. 575/2013, and mismatches between assets and liabilities. (4) The investment firm takes precautionary measures to overcome the risk of excessive leverage, duly accounting for its increase due to a reduction in own funds as a result of expected or incurred losses, depending on the applicable accounting rules under Switzerlandn legislation, in order to be able to withstand a series of crisis situations related to the risk of excessive leverage. Section IV Remuneration requirements, remuneration policy and its implementation Art. 87. (1) The investment firm develops and implements policies that cover all forms of remuneration, such as salaries and other financial and material incentives, including discretionary pension benefits for the categories of employees whose professional activities have a significant impact on the risk profile of the investment firm. (2) For the purposes of para. 1 the categories of employees whose professional activities have a significant impact on the institution's risk profile include at least: 1. members of the management and control bodies and senior management; 2. the employees with management responsibility for the control functions or for the essential business units of the investment firm; 3. the employees who in the past financial year received a significant remuneration, under the following conditions: a) the employee's remuneration is greater than or equal to the BGN equivalent of EUR 500,000 and greater than or equal to the average remuneration received by the members of the management and control body of the investment firm; b) the employee exercises their professional activity

in a significant business unit and their activity is of such a nature that it has a significant impact on the risk profile of this unit. (3) When preparing and implementing the remuneration policy, the investment firm takes into account the nature, scale and complexity of the activity, the internal organization and the scope of the investment services and activities performed, applying the following principles: 1. ensuring reliable and effective risk management and not encouraging the assumption of risk that exceeds acceptable levels for the investment firm; 2. the remuneration policy is gender neutral; 3. ensuring compliance with the strategy, goals, values and long-term interests of the investment firm and implementing measures to avoid conflicts of interest. (4) Investment firms may determine, in addition to fixed and variable remuneration, provided that the fixed one represents a sufficiently high share of the total remuneration and it is possible to apply a flexible policy regarding the variable remuneration, including the option of non-payment. (5) The investment firm defines in its remuneration policy separate criteria for determining: 1. the permanent remuneration depending on the professional experience and the functional responsibilities of the position, specified in the job description of the employee as part of the terms of the employment contract or in the management contract; and 2. the variable remuneration tied to the permanent performance and consistent with the risks assumed, as well as with the performance exceeding the requirements specified in the job description of the employee as part of the terms of the employment contract or in the management contract. Art. 88. (1) The management body of the investment firm drafts the remuneration policy, which is approved by the general meeting. The management body of the investment firm performs a periodic review of the main principles of the policy and update is at least once a year by January 31 and presents it to the general meeting together with the management report. If necessary, the review under sentence one is performed more often. 2. The implementation of the remuneration policy is subject to periodic and independent internal review at least once a year by the internal audit unit, if there is one, and in other cases - by the unit performing the function in accordance with the regulatory requirements; Art. 89. (1) Employees performing control functions are independent of the functions in the investment firm over which they exercise control, they have the proper authorisations and receive remuneration according to how well they perform their functions, regardless of the results achieved by the structural units they control; (2) The remuneration of the heads of the risk management unit and the regulatory compliance unit (internal control) is supervised directly by the remuneration committee. In the event that such a committee is not established, the supervision is carried out by the relevant control body. Art. 90. 1. Variable remuneration is tied to performance, its total amount is determined as a combination of the individual performance of each employee, the relevant structural unit performance, as well as of the overall performance of the investment firm; The assessment of each employee's performance is based on financial and non-financial criteria. (2) The evaluations under para. 1 cover a period of several years, so that the process is based on the

long-term performance of the activity and the payment of the elements of variable remuneration is distributed over a period taking into account the economic cycle and the risks taken by the investment firm.. (3) The assessment of performance used to calculate the variable elements of remuneration and their distribution includes an adjustment for all types of current and future risks and takes into account the cost of capital as well as the necessary liquidity. (4) The variable remuneration is determined so that its total amount does not limit the investment firm's ability to maintain and improve its capital base. (5) The investment firm may not pay the variable remuneration with instruments or methods that facilitate the circumvention of the requirements of Regulation (EU) No. 575/2013, MFIA and the acts on their implementation. 6. The benefits related to the early termination of an employment contract reflect the results achieved over time by the individual, and are set as not to reward failure or improper behaviour. (7) The benefits related to previous employment contracts take into account the long-term interests of the investment firm and are related to its policy for retention and attraction of employees, postponement of the payment of the variable elements of the remuneration, for the results of the activity and the possibility of reimbursement of paid amounts. (8) Employees of the investment firm may not use personal hedging or insurance strategies related to remuneration or liability in order to reduce the effect of the mechanisms of risk accounting underlying in their remuneration. Art. 91. (1) Guaranteed variable remuneration is not compatible with prudent risk management or the principle of pay for results and shall not be included in future remuneration plans. (2) The investment firm may provide guaranteed variable remuneration by exception only for newly appointed employees under Art. 87, para. 1 for the first year of their appointment and provided that the firm has own funds meeting the statutory requirements; Art. 92. (1) The investment firm determines the fixed and variable remuneration in an appropriate proportion so that the fixed remuneration represents a sufficiently high share of the total remuneration, enabling the application of a flexible policy regarding the components of variable remuneration, including the option of non-payment. (2) The investment firm may apply a discount rate specified in the EBA guidelines under para. 4, when the Commission has decided to apply them in its supervisory practice, with respect to a maximum of 25% of the total variable remuneration, provided that it is paid in instruments that are spread over a period of not less than five years. (3) The investment firm complies with the EBA's guidelines regarding the applicable provisional discount rate when the Commission has decided to implement them in its supervisory practice. Art. 93. (1) The variable remuneration, including its deferred part, is paid or determined only if the payment: 1. does not threaten the stability of the investment firm, taking into account its financial situation as a whole; 2. is justified on the basis of the results achieved by the investment firm, the business unit and the relevant person. (2) If the investment firm has realized a negative or lower than anticipated financial result, the total amount of the variable remuneration shall be limited by reducing both the current remuneration and the payments of deferred

remuneration or the refund of paid or acquired remuneration. (3) The investment firm may withhold or request refund of amounts that are up to 100% of the total variable remuneration. (4) The investment firm in its policy on variable remuneration, develops special criteria for the application of para. 3. (5) The criteria under para. 4 include at least cases where the employee: 1. had or was responsible for conduct that led to significant losses for the investment firm; 2. has failed to meet the relevant fit and proper standards. Art. 94. (1) Not less than 50% of the variable remuneration is a combination of the following components: 1. shares, other instruments related to shares, as well as equivalent non-monetary instruments issued by the investment firm; 2. when possible, other instruments within the meaning of Art. 52 or 63 of Regulation (EU) No. 575/2013 or other instruments that can be fully converted into Common Equity Tier 1 instruments or written off, which at any time adequately reflect the credit quality of the investment firm as a going concern and are suitable for use for variable remuneration purposes. (2) The instruments under para. 1 are subject to an appropriate transfer restriction policy aimed at achieving a match between the incentives and the long-term interests of the investment firm. (3) The requirements of para. 1 and 2 apply both to the part of the variable remuneration deferred in accordance with para. 4 - 6, as well as for the part that is not rescheduled. (4) The distribution of a significant part of the variable remuneration, which is not less than 40%, is rescheduled for a period of minimum duration of four to five years depending on the nature of the activity of the investment firm and the resulting risks, as well as from the position of the relevant employee. (5) For the members of the management and control body of an investment firm which is significant in terms of its size, internal organization and the nature, scale and complexity of its activities, the rescheduling period under para. 4 is not shorter than five years. (6) For persons receiving variable remuneration in a particularly large amount, the deferred part under para. 4 is at least 60%. (7) The duration of the period of postponement under para. 4 - 6 is determined according to the economic cycle, the nature of business of the investment firm, the associated risks and the activity of the specific employee. (8) The payment of deferred variable remuneration is carried out proportionally or through a gradual increase during the period of deferral. Accrual-deferred compensation payable under the terms of deferred distribution shall be granted no sooner than on a pro rata basis. (9) All types of current and future risks are taken into account during the distribution of the variable remuneration elements within the investment firm; (10) The requirements of para. 1, 2 and 3 may not apply if the total amount of the annual variable remuneration of the relevant person does not exceed BGN 30,000 and does not exceed 30 percent of the total annual fixed remuneration and if the requirements of Art. 88 have been observed. Art. 95. (1) The pension policy of the investment firm corresponds to its business strategy, its goals, its values, as well as its long-term interests, if it provides for discretionary pension benefits. (2) The retirement benefits under para. 1 are provided to employees who have acquired the right to a pension for insurance length of service and age, as the instruments

specified in Art. 94 and are subject to a fiveyear transfer restriction. (3) In case of termination of the legal relationship with the employee before they acquire the right to a pension for insurable service and age, the investment firm holds the retirement benefits in the form of those defined in Art. 94 instruments over a period of five years. Art. 96. (1) The requirements of Art. 94, para. 1 - 7 and Art. 95, para. 3 do not apply in respect of: 1. an investment firm, which is not a large institution according to the definition in art. 4, paragraph 1, item 146 of Regulation (EU) No. 575/2013 and the value of whose assets on average and on an individual basis according to the MFIA and Regulation (EU) No. 575/2013 is less than or equal to the BGN equivalent of EUR 5 billion in the last four years before the current financial year; 2. an employee whose annual variable remuneration does not exceed the BGN equivalent of EUR 50,000 and does not constitute more than one third of his total annual remuneration. Art. 97. (1) For the purposes of determining the elements of variable remuneration, the investment firm shall comply with the principles and rules under Art. 87 - 89, as well as the additional principles under Art. 90 - 95. (2) The investment firm complies with the regulatory technical standards of the EBA in connection with the implementation of the provisions of Art. 87, 88 and Art. 94, para. 1, item 2. Art. 98. The following rules apply to an investment firm that has benefited from extraordinary State aid: 1. variable remuneration is strictly limited as a percentage of net income, when it is incompatible with the maintenance of a reasonable capital base and the timely termination of State aid; 2. restructure the remuneration in a way that is consistent with reasonable risk management and long-term growth, including, when appropriate, the establishment of limits for the remuneration of persons who effectively lead the business activity of the investment firm; 3. no variable remuneration is paid to the persons who effectively lead the business of the investment firm, unless this is justified. Art. 99. (1) The remuneration committee in significant investment firms is responsible for preparing decisions regarding remuneration, including decisions that have an impact on the risk and risk management of the investment firm and which must be taken by the management or control body. (2) The Chairperson and representatives of the remuneration committee are members of the control body in the relevant investment firm. (3) When making decisions under para. 1, the remuneration committee takes into account the long-term interests of the shareholders or partners, investors and other interested parties in the investment firm, as well as the public interest. Art. 100. The composition of the remuneration committee under Art. 99, para. 1 is defined in such a way as to be able to make a competent and independent judgment on the remuneration policy of the investment firm, as well as on the incentives created for managing risk, capital and liquidity. Art. 101. The investment firm in connection with the remuneration policy makes public immediately after the approval by the governing body at least the information under Art. 450 of Regulation (EU) No. 575/2013. Art. 102. (1) The investment firm complies with the EBA's guidelines on having a reasonable remuneration policy compliant with the principles of Art. 87 - 95, when the Commission has decided to

implement them in its supervisory practice. (2) The investment firm complies with the EBA's guidelines to facilitate the implementation of Art. 94, para. 3, 4 and 5 of Directive 2013/36/EU and ensures their consistent application when the Commission has decided to implement them in its supervisory practice. Section V Supervisory review and evaluation Art. 103. (1) The review and evaluation under Art. 66 of the MFIA of the strategies, rules, processes and mechanisms introduced by the investment firm are carried out for compliance with the requirements of Regulation (EU) No. 575/2013, MFIA and the acts on their implementation, taking into account the technical criteria under Art. 105 - 107. During the examination, the following are assessed: 1. the risks to which the investment firm is or may be exposed; 2. the risks identified when applying stress tests, taking into account the nature, scale and complexity of the business of the investment firm. (2) On the basis of the review and evaluation under para. 1 the Commission, on the proposal of the Deputy Chairperson, determines whether the strategies, rules, processes and mechanisms introduced by the investment firm, their equity capital and/or liquid assets ensure stable management and coverage of the risks to which they are exposed. (3) The periodicity, frequency and scope of the review and evaluation under para. 1 are determined based on the size, systemic importance, nature, scale and complexity of the activity of each investment firm, taking into account the principle of proportionality. (4) The results of the review and evaluation under para. 1 are updated at least once a year for investment firm that are included in the plan for carrying out supervisory inspections under Art. 108, para. 3. (5) In the review and assessment under Art. 66 of the MFIA, the Commission may apply methodologies that take into account if investment intermediaries have a similar risk profile, similar business models or geographic location of the exposures. The methodologies may include risk-oriented comparative and quantitative indicators and should allow due consideration of the specific risks to which each investment firm may be exposed, and do not affect the specific nature of the coercive administrative measures for the respective investment firm under Part Three, Title Three Chapter Twenty-Four of the MFIA. (6) The Commission shall immediately inform the EBA of the results of the review under para. 1, when during its execution it is found that a certain investment firm may generate systemic risk according to Art. 23 of Regulation (EU) No. 1093/2010. (7) The Commission shall inform the EBA of: 1. the functioning of the process of review and evaluation under Art. 1-5; 2. the methodology of making the decisions under Art. 61, 105 - 107, 109 - 111 of this Ordinance and Part Three, Title Three, Chapter TwentyFour of MFIA based on the process under item 1; 3. the methods under para. 5 when they are used. (8) The Commission may apply the following issued by the EBA: 1. guidelines regarding further specification of general procedures and methodologies for the process of supervisory review and evaluation , as well as for the evaluation of the organization and the treatment of risks; 2. guidelines that specify how to assess similar risk profiles and which are issued to ensure the consistent and proportionate application of methodologies that are adapted to institutions with a similar profile, within the EU; 3. guidelines on the equal

inclusion of risks of an ecological, social or managerial nature in the process of supervisory review and evaluation. Art. 104. (1) When the review and evaluation under Art. 66 of the MFIA, and in particular the evaluation of the management rules, business model or activities of an investment firm, gives the Commission or the Deputy Chairperson reasonable grounds to suspect that in regarding the respective investment firm money laundering or financing of terrorism is being carried out, has been carried out or attempted, or that there is an increased risk of these phenomena, the Commission shall immediately notify the EBA and the State Agency National Security. (2) In the event of a potential increased risk of money laundering or terrorist financing, the Commission and the State Agency National Security shall keep in touch and immediately notify the EBA of their general assessment. The Commission, if necessary, takes measures in accordance with the MFIA and the acts on its implementation. Art. 105. (1) In addition to credit, market and operational risk, the review and evaluation under Art. 95 cover at least: 1. the results of stress tests performed according to Art. 177 of Regulation (EU) No. 575/2013 by investment firm applying an internal rating approach; 2. the exposure to concentration risk and the management of this risk by the investment firm, including compliance with the requirements under part four of Regulation (EU) No. 575/2013 and under Art. 74; 3. the reliability, adequacy and manner of application of the policy and procedures implemented by the investment firm for the management of residual risk related to the use of recognized techniques for credit risk mitigation; 4. the extent to which the equity owned by a given investment firm in relation to the assets it securitizes is sufficient given the economic nature of the transaction, including the degree of risk transfer achieved; 5. the exposure to liquidity risk, its measurement and management by the investment firm, including the development of analyses of alternative scenarios, the management of risk-reducing factors, including the size, composition and quality of liquidity buffers, as well as and effective contingency plans; 6. the impact of diversification effects and how these effects are accounted for by the risk measurement system; 7. the results of the stress tests conducted by the investment firms using an internal model for calculating the capital requirements for market risk according to part three, title IV, chapter 5 of Regulation (EU) No. 575/2013; 8. the geographical location of the exposures of the investment firm; 9. the business model of the investment firm; (2) For the purposes of para. 1, item 5, the Commission, on the proposal of the Deputy Chairperson, regularly performs a full assessment of the overall management of liquidity risk by the investment firm and promotes the development of stable internal models. (3) When performing the review under para. 1, item 5, the Commission, on the proposal of the Deputy Chairperson considers the role of the investment firm in the financial markets, as well as the possible impact of its decisions on the stability of the financial system in all other affected Member States. Art. 106. (1) The Commission, on the proposal of the Deputy Chairperson, monitors each investment firm to determine whether it has provided indirect support for securitization. If it is established that an investment firm has provided hidden support in more than one case, the

Commission, on the proposal of the Deputy Chairperson, takes the necessary measures to limit the consequences in relation to the increased probability that the investment firm will provide support to its securitization in the future and the impossibility to achieve a substantial transfer of risk. (2) For the purposes of the assessment under Art. 103, para. 2 the Commission, on the proposal of the Deputy Chairperson, assesses whether revaluating the positions in the trading book under Art. 105 of Regulation (EU) No. 575/2013 enables the investment firm to sell or hedge its positions in a short period of time without incurring significant losses under normal market conditions. (3) The review and evaluation include the investment firm's exposure to the interest rate risk arising from non-commercial activity. The Commission, on the proposal of the Deputy Chairperson, takes measures at least in the following cases: 1. when the economic value of the capital of an investment firm, as specified in Art. 77, para. 1 falls by more than 15% of its Tier 1 capital as a result of a sudden and unexpected change in interest rates, as envisaged in any of the six shock scenarios for supervisory purposes applied to interest rates; 2. when the net interest income of an investment firm referred to in Art. 77, para. 1, suffers a large drop as a result of a sudden and unexpected change in interest rates, as envisaged in each of the two shock scenarios for supervisory purposes applied to interest rates. (4) Regardless of para. 3 the Commission and the Deputy Chairperson are not obliged to exercise their supervisory powers when they consider, based on the review and assessment under this Article, that the investment firm's management of the interest rate risk arising from activities outside the trading book is adequate and that the investment firm is not excessively exposed to interest rate risk arising from activities outside the trading book. (5) For the purposes of para. 4 the term "supervisory powers" means the powers under Part Three, Title Three, Chapter Twenty-Four of the MFIA to apply coercive administrative measures or the power to specify modelling assumptions and parameters other than those specified by the EBA pursuant to Art. 106(5a) (b) of Directive 2013/36/EU, to be reflected by investment intermediaries in their calculation of the economic value of the capital according to Art. 77, para. 1. (6) The review and evaluation include the exposure to the risk of excessive leverage, which is expressed through the indicators of excessive leverage, including the leverage ratio calculated according to Art. 429 of Regulation (EU) No. 575/2013. When determining the adequacy of the investment firm's leverage ratio and the adequacy of the strategies, rules, processes and mechanisms it has implemented to manage the risk of excessive leverage, the Deputy Chairperson takes into account the investment firm's business model. Art. 107. (1) The review and evaluation under Art. 103 review and evaluate the management rules of the investment firm, its corporate culture and values, as well as the ability of the members of the management and control body to fulfil their duties. (2) When carrying out the review and evaluation, the Commission, on the proposal of the Deputy Chairperson, has access to at least the agenda and documents for the meetings of the general meeting, the management and control body and the committees of the investment firm, as well as to the results of the

internal or external evaluation of the activity of the relevant body. Art. 108. (1) By the end of the current calendar year the Deputy Chairperson shall adopt a plan for carrying out supervisory reviews of investment firms for the following calendar year. (2) When preparing the plan for carrying out supervisory reviews, the process of supervisory review and supervisory evaluation under Art. 103 is taken into account. The plan contains: 1. information on the way the Commission intends to perform its tasks and the allocation of resources; 2. information about the investment firms that are planned to be subject to enhanced supervision and the measures for such supervision according to para. 3; 3. a plan for inspections in the offices of investment firms, including branches and subsidiaries established in other member states, in accordance with Art. 230, 247, 248, 271 and 272 of the MFIA. (3) The plan for carrying out supervisory inspections includes the following investment firms: 1. the firms for which the results of the conducted stress tests under Art. 105, para. 1, items 1 and 7 and Art. 74 or the results of the supervisory review and supervisory evaluation show significant risks for their current financial stability or show a violation of the requirements of Regulation (EU) No. 575/2013, MFIA and their implementing acts; 2. any other investment firm for which the Commission considers it necessary to carry out an inspection. (4) Based on the results of the review and evaluation under Art. 103, the Deputy Chairperson may take additional measures in relation to any investment firm, namely: 1. increasing the number or frequency of on-site inspections; 2. permanent presence of representatives of the Commission at the headquarters, branches/offices of the investment firm; 3. reporting additional information or more frequent reporting regular information by the investment firm; 4. performing additional or more frequent reviews of the institution's operational or strategic plans or activity plans; 5. carrying out thematic inspections to monitor specific risks that are likely to materialize or specific activities, policies or applied practices. (5) The adoption of a plan for carrying out supervisory inspections by the Commission does not prevent the competent authorities of the host Member State from conducting, for each individual case, on-site inspections of the activities carried out by the branches of investment firms in their territory in accordance with Art. 271 of MFIA. (6) The adoption of a plan for carrying out supervisory inspections by the competent authorities of the Member State of origin does not prevent the Commission from carrying out, on a case-by-case basis, on-site inspections of the activities carried out by the branches of investment firms on the territory of the Republic of Switzerland in accordance with Art. 272 of the MFIA. Art. 109. (1) The Deputy Chairperson performs supervisory stress tests of investment firms at least once a year, and more often if necessary, to facilitate the review and evaluation process under Art. 103. (2) The Commission applies a methodology for carrying out stress tests under para. 1 in accordance with guidelines developed by the EBA. Art. 110. (1) In the cases of authorization issued by the Commission to the investment firm for the use of internal models for risk assessment, the Deputy Chairperson conducts a regular review at least once every three years of compliance with the requirements regarding the internal

models for calculating capital requirements in compliance with part three of Regulation (EU) No. 575/2013. (2) Based on the review carried out under para. 1, the Deputy Chairperson analyses and evaluates the changes in the activity of the investment firm and the application of these models in relation to the new products introduced and notifies the Commission of the performed review. (3) When significant deficiencies are identified in relation to risk coverage of the internal model of the investment firm the Commission, on the proposal of the Deputy Chairperson, takes action to eliminate the deficiencies or undertakes specific measures to limit their consequences, including by imposing higher multiplication factors or capital increase or other actions meant to remedy the deficiencies. (4) The Deputy Chairperson analyses and assesses in particular whether the investment firm uses well-developed and modern techniques and practices in internal models. (5) When the internal market risk model applied by the investment firm leads to multiple cases of overshootings under Art. 366 of Regulation (EU) No. 575/2013, which show that the model is not sufficiently accurate or does not correspond to the approved one, the Commission withdraws the authorization to use the internal model or imposes relevant measures to ensure its rapid improvement. Art. 111. (1) In cases of authorization issued by the Commission for the investment firm to use internal models for the calculation of capital requirements in accordance with Part Three of Regulation (EU) No. 575/2013 and when the investment firm no longer meets the requirements for the application of this model, within 7 days from the establishment the firm presents evidence acceptable to the Commission that non-compliance with these requirements does not have a significant effect on the result of the model or submits an action plan for timely restoration of compliance with the requirements and sets the deadline for the implementation of the plan. (2) The Commission, on the proposal of the Deputy Chairperson, may require the investment firm to amend the proposed plan in para. 1, if there is a possibility that it will not lead to full compliance with the requirements or if the deadline for its implementation is unacceptable. (3) If the probability that the investment firm will restore compliance with the requirements within a period acceptable to the Commission is small, or when the investment firm has not submitted evidence certifying that the effect of the non-compliance is insignificant, the Commission shall revoke the permission granted to use the internal model or limit the permission to the areas in which the requirements are met or in which compliance with the requirements can be achieved within an acceptable period. (4) The investment firm complies with the EBA's guidelines regarding recommended techniques when the Commission has decided to implement them in its supervisory practice. Section VI Information reporting and disclosure requirements for parent companies and investment firms; Art. 112. (1) The investment firm monitors compliance with the prudential requirements in Regulation (EU) No. 575/2013, MFIA and acts on their implementation and performs an internal analysis of capital adequacy on an individual basis. (2) The obligation under para. 1 is performed on an individual basis and by each investment firm that is not included in the consolidation under

Art. 19 of Regulation (EU) No. 575/2013. (3) The investment firm has reliable, effective and comprehensive strategies and processes for constantly assessing and maintaining the amount, types and distribution of internal capital that is adequate to cover the risks of the relevant nature and degree that it is or can be exposed to. The first sentence requirement is applied by investment firms on both an individual and a consolidated basis. (4) The strategies and processes under para. 3 are subjected by the investment firm to a regular internal review at least once a year until January 31 in order to ensure the that they are comprehensive and proportional to the nature, scale and complexity of the investment firm's activities. (5) The internal organization, administrative and accounting procedures of the investment firm provide an opportunity to the Commission to establish at any time its compliance with the prudential requirements under Regulation (EU) No. 575/2013, MFIA and this Ordinance . (6) In cases where an investment firm is controlled by a parent financial holding or a parent mixed financial holding to the extent and in the manner regulated in Part one, Title II, Chapter 2, Sections 2 and 3 of Regulation (EU) No. 575/2013, it fulfils the obligation under para. 3 and 4 on the basis of the consolidated state of the respective financial holding or mixed financial holding. (7) If the parent financial holding or the parent mixed financial holding on the territory of the Republic of Switzerland controls more than one institution, para. 6 applies only to the investment firm supervised on a consolidated basis in accordance with Art. 231 of MFIA. (8) An investment firm which is a subsidiary, fulfils the requirements of para. 3 and 4 on a sub-consolidated basis, if it or its parent company, when the latter is a financial holding or a fixed financial holding owns an institution, a financial institution or a management company as a subsidiary in a third country, as well as when they have a shareholding in such an enterprise. Art. 113. (1) Every day on an individual basis the investment firm prepares an analytical turnover sheet and financial information reports in accordance with IFRS (FINREP), as well as a report on capital adequacy and liquidity (COREP) according to established models. (2) The investment firm performs a valuation of the positions in its trading book every day, in accordance with Part Three, Title I, Chapter 3 of Regulation (EU) No. 575/2013. (3) The positions in the investment portfolio are evaluated at market prices at least once a month on the last working day of the respective month. When market price evaluation is not possible, the investment firm evaluates the positions in the investment portfolio according to a model defined in the rules. (4) The reports under para. 1, information on market prices, parameters and models for evaluating financial instruments and other data, on the basis of which the reports are prepared, are stored for at least 5 years on paper, magnetic, optical or other technical media under the conditions and in the order of Chapter Six of the Accounting Act by making an archive copy on an external medium. Art. 114. (1) For current reporting and control of its financial positions with sufficiently high accuracy, the investment firm is obliged to have at all times the necessary software and technical means. (2) Written information about the technical means and software under para. 1 shall be submitted to the Commission within 14 days

from the decision to enter the company in the Commercial Register, respectively of the change in the objects, after obtaining a license to operate as an investment firm. (3) Information on the changes in software shall be submitted to the Commission within 7 days of their implementation. (4) If the technical means or software do not create a sufficient capability for timely, accurate and complete monitoring and supervision of the financial status of the investment firm , the Deputy Chairperson may give mandatory instructions. Art. 115. (1) The investment firm discloses information under Part Eight of Regulation (EU) No. 575/2013 on an individual basis once a year within 90 days of the end of the financial year, and within 180 days of the end of the financial year - the relevant information on a consolidated basis . (2) Parent companies of the investment firm annually publish in full or through references to equivalent information a description of their legal structure and the management and organizational structure of the group of institutions. (3) The investment firm discloses all or part of the information under para. 1 with less periodicity by decision of the Deputy Chairperson. (4) Investment firms and parent companies disclose the information under para. 1 and 2, at least on their websites. Art. 116. The investment firm publishes on its website information regarding compliance with the requirements of the provisions under Art. 64, para. 2, Art. 134 of the MFIA and Art. 87 - 101. Art. 117. (1) Investment firms who are not licensed to provide additional services under Art. 6, para. 3, item 1 of the MFIA and perform one or more investment services under Art. 6, para. 2, item 1, 2, 4 and/or 5 of the MFIA, and who do not have the right to hold client money and securities, and for whom, for this reason, no obligations to clients can arise, submit to the Commission the balance sheet and statement of income and expenses and additional reports in forms approved by the Deputy Chairperson every quarter by the 15th day of the following month after the end of the reporting period. (2) Investment firms, with the exception of those under para. 1 submit to the Commission for each quarter additional reports in forms approved by the Deputy Chairperson within the terms specified in Art. 3 of Implementing Regulation (EU) No. 680/2014. (3) At the request of the Deputy Chairperson, investment firms shall submit additional information, including reports on financial information, as well as a report on capital adequacy and liquidity, for a shorter period. (4) By request of the Deputy Chairperson, the investment firm presents additional information and clarification regarding the reports, including analytical reports for each item. Art. 118. The investment firm shall notify the Commission of cases when the counterparties under repo transactions, reverse repo transactions or securities loan agreements do not comply with their commitments under these transactions and agreements, immediately, but no later than the following business day after the default date. Art. 119. The investment firm submits to the Commission information on its liquidity on an individual and consolidated basis in accordance with the procedure and within the terms specified in Art. 415 of Regulation (EU) No. 575/2013. Pursuant to the same article, investment firms also take into account the items providing stable funding specified in Art. 427 of Regulation (EU) No. 575/2013. Art. 120. (1) The investment

firm submits to the Commission information on its large exposures and other large exposures under Art. 394(1) of Regulation (EU) No. 575/2013 and additionally the information under Art. 394(2) of Regulation (EU) No. 575/2013 on a consolidated basis with content and within the terms specified in the regulation. (2) For the purposes of presenting the information under para. 1, the investment firm complies with the requirements of the implementing technical standards under Art. 394(4) of Regulation (EU) No. 575/2013. (3) The investment firm pursuant to Art. 249 of the MFIA notifies the Commission of any significant transaction with the parent mixed holding and with companies in the holding. Transactions are considered significant if their total value is more than one third of the lower value of the assets of the investment firm according to the last audited or the last prepared accounting balance sheet. Art. 121. (1) The investment firm submits to the Commission in accordance with Art. 430 of Regulation (EU) No. 575/2013 information on the leverage ratio and its components, calculated according to Art. 429 of Regulation (EU) No. 575/2013. (2) For the purposes of presenting the information under para. 1, the investment firm complies with the requirements of the implementing technical standards under Art. 430(2) of Regulation (EU) No. 575/2013. Art. 122. (1) The investment firm provides the following to the Commission together with the annual financial statements with data for the previous year: 1. data under Art. 450(1), letters "g", "h", "i" and "k" of Regulation (EU) No. 575/2013 and information on any pay gap between women and men; 2. the number of persons receiving remuneration equal to at least BGN 100,000 for the financial year, including their professional duties, field of activity, the main components of the general remuneration, bonuses, long-term benefits and pension contributions. (2) The Commission analyses the information under para. 1, item 1 to compare remuneration trends and practices. The Commission provides the received information to the EBA. Chapter Four CAPITAL BUFFERS WHICH INVESTMENT FIRMS UNDER ART. 9a, AL. 2 OF MFIA MUST MAINTAIN Section I General terms and concepts Art. 123. Pursuant to this section: 1. "Capital conservation buffer" is the equity that the investment firm must maintain according to Art. 125. 2. "Investment firm-specific countercyclical capital buffer" is the equity that the investment firm must maintain according to Art. 126. 3. "Global systemically important institution buffer" is the equity that must be maintained according to Art. 131. 4. "Other systemically important institution buffer" is the equity that may be required to be maintained according to Art. 134. 5. "Systemic risk buffer" is the equity that is required or may be required to be maintained by the investment firm pursuant to Art. 141 - 148. 6. "Combined buffer requirement" is the total amount of Common Equity Tier 1 capital required to cover the capital buffer requirement, supplemented by the investment firm-specific countercyclical capital buffer, the global systemically important institution buffer, the other systemically important institution buffer and the systemic risk buffer, if applicable. 7. "Level of the countercyclical buffer" is the level that the investment firm must apply in order to calculate its specific countercyclical capital buffer, and which is determined according to Art. 151 - 156, Art. 157 or by the relevant authority of a

third country depending on the specific case. 8. "Domestically licensed investment firm" is an investment firm licensed in the Member State for which the level of the countercyclical buffer is determined by the Commission. 9. "Buffer indicator" is a comparable buffer level calculated in accordance with ESRB guidelines for determining the countercyclical buffer level. Art. 124. (1) The investment firm may not use its own Common Equity Tier 1 capital it maintains to fulfil the combined buffer requirement specified in Art. 123, item 6, to fulfil any of the requirements specified in Art. 92, paragraph 1, letters "a" - "c" of Regulation (EU) No. 575/2013, of the additional capital requirements imposed pursuant to Art. 276c of the MFIA due to risks other than the risk of excessive leverage, and of the recommendation communicated pursuant to Art. 276 of the MFIA, due to risks other than the risk of excessive leverage. (2) The investment firm may not use its Common Equity Tier 1 capital it maintains to fulfil one of the elements of the combined buffer requirement to fulfil the other applicable elements of the combined buffer requirement. (3) The investment firm may not use the Common Equity Tier 1 capital it maintains to fulfil the combined buffer requirement under Art. 123, item 6, to fulfil the risk-based elements of the requirements under Art. 92a and 92b of Regulation (EU) No. 575/2013 and under Art. 69b - 69f of the Recovery and Resolution of Credit Institutions and Investment Firms Act. Section II Capital conservation buffer and specific countercyclical capital buffer Art. 125. (1) In addition to the Common Equity Tier 1 capital, which is maintained to fulfil any of the capital requirements specified in Art. 92, paragraph 1, letters "a" - "c" of Regulation (EU) No. 575/2013, the investment firm maintains a capital conservation buffer from the Common Equity Tier 1 capital equal to 2.5% of the amount of its total risk exposure on an individual and consolidated basis, calculated in accordance with Art. 92(3) of Regulation (EU) No. 575/2013 and applicable in accordance with Part One, Title II of the same Regulation. (2) When an investment firm does not completely fulfil the requirement of para. 1, it is subject to the restrictions regarding distributions provided for in Art. 160, para. 2 - 4. Art. 126. (1) The investment firm maintains a specific countercyclical capital buffer equal to the amount of its total risk exposure, calculated in accordance with Art. 92(3) of Regulation (EU) No. 575/2013, multiplied by the weighted average value of the levels of the countercyclical buffer which are calculated according to Art. 159 on an individual and consolidated basis as applicable in accordance with Part One, Title II of Regulation (EU) No 575/2013. This buffer consists of Common Equity Tier 1 capital. (2) When an investment firm does not completely fulfil the requirement of para. 1, it is subject to the restrictions regarding distributions provided for in Art. 160, para. 2 - 4. Section III Buffers for global and other systemically important institutions that the Commission supervises on a consolidated basis Art. 127. (1) A global systemically important institution, hereinafter referred to as "G-SII", means: 1. a group managed by an EU parent investment firm, EU parent financial holding or EU parent mixed financial holding, or 2. an investment firm that is not a subsidiary of an EU parent investment firm, an EU parent financial holding or a EU parent mixed financial holding. (2) A G-SII

is an institution over which the Commission exercises supervision on a consolidated basis. (3) A G-SII under para. 1 is identified by the Commission on a consolidated basis between the subjects under para. 1. (4) A G-SII is identified on the basis of a methodology containing the following categories: 1. group size; 2. interconnectedness of the group with the financial system; 3. availability of substitutes for the services or financial infrastructure provided by the group; 4. complexity of the group; 5. cross-border activity of the group, including cross-border activity between Member- states and between a Member State and a third country. (5) The methodology under para. 4 is used to obtain an overall rating for each entity under para. 1 - 3, which allows it to be identified and distributed in a given subcategory according to Art. 132. (6) The Commission, on the proposal of the Deputy Chairperson, identifies G-SIIs under para. 1, and each category under para. 4 is given equal weight and consists of quantitative indicators. Art. 128. (1) The additional methodology for identifying G-SIIs is based on the following categories: 1. the categories in Art. 127, para. 4, item 1 - 4; 2. the group's cross-border activity, with the exception of the group's activities in the participating Member States, as specified in Art. 4 of Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010 (OJ, L 225/1 of July 30, 2014). (2) Each category under para. 1 is given equal weight and consists of quantitative indicators. For the categories specified in para. 1, item 1, the indicators are the same as the corresponding indicators determined according to Art. 127, para. 4. (3) By means of the additional methodology for identification, an additional general rating is obtained for each evaluated entity, based on which one of the measures specified in Art. 132, para. 5, item 3. Art. 129. (1) Other systemically important institution, hereinafter referred to as "O-SII", may be an investment firm or a group led by an EU parent investment firm, an EU parent financial holding or an EU parent mixed financial holding, a parent investment firm in a Member State, a parent financial holding in a Member State or a parent mixed financial holding in a Member State, which the Commission supervises on a consolidated or sub-consolidated basis or on an individual basis. (2) An O-SII under para. 1 is identified by the Commission between the subjects under para. 1. (3) An O-SII is identified in accordance with para. 1 and 2 on the basis of at least one of the following criteria: 1. size; 2. significance for the economy of the EU or the Republic of Switzerland; 3. significance of cross-border activities; 4. interconnectedness of the investment firm or group with the financial system. (4) The Commission complies with the guidelines of the EBA in relation to the criteria for determining the conditions for applying the provisions under para. 1 - 3 regarding the evaluation of O-SII which it has decided to apply. Art. 130. (1) The Commission, on the proposal of the Deputy Chairperson, reports the identified G-SII and O-SII and the corresponding subcategories in which each G-SII belongs to the ESRB. The Commission, on the proposal of the Deputy Chairperson,

announces them publicly, as well as the subcategory in which each G-SII is allocated. (2) The Commission annually reviews the identified G-SII and O-SII, as well as the allocation of G-SII to the relevant subcategories. (3) The Commission, on the proposal of the Deputy Chairperson, shall notify the relevant systemically important institution and ESRB of the result of the review. The Commission, on the proposal of the Deputy Chairperson, publicly announces the updated list of identified G-SII and OSII and the corresponding subcategories in which each G-SII belongs, to the ESRB. Art. 131. (1) An institution identified as globally systemically important on a consolidated basis shall maintain a mandatory G-SII buffer corresponding to the sub-category to which it belongs. (2) The buffer for G-SII consists of Common Equity Tier 1 capital. (3) The G-SII buffer is in addition to the existing Common Equity Tier 1 capital. Art. 132. (1) The subcategories of G-SII are at least five. (2) The lowest limit and the limits between the relevant subcategories are determined by the ratings determined in accordance with the methodology for identification under Art. 127, para. 4. (3) Ratings defining the boundary between adjacent sub-categories are clearly defined and subject to the principle of a constant linear increase in systemic importance, with each sub-category receiving a linear increase in the requirement of additional Common Equity Tier 1 capital, except for the fifth subcategory and any higher subcategory added. Systemic importance is the expected impact of the impact of G-SIIs on the global financial market. (4) For the lowest subcategory, the G-SIIs buffer is set as 1% of the amount of total risk exposure, calculated in accordance with Art. 92(3) of Regulation (EU) No. 575/2013, and the buffer for each subcategory is increased by a step of at least 0.5% of the amount of total risk exposure, calculated in accordance with Art. 92(3) of Regulation (EU) No. 575/2013. (5) At its supervisory discretion, the Commission may: 1. move a G-SII from a lower to a higher subcategory; 2. to allocate an entity referred to in Art. 127, para. 1, with an overall rating that is lower than the lowest limit, in the lowest or higher subcategory, designating it as a G-SII; 3. taking into account the Single Restructuring Mechanism, based on the additional overall rating specified in Art. 128, to move a G-SII from a higher to a lower subcategory. Art. 133. Without prejudice to the provisions of Art. 127 and in the reasonable exercise of its supervisory powers, the Commission, on the proposal of the Deputy Chairperson may: 1. move a G-SII from a lower to a higher subcategory; 2. moved the institution referred to in Art. 129, with an overall rating that is lower than the cut-off value of the lowest sub-category to be included as G-SII; this institution may be categorized in the lowest subcategory or higher. Art. 134. (1) The Commission, on the proposal of the Deputy Chairperson, may require an institution identified as O-SII on a consolidated, sub-consolidated or individual basis, as applicable, to maintain an O-SII buffer in the amount of up to 3% of the amount of total risk exposure, calculated in accordance with Art. 92(3) of Regulation (EU) No. 575/2013, respecting the criteria for identification of O-SII. (2) The buffer for O-SII consists of Common Equity Tier 1 capital. Art. 135. Upon approval by the European Commission, the Commission, on the proposal of the Deputy Chairperson may

require from each O-SII on a consolidated, sub-consolidated or individual basis, to maintain an O-SII buffer higher than 3% of the amount of total risk exposure, calculated in accordance with Art. 92(3) of Regulation (EU) No. 575/2013. This buffer consists of Common Equity Tier 1 capital. Art. 136. (1) The Commission, on the proposal of the Deputy Chairperson, may require by decision any D-SII on a consolidated, subconsolidated or individual basis, as applicable, to maintain a D-SII buffer. (2) When setting a requirement to maintain an O-SII buffer, the Commission: 1. ensures that the buffer does not lead to disproportionately negative consequences for all or parts of the financial system of other Member States or of the EU as a whole or creates an obstacle to the functioning of the internal market; 2. reviews the buffer at least once a year. Art. 137. (1) Before the initial or subsequent determination of an OSII buffer, the Commission shall notify the ESRB one month before publication of the decision under Art. 134, accordingly three months before publication of the decision under Art. 135. (2) The notification under para. 1 includes: 1. justification of the likelihood that the requirement to maintain a OSII buffer is an effective and proportionate means of reducing risk; 2. assessment of the likely positive or negative impact of the O-SII buffer on the internal market, based on available information; 3. the level of the O-SHI buffer that the Commission determined. Art. 138. Where an O-SII is a subsidiary of a G-SII and an O-SII that is either an institution or a group led by an EU parent institution and is subject to an O-SII buffer requirement on a consolidated basis, the O-SII buffer applicable on an individual or sub-consolidated basis does not exceed the lower of: 1. the sum of the higher of the buffer level for G-SII or O-SII, applicable to the group on a consolidated basis, and 1% of the amount of the total risk exposure, calculated in accordance with Art. 92, paragraph 3 of Regulation (EU) No. 575/2013, and 2. 3% of the amount of total risk exposure, calculated in accordance with Art. 92(3) of Regulation (EU) No. 575/2013, or the level that the European Commission has given permission to apply to the group on a consolidated basis in accordance with Art. 135. Art. 139. Where a group is subject to the G-SII and O-SII buffer requirement on a consolidated basis, the higher buffer applies. Art. 140. (1) When an investment firm is subject to a systemic risk buffer requirement, the systemic risk buffer is cumulative to the O-SII buffer or the G-SII buffer. (2) When the sum of the level of the systemic risk buffer and the OSII or G-SII buffer applicable to the investment firm is higher than 5%, Art. 135 shall apply. Section IV Requirement to maintain a systemic risk buffer Art. 141. (1) The Commission, on the proposal of the Deputy Chairperson, may determine a systemic risk buffer, consisting of Common Equity Tier 1 capital, for the sector of investment firms, for a part of it, for all or for a group of exposures under para. 4 in order to prevent and reduce macroprudential or systemic risks that are not covered by Regulation (EU) No. 575/2013, the countercyclical capital buffer and the O-SII and G-SII buffers and could cause disturbances in the financial system and severe negative consequences for the latter and for the real economy in the Republic of Switzerland. (2) The investment firm calculates its systemic risk buffer according to the following formula: where:

BSR – Systemic risk buffer rT = level of the buffer applicable to the amount of the total risk exposure of the investment firm; ET = amount of the total risk exposure of the investment firm, calculated in accordance with Art. 92(3) of Regulation (EU) No. 575/2013; i = index indicating the subgroup of exposures specified in para. 4; ri = buffer level applicable to the risk exposure size of exposure subset i; and Ei = amount of the risk exposure of the investment firm for exposure subgroup i, calculated in accordance with Art. 92(3) of Regulation (EU) No. 575/2013; (3) Investment firms maintain a systemic risk buffer in Common Equity Tier 1 capital calculated in accordance with para. 2, on an individual, consolidated or sub-consolidated basis, as applicable in accordance with Part One, Title II of Regulation (EU) No 575/2013. (4) The systemic risk buffer may be applied to: 1. all exposures in the Republic of Switzerland; 2. sector exposures in the Republic of Switzerland, as follows: a) all retail exposures to individuals secured by residential properties; b) all exposures to legal entities secured by mortgages on commercial real estate; c) all exposures to legal entities, with the exception of those specified in letter "b"; d) all exposures to natural persons, with the exception of those specified in letter "a"; 3. all exposures in other Member States under the conditions of Art. 145 and 148; 4. the sector exposures under item 2 in other Member States, only when this is necessary to recognize a buffer level determined by another Member State; 5. exposures in third countries; 6. subgroups of the exposure categories specified in item 2. (5) The Commission shall apply the guidelines issued by the EBA regarding the relevant subgroups of exposures to which it may apply a systemic risk buffer pursuant to para. 4, item 6. (6) The systemic risk buffer is applied to all exposures or subgroups of exposures specified in para. 4, to all investment intermediaries or to a part of them and is determined in adjustment steps of 0.5 percentage points or in multiples thereof. Different requirements may be introduced for different subgroups of investment firms or exposures. The systemic risk buffer does not apply to the risks that fall within the scope of Art. 126 and Section III. (7) When setting a requirement to maintain a systemic risk buffer, the Commission: 1. ensures that the systemic risk buffer does not lead to disproportionately negative consequences for all or parts of the financial system of other Member States or of the Union as a whole or creates an obstacle to the functioning of the internal market; 2. reviews the systemic risk buffer at least once every two years; 3. ensures that the systemic risk buffer does not apply to the risks that fall within the scope of countercyclical buffer and G-SII and O-SII buffers. Art. 142. (1) The Commission shall notify the ESRB before the publication of the decision under Art. 146, including when it pertains to exposures in third countries. When an investment firms to which one or more systemic risk buffer levels apply is a subsidiary of a parent company established in another Member State, the Commission shall also notify the authorities of that Member State. (2) The notification under para. 1 contains a detailed description of: 1. macroprudential or systemic risks in the Republic of Switzerland; 2. the reasons why the levels of systemic and macroprudential risks threaten the stability of the financial system of the Republic of Switzerland, which

justifies the determined buffer for systemic risk; 3. the justification of the probability that the systemic risk buffer will be an effective and proportionate means of reducing the risk; 4. assessment of the likely positive or negative impact of the systemic risk buffer on the internal market, based on available information; 5. the level or levels of the systemic risk buffer that the Commission intends to determine and the exposures and investment firms to which they will apply; 6. where the systemic risk buffer level will apply to all exposures, the reasons why the Commission considers that the systemic risk buffer does not duplicate the functions of the O-SII buffer. (3) When the decision to determine the level of systemic risk buffer leads to lowering or maintaining the level of the buffer determined at an earlier stage, the Commission complies only with para. 1 and 2. Art. 143. (1) When the initial or subsequent determination of the level or levels of the systemic risk buffer for each group or subgroup of exposures listed in Art. 141, para. 4, for which one or more systemic risk buffers are applied, does not result in a combined systemic risk buffer level higher than 3% for any of these exposures, the Commission notifies the ESRB pursuant to Art. 142, para. 1 and 2 one month before the publication of the decision under Art. 146. (2) For the purposes of para. 1 the recognition of a systemic risk buffer level determined by another Member State shall not be included in the 3% threshold. Art. 144. (1) When the initial or subsequent determination of the level or levels of the systemic risk buffer for each group or subgroup of exposures listed in Art. 141, para. 4, for which one or more systemic risk buffers are applied, results in a combined systemic risk buffer level of between 3% and 5% for any of these exposures, with the notification under Art. 142 the Commission makes a request to the European Commission for an opinion. (2) In case of a negative opinion of the European Commission, the Commission complies with the opinion or presents the reasons for not complying with it. (3) When an investment firms to which one or more systemic risk buffer levels apply is a subsidiary of a parent company established in another Member State, with the notification under Art. 142 the Commission makes a request to the European Commission and ESRB for an opinion. (4) In the event of disagreement between the authorities of the subsidiary and the parent company regarding the level or levels of the systemic risk buffer applicable to the relevant investment firm, and in the event that the European Commission and the ESRB give negative recommendations, the Commission may refer the matter to the EBA and requested his assistance in accordance with Art. 19 of Regulation (EU) No. 1093/2010. The Commission does not make a decision on setting the level or levels of the systemic risk buffer for these exposures before the EBA takes a decision. Art. 145. (1) When the initial or subsequent determination of the level or levels of the systemic risk buffer for each group or subgroup of exposures listed in Art. 141, para. 4, for which one or more systemic risk buffers are applied, results in a combined systemic risk buffer level of more than 5% for any of these exposures, the Commission requests permission from the European Commission before applying the systemic risk buffer. (2) The Commission applies the systemic risk buffer after the adoption of an act by the European Commission, with which

the European Commission authorizes the application of the specified buffer. Art. 146. (1) The Commission shall disclose the initial or subsequent determination of one or more levels of the systemic risk buffer by publishing them on its website. (2) The disclosure under para. 1 covers at least the following risks: 1. the level or levels of the systemic risk buffer; 2. the investment firms to which the systemic risk buffer applies; 3. the exposures to which the systemic risk buffer level or levels apply; 4. the grounds for the initial or subsequent determination of the level or levels of the systemic risk buffer; 5. the date from which investment firms apply the initially determined or subsequently determined level of the systemic risk buffer; and 6. the countries when the exposures in these countries are included in the application of the systemic risk buffer. (3) When the disclosure of the information under para. 2, item 4 could threaten the stability of the financial system, this information is not disclosed. Art. 147. (1) When an investment firm does not completely fulfil the requirement under Art. 141, para. 1, it is subject to the restrictions regarding distributions provided for in Art. 160, para. 2 - 4. (2) When the application of the restrictions regarding distributions does not lead to a satisfactory improvement of the Common Equity Tier 1 capital of the investment firm in the context of the relevant systemic risk, measures may be taken under Part Three, Title Three, Chapter TwentyFour of MFIA. Art. 148. When the Commission decides to set the systemic risk buffer due to the presence of exposures in other Member States, the buffer shall be set in the same way for all exposures within the Union, unless the buffer is set to recognize the level of the systemic risk buffer determined by another Member State. Section IV Recognizing the level of systemic risk buffer Art. 149. (1) The Commission, on the proposal of the Deputy Chairperson, may recognize and apply the level of the systemic risk buffer determined in another Member State, and require its application by domestically licensed investment firms in relation to their exposures in that Member State. (2) When deciding whether to recognize the level of systemic risk buffer, the Commission takes into account the information provided by the competent authority or the designated authority of the relevant Member State in connection determining the buffer. (3) The Commission shall notify the ESRB when it recognizes the level of the systemic risk buffer for a domestically licensed investment firm. (4) In the cases under para. 1, the systemic risk buffer determined in the other Member States can be cumulative to the systemic risk buffer under Art. 141 - 148, provided that the two buffers relate to different risks. Where the buffers relate to the same risks, only the higher buffer applies. Art. 150. The Commission may request the ESRB to make a recommendation under Art. 16 of Regulation (EU) No 1092/2010 of the European Parliament and of the Council of 24 November 2010 on European Union macro-prudential oversight of the financial system and establishing a European Systemic Risk Board (OJ, L 331/1 of December 15, 2010) to one or more Member States to recognize the level of the systemic risk buffer determined pursuant to Art. 141 - 148. Section VI Determining the level of the countercyclical capital buffer Art. 151. (1) Calculating the level of the countercyclical buffer for exposures in the Republic of Switzerland of the

investment firms is determined by the Commission on the proposal of the Deputy Chairperson. (2) The Commission, on the proposal of the Deputy Chairperson, may calculate for each quarter a buffer indicator to serve as a reference and guideline in determining the level of the countercyclical buffer for investment firms in accordance with Art. 152. (3) The buffer indicator reflects the credit cycle and the risks caused by excessive credit growth in the Republic of Switzerland, and duly takes into account the specifics of the national economy. It is calculated based on the deviation from the long-term trend of the loans-to-GDP ratio, also taking into account: 1. the growth of credit activity, and in particular the change in the ratio of granted loans to GDP in the Republic of Switzerland; 2. any current guideline of the ESRB. Art. 152. (1) The Commission, on the proposal of the Deputy Chairperson, evaluates on a quarterly basis the intensity of the cyclical systemic risk and the appropriateness of the level of the countercyclical buffer for the Republic of Switzerland and, if necessary, determines or adjusts the level of the buffer. (2) The level of the countercyclical buffer for investment firms is determined by: 1. the buffer indicator according to Art. 151, para. 2 and 3; 2. any current guideline supported by the ESRB and recommendation given by the ESRB for determining the buffer level; 3. other variables that are appropriate to overcome cyclical systemic risk. Art. 153. (1) The level of the countercyclical buffer for investment firms is determined in the range from 0% to 2.5% of the total amount of risk exposures, calculated in accordance with Art. 92(3) of Regulation (EU) No. 575/2013 of an investment firm that has credit risk exposures in the relevant Member State. (2) The level of the countercyclical buffer for investment firms is calibrated at intervals of 0.25 percentage points or multiples of 0.25 percentage points. (3) The Commission, on the proposal of the Deputy Chairperson may, according to the considerations specified in Art. 152, determine for the countercyclical buffer for investment firms a level above 2.5% of the total amount of risk exposures, calculated in accordance with Art. 92(3) of Regulation (EU) No. 575/2013, for the purposes specified in Art. 151, para. 6. Art. 154. (1) When the Commission establishes for the first time the level of the countercyclical buffer for investment firms higher than 0% or when it subsequently increases the current level of the countercyclical buffer for investment firms, it shall specify the date from which the investment firms must apply this increased buffer in the calculation of the investment firm's specific countercyclical capital buffer. (2) The date under para. 1 cannot be later than 12 months after the date on which the increased buffer was announced according to Art. 156. (3) In the event of exceptional circumstances, the date indicated under para. 1 may be before the expiry of the 12-month period. Art. 155. (1) When reducing the current level of the countercyclical buffer for investment firms, the Commission, on the proposal of the Deputy Chairperson, also determines a period during which it is not expected to increase. (2) The specified period under para. 1 is not binding on the Commission. Art. 156. (1) The Commission publishes on its website, having previously taken all reasonable steps to agree on the moment of publication, the determined quarterly value for the level of countercyclical buffer for investment

firms. (2) The publication under para. 1 must contain information about: 1. the applicable level of the countercyclical buffer for investment firms; 2. the corresponding ratio between loans and GDP, as well as its deviation from the long-term trend; 3. the buffer indicator according to Art. 151, para. 2 and 3; 4. justification for the buffer level; 5. in case of an increase in the buffer level. the date from which the investment firms must apply this increased level of the buffer in the calculation of the countercyclical capital buffer specific to each of them; 6. when the date under item 5 is before the expiration of 12 months from the date of disclosure - reference to the extraordinary circumstances that justify this shorter period of application; 7. in the event of a decrease in the buffer level - the period during which no increase in the buffer is expected, together with a justification for this period. (3) The Commission shall notify the ESRB of any change in the level of the countercyclical buffer for investment firms and communicate to it the data under para. 2. Art. 157. (1) The Commission, on the proposal of the Deputy Chairperson, may recognize a level of the specific countercyclical capital buffer for the purposes of calculation by domestically licensed investment firms, established by a Member State or a relevant authority of a third country, exceeding 2.5% of the total amount of the risk exposures, calculated in accordance with Art. 92(3) of Regulation (EU) No. 575/2013. (2) The Commission shall announce the date of recognition under para. 1 on its website. (3) The statement under para. 2 must contain at least: 1. the applicable level of countercyclical buffer; 2. the Member State or third countries to which this buffer applies; 3. in case of an increase in the buffer level, it must indicate the date from which the investment firms must apply this increased level of the buffer in the calculation of the countercyclical capital buffer specific to each investment firm; 4. when the date under item 3 is before the expiration of 12 months from the date of disclosure - reference to the extraordinary circumstances that justify this shorter period of application; Art. 158. (1) In the event that the relevant authority of a third country has not determined and published the level of the countercyclical buffer for this third country to which one or more investment firms in the EU have credit risk exposure, the Commission, on the proposal of the Deputy Chairperson, may establish the countercyclical buffer level that domestically licensed investment firms must apply when calculating the specific countercyclical capital buffer for each investment firm. (2) The commission, on the proposal of the Deputy Chairperson, may establish a different level of the buffer for a third country, which domestically licensed investment firms must apply when calculating the countercyclical capital buffer specific to each investment firm, when the level of the countercyclical buffer is determined and published by the relevant third country authority for a third country. The Commission shall establish a different level of the buffer if it considers that the level of the buffer determined by the relevant third country authority is not sufficient to adequately protect investment firms from the risks of excessive credit growth in the country concerned. (3) When exercising the powers under para. 2 the Commission may not set a level of the countercyclical buffer below the level determined by the relevant third country

authority, except in the event that this level exceeds 2.5% of the total amount of risk exposures, calculated in accordance with Art. 92(3) of Regulation (EU) No. 575/2013, to investment firms that have credit risk exposures in that third country. (4) The Commission, on the proposal of the Deputy Chairperson, may accept the recommendations issued by the ESRB regarding consistency in determining buffers for third countries. (5) When the Commission, on the proposal of the Deputy Chairperson, determines the level of the countercyclical buffer for a third country according to para. 1 or para. 2 - 4, which increases the existing applicable level of the countercyclical buffer, the Commission, on the proposal of the Deputy Chairperson, decides on the date from which domestically licensed investment firms must apply this level of the buffer in the calculation of the specific countercyclical capital buffer for each investment firm. (6) The date under para. 5 cannot be later than 12 months after the date on which the buffer level was announced according to Art. 7. In the event of exceptional circumstances, the date indicated under para. 5 may be before the expiry of the 12-month period. (7) The Commission publishes on its website the establishment of each level of the countercyclical buffer for a third country according to para. 1 - 4, including the following information: 1. the level of the countercyclical buffer and the third country to which this level applies; 2. justification for the buffer level; 3. when determining the buffer level above zero for the first time or when it is increased, it must indicate the date from which the investment firms must apply the increased level of the buffer in the calculation of the investment firm-specific countercyclical capital buffer; 4. when the date under item 3 is before the expiration of 12 months from the date of disclosure of the respective value, it must indicate the extraordinary circumstances that justify this shorter period of application; (8) Paragraphs 1 - 7 shall apply regardless of whether the ESRB has given a recommendation to the Commission on the appropriate level of the countercyclical buffer for exposures to a third country. Art. 159. (1) The investment firm-specific level of the countercyclical capital buffer is calculated as a weighted average of the levels of the countercyclical buffer that are applied to the countries in which it has credit risk exposures or is applied pursuant to Art. 158, para. 1 or para. 2 - 4. (2) For the calculation of the weighted average amount specified in para. 1, investment firms shall apply to each level of the countercyclical buffer the requirements for the total amount of own funds for credit risk determined in accordance with the provisions of Part Three, Titles II and IV of Regulation (EU) No 575/2013 relating to the relevant credit risk exposures in the country in question divided by the total credit risk own funds requirements for all relevant credit exposures. (3) The relevant credit exposures include all classes of exposures other than those specified in Art. 112, letters "a" - "f" of Regulation (EU) No. 575/2013, for which it is provided: 1. the credit risk capital requirements in accordance with Part Three, Title II of Regulation (EU) No. 575/2013. 2. in the case where the exposure is in the trading book, the capital requirements for specific risk according to Part Three, Title IV, chapter 2 of Regulation (EU) No. 575/2013 or for the additional default risk and the additional

migration risk according to Part Three, Title IV, Chapter 5 of Regulation (EU) No. 575/2013 shall be included; 3. in the case where the exposure is a securitization, the capital requirements are included according to Part Three, Title II, Chapter 5 of Regulation (EU) No. 575/2013. (4) Investment firms comply with the regulatory technical standards adopted by the European Commission for determining the method for identifying the geographic location of the relevant credit risk exposure. (5) For the purpose of the calculation under para. 1 and 2: 1. the level of the countercyclical buffer for the Republic of Switzerland is applied from the date indicated in the information that is published in accordance with Art. 156, para. 2, item 5 or art. 157, para. 3, item 3, if the result of this decision is an increase in the buffer level; 2. subject to item 3, the level of the countercyclical buffer for a third country shall be applied 12 months after the date on which the change in the buffer level is announced by the relevant authority of the third country and if the result of this decision is an increase in the buffer level, regardless of whether that authority requires investment firms licensed in that third country to implement the change within a shorter period; the date on which it is published by the relevant authority of the third country in accordance with the applicable national rules shall be deemed to be the date of publication of the change in the level of the countercyclical buffer for a third country; 3. when the designated authority of the investment firm's home Member State establishes the level of the countercyclical buffer for a third country in accordance with Art. 158, para. 1 or para. 2 - 4 or recognizes the level of the countercyclical buffer for a third country according to Art. 157, this buffer level applies from the date specified in the information published in accordance with Art. 158, para. 7, item 3 or Art. 157, para. 3, item 3, if the result of this decision is an increase in the buffer level; 4. the countercyclical buffer level is applied immediately if the result of this decision is a decrease in the buffer level. (6) When an authority from another member state determines a level of the countercyclical buffer higher than 2.5% of the total amount of risk exposures, calculated in accordance with Art. 92, paragraph 3 of Regulation (EU) No. 575/2013, domestically licensed investment intermediaries apply to the relevant credit risk exposures in the member state of the relevant designated authority, for the purposes of the calculation under para. 1 and 2, and when applicable, for the calculation of the element of consolidated capital, the higher level of the countercyclical buffer, unless otherwise provided in this Ordinance. (7) The Commission monitors for the purposes of the calculation under para. 1 the application by investment firms of the countercyclical buffer levels determined by a third country authority for the relevant credit risk exposures in a third country and exceeding 2.5% of the total amount of risk exposures, calculated in accordance with Art. 92, paragraph 3 of Regulation (EU) No. 575/2013. The Commission monitors, where applicable, the calculation of the element of consolidated capital related to: 1. investment firms applying a countercyclical buffer level of 2.5% of the total amount of risk exposures, in case the designated authority in the Member State in which they are licensed has not recognized the exceeding 2.5% buffer level in accordance with Art. 157, para. 1; 2. investment

firms applying the level of the countercyclical buffer determined by the relevant authority of a third country, in case the determined authority in the Member State in which they are licensed has recognized this level of the buffer in accordance with Art. 157. (8) Investment firms comply with the regulatory technical standards of the EBA, adopted by the Commission on the proposal of the Deputy Chairperson, for determining the method for identifying the geographic location of the relevant credit risk exposure, according to Art. 4. Section VII Capital conservation measures Art. 160. (1) An investment firm meeting the combined buffer requirement shall not be entitled to make distributions in relation to Common Equity Tier 1 capital to an extent that would reduce its Common Equity Tier 1 capital to a level where the combined buffer requirement is not is fulfilled. (2) An investment firm that does not meet the combined buffer requirement shall calculate the maximum distribution amount (MDA) in accordance with para. 5 and notify the Commission of this amount. (3) In the cases under para. 2, the investment firm has no right to take any of the following actions, before calculating the MDA: 1. to make distributions in connection with the Common Equity Tier 1 capital; 2. to assume an obligation to pay variable remuneration or discretionary pension benefits or to pay variable remuneration if the payment obligation arose during a period when the investment firm did not fulfil the combined buffer requirements; 3. to make payments on the instruments included in the additional Tier 1 capital; (4) When an investment firm does not fulfil or does not exceed the combined buffer requirement, it does not make distributions through the actions under para. 3, items 1 - 3 in an amount greater than the MDA calculated in accordance with para. 5. (5) The investment firm calculates the MDA by multiplying the amount calculated in accordance with para. 6, by the coefficient determined in accordance with para. 7 and 8. MDA is reduced by an amount resulting from each of the actions specified in para. 3, item 1 - 3. (6) The amount that is multiplied in accordance with para. 5, is calculated by subtracting the value under item 3 from the sum of the items under items 1 and 2: 1. interim profits not included in the Common Equity Tier 1 capital according to Art. 26(2) of Regulation (EU) No. 575/2013, after deducting the distribution of profits or payments resulting from the actions under para. 3, items 1 - 3; 2. the annual profits, not included in the Common Equity Tier 1 capital according to Art. 26(2) of Regulation (EU) No. 575/2013, after deducting the distribution of profits or payments resulting from the actions under para. 3, items 1 - 3; 3. the amounts payable as tax, in case the elements specified in items 1 and 2 are not distributed. (7) The coefficient included in the calculation of the MDA under para. 5, is defined as follows: 1. when the Common Equity Tier 1 capital maintained by the investment firm, which is not used to fulfil the capital requirements provided for in Art. 92(1)(a) to (c) of Regulation (EU) No. 575/2013, and the additional capital requirement due to risks other than the risk of excessive leverage, expressed as a percentage of the amount of the total risk exposure, calculated in accordance with Art. 92(3) of Regulation (EU) No 575/2013 is in the first quartile (i.e. the lowest) of the combined buffer requirement, the coefficient is 0; 2. when the Common Equity Tier 1 capital

maintained by the investment firm, which is not used to fulfil the capital requirements provided for in Art. 92(1)(a) to (c) of Regulation (EU) No. 575/2013, and the additional capital requirements due to risks other than the risk of excessive leverage, expressed as a percentage of the amount of the total risk exposure, calculated in accordance with Art. 92(3) of Regulation (EU) No 575/2013 is in the second quartile of the combined buffer requirement, the coefficient is 0.2; 3. when the Common Equity Tier 1 capital maintained by the investment firm, which is not used to fulfil the capital requirements provided for in Art. 92(1)(a) to (c) of Regulation (EU) No. 575/2013, and the additional capital requirement due to risks other than the risk of excessive leverage, expressed as a percentage of the amount of the total risk exposure, calculated in accordance with Art. 92(3) of Regulation (EU) No 575/2013 is in the third quartile of the combined buffer requirement, the coefficient is 0.4; 4. when the Common Equity Tier 1 capital maintained by the investment firm, which is not used to fulfil the capital requirements provided for in Art. 92(1)(a) to (c) of Regulation (EU) No. 575/2013, and the additional capital requirement due to risks other than the risk of excessive leverage, expressed as a percentage of the amount of the total risk exposure, calculated in accordance with Regulation (EU) No 575/2013 is in the fourth quartile (i.e. the higher) of the combined buffer requirement, the coefficient is 0.6; (8) The lower and upper limits of each quartile of the combined buffer requirement shall be calculated as follows: Combined buffer requirement Lower quartile limit= .(Qn -1), 4 Combined buffer requirement Upper quartile limit= .Qn, 4 where Qn is the designation of the sequential number of the corresponding quartile. (9) The distribution in relation to the Common Equity Tier 1 capital for the purposes of para. 1 - 3 includes: 1. payment of cash dividends; 2. distribution of fully or partially paid shares to the basic remuneration or other capital instruments specified in Art. 26(1)(a) of Regulation (EU) No. 575/2013; 3. repurchase or purchase by the investment firm of own shares or units, or other capital instruments, specified in Art. 26(1)(a) of Regulation (EU) No. 575/2013; 4. reimbursement of amounts paid in connection with the capital instruments specified in Art. 26(1)(a) of Regulation (EU) No. 575/2013; 5. distribution of elements of the capital specified in Art. 26(1)(b)- (d)of Regulation (EU) No. 575/2013. (10) The limitations imposed by this Article apply only in respect of payments resulting in a reduction of Common Equity Tier 1 capital or in a reduction of profit, and in the event that the suspension of payments or non-payment does not constitute a default or condition of commencement of bankruptcy proceedings of the investment firm. Art. 161. In the event that the investment firm does not meet the combined buffer requirement and intends to distribute the distributable profit or take any of the actions specified in Art. 160, para. 3, he shall notify the Commission and provide the following information: 1. the amount of capital maintained by the investment firm, divided as follows: a) Common Equity Tier 1 capital; b) additional Tier 1 capital; c) Tier 2 capital; 2. the amount of interim and annual profits; 3. MDA calculated in accordance with Art. 160, para. 5 of the IC. 4. the amount of distributable profit which the investment

firm intends to distribute between: a) payment of dividends; b) repurchase of shares or units; c) make payments on the instruments included in the additional Tier 1 capital; (d) the payment of variable remuneration or discretionary pension benefits, whether through a new payment obligation or an existing obligation, incurred at a time when the investment firm was not meeting the combined buffer requirement. Art. 162. The investment firm shall develop, adopt and implement internal rules ensuring that the amount of distributable profit and MDA are correctly calculated and may prove their accuracy upon request by the Commission. Art. 163. It is considered that an investment firm does not fulfil the combined buffer requirement for the purposes of Art. 160 - 162 when it does not hold equity capital of the necessary amount and of the necessary quality to fulfil simultaneously the combined buffer requirement and each of the following requirements in: 1. Art. 92(1)(a) of Regulation (EU) No. 575/2013 and the additional capital requirement due to risks other than the risk of excessive leverage; 2. Art. 92(1)(b) of Regulation (EU) No. 575/2013 and the additional capital requirement due to risks other than the risk of excessive leverage; 3. Art. 92(1)(c) of Regulation (EU) No. 575/2013 and the additional capital requirement due to risks other than the risk of excessive leverage. Art. 164. (1) An investment firm that meets the leverage ratio buffer requirement according to Art. 92(1)(a) of Regulation (EU) No 575/2013 is not entitled to make distributions in relation to Tier 1 capital to an extent that would reduce its Tier 1 capital to a level where the leverage ratio buffer requirement no longer not fulfilled. (2) An investment firm that does not meet the leverage ratio buffer requirement shall calculate the maximum distribution amount related to the leverage ratio (MDA-L) in accordance with para. 5 and notify the Commission of this amount. (3) In the cases under para. 2, the investment firm has no right to take any of the following actions, before calculating the MDA-L: 1. to make distributions in connection with the Common Equity Tier 1 capital; 2. to assume an obligation to pay variable remuneration or discretionary pension benefits or to pay variable remuneration if the payment obligation arose during a period when the investment firm did not fulfil the leverage ratio buffer requirements; 3. to make payments on the instruments included in the additional Tier 1 capital; (4) When an investment firm does not fulfil or does not exceed the leverage ratio buffer requirement, it does not make distributions through the actions stated in para. 3, items 1 - 3 in an amount greater than the MDA-L calculated in accordance with para. 5. (5) The investment firm calculates the MDA-L by multiplying the amount calculated in accordance with para. 6, by the coefficient determined in accordance with para. 7 and 8. MDA-L is reduced by each amount resulting from any of the actions specified in para. 3, item 1 - 3. (6) The amount that is multiplied in accordance with para. 5, is calculated by subtracting the value under item 3 from the sum of the items under items 1 and 2: 1. interim profits not included in the Common Equity Tier 1 capital according to Art. 26(2) of Regulation (EU) No. 575/2013, after deducting the distribution of profits or payments related to the actions under para. 3, items 1 - 3; 2. the annual profits, not included in the Common Equity Tier 1 capital according to Art. 26(2) of

Regulation (EU) No. 575/2013, after deducting the distribution of profits or payments related to the actions under para. 3, items 1 - 3; 3. the amounts payable as tax, in case the elements specified in items 1 and 2 are not distributed. (7) The coefficient specified in para. 5, is defined as follows: 1. when the Tier 1 capital maintained by the institution, which is not used to fulfil the requirements according to Art. 92(1)(d) of Regulation (EU) No. 575/2013 and to cover the additional capital requirement under Art. 276, para. 1, item 11, letter "b" of the MFIA when the risk of excessive leverage is not sufficiently covered by Art. 92(1)(d) of Regulation (EU) No. 575/2013 and is expressed as a percentage of the amount of the total risk exposure, calculated in accordance with Art. 429(4) of Regulation (EU) No 575/2013 is in the first quartile (i.e the lowest) of the leverage ratio buffer requirement, the coefficient is 0; 2. when the Tier 1 capital maintained by the institution, which is not used to fulfil the requirements according to Art. 92(1)(d) of Regulation (EU) No. 575/2013 and to cover the additional capital requirement under Art. 276, para. 1, item 11, letter "b" of the MFIA when the risk of excessive leverage is not sufficiently covered by Art. 92(1)(d) of Regulation (EU) No. 575/2013 and is expressed as a percentage of the amount of the total risk exposure, calculated in accordance with Art. 429(4) of Regulation (EU) No 575/2013 is in the second quartile of the leverage ratio buffer requirement, the coefficient is 0.2; 3. when the Tier 1 capital maintained by the institution, which is not used to fulfil the requirements according to Art. 92(1)(d) of Regulation (EU) No. 575/2013 and to cover the additional capital requirement under Art. 276, para. 1, item 11, letter "b" of the MFIA when the risk of excessive leverage is not sufficiently covered by Art. 92(1)(d) of Regulation (EU) No. 575/2013 and is expressed as a percentage of the amount of the total risk exposure, calculated in accordance with Art. 429(4) of Regulation (EU) No 575/2013 is in the third quartile of the leverage ratio buffer requirement, the coefficient is 0.4; 4. when the Tier 1 capital maintained by the institution, which is not used to fulfil the requirements according to Art. 92(1)(d) of Regulation (EU) No. 575/2013 and to cover the additional capital requirement under Art. 276, para. 1, item 11, letter "b" of the MFIA when the risk of excessive leverage is not sufficiently covered by Art. 92(1)(d) of Regulation (EU) No. 575/2013 and is expressed as a percentage of the amount of the total risk exposure, calculated in accordance with Art. 429(4) of Regulation (EU) No 575/2013 is in the fourth quartile (i.e the highest) of the leverage ratio buffer requirement, the coefficient is 0.6; (8) The lower and upper limits of each quartile of the leverage ratio buffer requirement shall be calculated as follows: Combined leverage ratio buffer requirement Lower quartile limit= .(Qn - 1) 4 Combined leverage ratio buffer requirement Upper quartile limit= .Qn, 4 where Qn is the designation of the sequential number of the corresponding quartile. (9) The limitations imposed by this Article apply only in respect of payments resulting in a reduction of Tier 1 capital or in a reduction of profit, and in the event that the suspension of payments or non-payment does not constitute a default or condition of commencement of bankruptcy proceedings of the investment firm. Art. 165. When an investment firm does not fulfil the requirement for a leverage

ratio buffer and intends to distribute a distributable profit or take any of the actions specified in para. 3, items 1 - 3, he notifies the Commission and provides the information specified in Art. 161, with the exception of item 1, letter "c", and informs her of the amount of the MDAL, calculated in accordance with Art. 164, para. 5. Art. 166. The investment firm shall develop, adopt and implement rules ensuring that the amount of distributable profit and MDA-L are exactly calculated and may prove the accuracy upon request by the Commission. Art. 167. For the purposes of Art. 165, para. 1 - 3 the distribution in connection with the Tier 1 capital includes all elements listed in Art. 160, para. 9. Art. 168. It is considered that an investment firm does not fulfil the requirement for a leverage ratio buffer for the purposes of Art. 164 - 167, if he does not have Tier 1 capital in the amount necessary to simultaneously fulfil the requirement specified in Art. 92(1a) of Regulation (EU) No. 575/2013, and the requirement specified in Art. 92(1)(d) of Regulation (EU) No. 575/2013, as well as the additional capital requirement under Art. 276, para. 1, item 11, letter "b" of the MFIA, when the risk of excessive leverage is not sufficiently covered by Art. 92(1)(d) of Regulation (EU) No. 575/2013. Art. 169. (1) An investment firm that fails to meet the combined buffer requirement or the leverage ratio buffer requirement, where applicable, shall develop and adopt a capital conservation plan. (2) The plan under para. 1 shall be submitted to the Commission no later than 5 working days after the investment firm has established that it does not fulfil the requirement under para. 1. (3) The investment firm may prepare and present the plan under para. 1 to 10 days after the written permission of the Commission on the proposal of the Deputy Chairperson to extend the deadline. (4) The Commission, on the proposal of the Deputy Chairperson, issues a permit under para. 3 based on specific circumstances for the investment firm and taking into account the scale and complexity of its activity. Art. 170. (1) The capital preservation plan includes at least the following: 1. estimates of income and expenses and estimate balance sheet; 2. the measures for increasing the capitalization of the investment firm ; 3. a plan and timeline for increasing own funds in order to fully meet the combined buffer requirement. (2) The Commission may request from the investment firm any other information deemed necessary for the preparation of the assessment required under Art. 171, para. 1. Art. 171. (1) The commission, on the proposal of the Deputy Chairperson, evaluates the capital conservation plan and issues an approval within one month in accordance with Art. 172, if it considers that in its execution sufficient capital will be preserved or raised to allow the investment firm to fulfil the combined buffer requirement within a period of execution determined by it. (2) In case the Commission does not approve the capital conservation plan in accordance with para. 1, the Commission shall impose one or both measures as follows: 1. it requires the investment firm to increase the amount of its own funds within a certain period; 2. exercises its powers under Part Three, Title Three, Chapters Twenty-Four and Twenty-Six of the MFIA. Chapter Five PROCEDURE FOR ISSUING PERMITS AND APPROVALS Art. 172. (1) In order to issue permits and approvals under this Ordinance, under the MFIA in connection with prudential

supervision and under Regulation (EU) 2019/2033 or under Regulation (EU) No. 575/2013, an application is submitted to the Commission, to which evidence is attached for compliance with the relevant requirements. (2) When a fee is due for the issuance of a permit or approval according to the tariff specified in an appendix to Art. 27, para. 1 of the Swiss Financial Commission Act, the applicant also submits a document for the fee paid, unless the payment was made electronically. (3) When the submitted data or documents are incomplete or invalid, or if additional information or proof of the accuracy of the data is needed, the Deputy Chairperson sends a message to the applicant and sets a deadline for remedying the identified deficiencies or inconsistencies or for providing the additional information and documents, which cannot be shorter than 20 business days and longer than 30 business days. (4) If the message under para. 3 is not received at the address for correspondence specified by the applicant, the period for presenting the data or documents starts from the disclosure on the Commission's webpage. This circumstance is certified by a protocol drawn up by officials appointed by order of the Deputy Chairperson. (5) The Commission, on the proposal of the Deputy Chairperson, respectively the Deputy Chairperson, shall rule within 14 days of submitting the application unless another term has been stated, and when additional data and documents have been requested - within 14 days of their receipt, respectively of the expiration of the period under para. 3, unless another term has been stated. ADDITIONAL PROVISIONS § 1. For the purposes of Chapter Three: 1. "Model risk" means the potential loss that an investment firm may suffer as a result of decisions that are based primarily on the results of internal models due to errors in the development, implementation or use of those models. 2. "Originator" means an originator as defined in in Art. 4(2)(13) of Regulation (EU) No. 575/2013. 3. "Sponsor" is a sponsor as defined in Art. 4(1)(14) Regulation (EU) No. 575/2013. 4. "Ancillary services undertaking" means an auxiliary services undertaking as defined in Art. 4(1)(18) of Regulation (EU) No. 575/2013. 5. "Management company" means an asset management company as defined in Art. 4(1)(19) Regulation (EU) No. 575/2013. 6. "Financial sector entity" means a financial sector entity as defined in Art. 4(1)(27) of Regulation (EU) No. 575/2013. 7. "Central counterparty" is a central counterparty as defined in Art. 4(1)(34) Regulation (EU) No. 575/2013. 8. "Operational risk" means operational risk as defined in Art. 4(1)(52) Regulation (EU) No. 575/2013. 9. "Credit risk mitigation" means credit risk mitigation as defined in in Art. 4(1)(57) of Regulation (EU) No. 575/2013. 10. "Securitization" means securitization as defined in Art. 4(1)(61) of Regulation (EU) No. 575/2013. 11. "Securitization position" means securitization position as defined in Art. 4(1)(62) Regulation (EU) No. 575/2013. 12. "Securitisation special purpose entity" means securitization special purpose entity as defined in in Art. 4(1)(66) of Regulation (EU) No. 575/2013. 13. "Discretionary pension benefits" means discretionary pension benefits· as defined in Art. 4(1)(73) Regulation (EU) No. 575/2013. 14. "Trading book" means trading book as defined in Art. 4(1)(86) Regulation (EU) No. 575/2013. 15. "Regulated market" means regulated market as defined in Art. 4(1)(92) Regulation

(EU) No. 575/2013. 16. “Leverage” means leverage as defined in Art. 4(1)(93) of Regulation (EU) No. 575/2013. 17. "Risk of excessive leverage" means risk of excessive leverage as defined in Art. 4(1)(94) of Regulation (EU) No. 575/2013. 18. "External credit assessment institution" means external credit assessment institution as defined in in Art. 4(1)(98) of Regulation (EU) No. 575/2013. 19. "Internal models" are the internal rating approach under Art. 143(1) of Regulation (EU) No. 575/2013, the internal models approach under Art. 221 of Regulation (EU) No. 575/2013, the approach to own assessments under Art. 225 of Regulation (EU) No. 575/2013, the advanced measurement approaches under Art. 312(2) of Regulation (EU) No. 575/2013, the method of internal models under Art. 283 and 363 of Regulation (EU) No. 575/2013 and the internal assessment approach under Art. 259(3) of Regulation (EU) No. 575/2013. 20. “Participation” means participation as defined in Art. 4(1)(35) of Regulation (EU) No. 575/2013. 21. “License” means license as defined in Art. 4(1)(42) of Regulation (EU) No. 575/2013. 22. “ESCB central banks” are ESCB central banks as defined in Art. 4(1)(45) Regulation (EU) No. 575/2013. 23. “Investment firm” is a term defined in Art. 4(1)(2) of Regulation (EU) No. 575/2013. 24. "Systemically important institution" is an EU parent investment firm, an EU parent financial holding, an EU parent mixed financial holding or an investment firm which, in the event of failure or poor functioning, could give rise to systemic risk. 25. “Consolidated situation” means regulated market as defined in Art. 4(1)(47) Regulation (EU) No. 575/2013. 26. “On a sub-consolidated basis” means sub-consolidated basis as defined in Art. 4(1)(49) of Regulation (EU) No. 575/2013. 27. “Global systemically important institution” or “G-SI” means G-SII as defined in Art. 4(1)(133) Regulation (EU) No. 575/2013. 28. "Non-EU Global systemically important institution" or "Non-EU GSII" means non-EU G-SII as defined in Art. 4(1)(134) of Regulation (EU) No. 575/2013. 29. “Group” means group as defined in Art. 4(1)(138) of Regulation (EU) No. 575/2013. 30. "Third country group" means a group whose parent company is established in a third country. § 2. (1) (Previous text of § 2 - SG No. 36 / 2023) The ordinance introduces: 1. Directive (EU) 2019/2034 of European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU (OJ, L 314/64 of 5 December 2019); 2. Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ, L 176/338 of 27 June 2013); 3. Directive (EU) 2019/878 of European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures (OJ L 150/123 of 7 June 2019). (2) (new - SG issue 36 /2023) With this ordinance , the application of the following guidelines adopted by the European Insurance and Occupational Pension Insurance Authority is ensured: 1. Guidance on sound remuneration policies

under Directive (EU) 2019/2034 (EBA/GL/2021/13); 2. Guidelines on the criteria for the exemption of investment firms from liquidity requirements in accordance with Article 43(4) of Regulation (EU) 2019/2033 (EBA/GL/2022/10); Annex No 1 to Art. 9, para. 1, item 3 and Art. 51, para. 1, item 3 DECLARATION UIC...
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.. .. The net profit from the (interim/annual) financial statements as at (balance sheet date) of (company name) for inclusion in Common equity Tier 1 capital is calculated as follows: a) retained earnings before taxation [BGN 0]; b) taxes [BGN 0]; c) other charges imposed by the supervisory authority [BGN 0]; d) other expected charges not included in the profit and loss statement [BGN 0]; e) total amount of charges (b + c + d) [BGN 0]; f) amount of dividends for which a decision or a proposal was made [BGN 0/empty field]*; g) maximum amount of dividends in accordance with the dividend policy [BGN 0]; h) amount of dividends according to the average payout ratio (last three years) [BGN 0]; i) amount of dividends according to the payout ratio for the previous year [BGN 0]; j) amount of dividends to be deducted (maximum amount for letters "h", "h", "i", if there is no data for the letter "e"; otherwise letter "e") [BGN 0]; k) impact of regulatory restrictions [BGN 0]; l) profit that can be included in the basic equity capital of the first row (a - d - y k) [0 BGN]. With a view to including the net profit in the Common Equity Tier 1 of the company and compliance with the requirements of Regulation (EU) No. 241/2014 and this ordinance, we hereby declare that: 1. To the best of our knowledge, the above figures are correct. 2. The profit was confirmed by persons independent from the company, who answered the reports according to the requirements in Art. 26, paragraph 2 of Regulation (EU) No. 575/2013 and this ordinance. 3. The profit is estimated according to the principles provided in the applicable accounting framework. 4. Any expected deductions from earnings or dividends are deducted from the earnings amount, as indicated above. 5. The management body of [company name] undertakes to make a proposal for the distribution of dividends, which is in full compliance with the above net profit calculation. We are aware that we are responsible for reporting incorrect data under Art. 313 of the Criminal Code. Date: .... Declarer: .... (Name and signature) * This value should be zero only if there is an official decision or proposal not to distribute dividends. If there is no such decision or proposal, the field is not filled. Annex No 2 to Art. 10, para. 1, item 7 and Art. 52, para. 1, item 7 Table for assessing the compliance of capital instruments with the requirements of Regulation (EU) No. 575/2013 and Delegated Regulation (EU) No. 241/2014 to qualify as Common Equity Tier 1 Provision of Regulation (EU) No. 575/2013 Procedure and terms for the issue of capital instruments Applicable provisions according to the articles of association and local law Selfassessment Article 28 1. Capital instruments shall

qualify as Common Equity Tier 1 instruments only if all the following conditions are met: a) the instruments are issued directly by the institution with the prior approval of the owners of the institution or, where permitted under applicable national law, the management body of the institution; b) the instruments are paid up and their purchase is not funded directly or indirectly by the institution; (c) the instruments meet all the following conditions as regards their classification: i) they qualify as capital within the meaning of Article 22 of Directive 86/635/EEC (OJ, L 176/37 of 27 June 2013); ii) they are classified as equity within the meaning of the applicable accounting framework; iii) they are classified as equity capital for the purposes of determining balance sheet insolvency, where applicable under national insolvency law; d) the instruments are clearly and separately disclosed on the balance sheet in the financial statements of the institution; e) the instruments are perpetual; f) the principal of the instruments may not be reduced or refunded except in any of the following cases: i) liquidation of the institution; ii) discretionary repurchases of the instruments or other discretionary means of reducing capital, where the institution has received the prior permission of the competent authority in accordance with Article 77; g) the provisions governing the instruments do not indicate expressly or implicitly that the principal amount of the instruments would or might be reduced or repaid other than in the liquidation of the institution, and the institution does not otherwise provide such an indication prior to or at issuance of the instruments, except in the case of instruments referred to in Article 27 where the refusal by the institution to redeem such instruments is prohibited under applicable national law; h) the instruments meet the following conditions as regards distributions: i) there is no preferential treatment of distributions with respect to the order of payment of distributions, including in relation to other Common Equity Tier 1 instruments, and the requirements in respect of such instruments do not confer preferential rights to the payment of distributions; ii) distributions to holders of the instruments may be paid only out of distributable items; iii) the conditions governing the instruments do not include a cap or other restriction on the maximum level of distributions, except in the case of the instruments referred to in Article 27; iv) the level of distributions is not determined on the basis of the amount for which the instruments were purchased at issuance, except in the case of the instruments referred to in Article 27; v) the conditions governing the instruments do not include any obligation for the institution to make distributions to their holders and the institution is not otherwise subject to such an obligation; vi) non-payment of distributions does not constitute an event of default of the institution; vii) the cancellation of distributions imposes no restrictions on the institution; i) compared to all the capital instruments issued by the institution, the instruments absorb the first and proportionately greatest share of losses as they occur, and each instrument absorbs losses to the same degree as all other Common Equity Tier 1 instruments; j) the instruments rank below all other claims in the event of insolvency or liquidation of the institution; k) the instruments entitle their owners to a claim on the residual assets of the institution, which, in the event of its

liquidation and after the payment of all senior claims, is proportionate to the amount of such instruments issued and is not fixed or subject to a cap, except in the case of the capital instruments referred to in Article 27; l) the instruments are not secured, or subject to a guarantee that enhances the seniority of the claim by any of the following: i) the institution or its subsidiaries; ii) the parent undertaking of the institution or its subsidiaries; iii) the parent financial holding company or its subsidiaries; iv) the mixed activity holding company or its subsidiaries; v) the mixed financial holding company and its subsidiaries; (vi) any undertaking that has close links with the entities referred to in points (i) to (v); m) the instruments are not subject to any arrangement, contractual or otherwise, that enhances the seniority of claims under the instruments in insolvency or liquidation. The condition set out in point (j) of the first subparagraph shall be deemed to be met, notwithstanding the instruments are included in Additional Tier 1 or Tier 2 by virtue of Article 484(3), provided that they rank pari passu. 2. The conditions laid down in point (i) of paragraph 1 shall be deemed to be met notwithstanding a write down on a permanent basis of the principal amount of Additional Tier 1 or Tier 2 instruments. The condition laid down in point (f) of paragraph 1 shall be deemed to be met notwithstanding the reduction of the principal amount of the capital instrument within a resolution procedure or as a consequence of a write down of capital instruments required by the resolution authority responsible for the institution. The condition laid down in point (g) of paragraph 1 shall be deemed to be met notwithstanding the provisions governing the capital instrument indicating expressly or implicitly that the principal amount of the instrument would or might be reduced within a resolution procedure or as a consequence of a write down of capital instruments required by the resolution authority responsible for the institution. 3. The condition laid down in point (h)(iii) of paragraph 1 shall be deemed to be met notwithstanding the instrument paying a dividend multiple, provided that such a dividend multiple does not result in a distribution that causes a disproportionate drag on own funds. 4. For the purposes of point (h)(i) of paragraph 1, differentiated distributions shall only reflect differentiated voting rights. In this respect, higher distributions shall only apply to Common Equity Tier 1 instruments with fewer or no voting rights. Annex No 3 to Art. 11, para. 1, item 4 and Art. 53, para. 1, item 4 Table for assessing the compliance of capital instruments with the requirements of Regulation (EU) No. 575/2013 and Delegated Regulation (EU) No. 241/2014 to qualify as Common Equity Tier 1 Provision of Regulation (EU) No. 575/2013 Procedure and terms for the issue of capital instruments Applicable provisions according to the articles of association and local law Selfassessment Article 52 1. Capital instruments shall qualify as Additional Tier 1 instruments only if the following conditions are met: a) the instruments are issued and paid up; (b) the instruments are not purchased by any of the following: i) the institution or its subsidiaries; an undertaking in which the institution has a participation in the form of ownership, direct or by way of control, of 20 % or more of the voting rights or capital of that undertaking; c) the purchase of the instruments is not funded directly or indirectly by the institution; d) the

instruments rank below Tier 2 instruments in the event of the insolvency of the institution; e) the instruments are not secured, or subject to a guarantee that enhances the seniority of the claims by any of the following: i) the institution or its subsidiaries; ii) the parent undertaking of the institution or its subsidiaries; iii) the parent financial holding company or its subsidiaries; iv) the mixed activity holding company or its subsidiaries; v) the mixed financial holding company and its subsidiaries; (vi) any undertaking that has close links with the entities referred to in points (i) to (v); f) the instruments are not subject to any arrangement, contractual or otherwise, that enhances the seniority of claims under the instruments in insolvency or liquidation. g) the instruments are perpetual and the provisions governing them include no incentive for the institution to redeem them; h) where the provisions governing the instruments include one or more call options, the option to call may be exercised at the sole discretion of the issuer; i) the instruments may be called, redeemed or repurchased only where the conditions laid down in Article 77 are met, and not before five years after the date of issuance except where the conditions laid down in Article 78(4) are met; j) the provisions governing the instruments do not indicate explicitly or implicitly that the instruments would or might be called, redeemed or repurchased and the institution does not otherwise provide such an indication, except in the following cases: i) the liquidation of the institution; ii) discretionary repurchases of the instruments or other discretionary means of reducing the amount of Additional Tier 1 capital, where the institution has received the prior permission of the competent authority in accordance with Article 77; k) the institution does not indicate explicitly or implicitly that the competent authority would consent to a request to call, redeem or repurchase the instruments; l) distributions under the instruments meet the following conditions: i) they are paid out of distributable items; ii) the level of distributions made on the instruments will not be amended on the basis of the credit standing of the institution or its parent undertaking; iii) the provisions governing the instruments give the institution full discretion at all times to cancel the distributions on the instruments for an unlimited period and on a non-cumulative basis, and the institution may use such cancelled payments without restriction to meet its obligations as they fall due; iv) cancellation of distributions does not constitute an event of default of the institution; v) the cancellation of distributions imposes no restrictions on the institution; m) the instruments do not contribute to a determination that the liabilities of an institution exceed its assets, where such a determination constitutes a test of insolvency under applicable national law; n) the provisions governing the instruments require that, upon the occurrence of a trigger event, the principal amount of the instruments be written down on a permanent or temporary basis or the instruments be converted to Common Equity Tier 1 instruments; o) the provisions governing the instruments include no feature that could hinder the recapitalisation of the institution; p) where the instruments are not issued directly by an institution, both the following conditions shall be met: i) the instruments are issued through an entity within the consolidation pursuant to Chapter 2 of Title II

of Part One; ii) the proceeds are immediately available to the institution without limitation and in a form that satisfies the conditions laid down in this paragraph. The condition set out in point (d) of the first subparagraph shall be deemed to be met notwithstanding the instruments are included in Additional Tier 1 or Tier 2 by virtue of Article 484(3), provided that they rank pari passu. Article 53 For the purposes of points (l)(v) and (o) of Article 52(1), the provisions governing Additional Tier 1 instruments shall, in particular, not include the following: a) a requirement for distributions on the instruments to be made in the event of a distribution being made on an instrument issued by the institution that ranks to the same degree as, or more junior than, an Additional Tier 1 instrument, including a Common Equity Tier 1 instrument; b) a requirement for the payment of distributions on Common Equity Tier 1, Additional Tier 1 or Tier 2 instruments to be cancelled in the event that distributions are not made on those Additional Tier 1 instruments; c) an obligation to substitute the payment of interest or dividend by a payment in any other form. The institution shall not otherwise be subject to such an obligation Article 63 Capital instruments and subordinated loans shall qualify as Tier 2 instruments provided the following conditions are met: a) the instruments are issued or the subordinated loans are raised, as applicable, and fully paid-up; b) the instruments are not purchased or the subordinated loans are not granted, as applicable, by any of the following: i) the institution or its subsidiaries; ii) an undertaking in which the institution has a participation in the form of ownership, direct or by way of control, of 20 % or more of the voting rights or capital of that undertaking; c) the purchase of the instruments or the granting of the subordinated loans, as applicable, is not funded directly or indirectly by the institution; d) the claim on the principal amount of the instruments under the provisions governing the instruments or the claim of the principal amount of the subordinated loans under the provisions governing the subordinated loans, as applicable, is wholly subordinated to claims of all non-subordinated creditors; e) the instruments or subordinated loans, as applicable, are not secured, or subject to a guarantee that enhances the seniority of the claim by any of the following: i) the institution or its subsidiaries; ii) the parent undertaking of the institution or its subsidiaries; iii) the parent financial holding company or its subsidiaries; iv) the mixed activity holding company or its subsidiaries; v) the mixed financial holding company or its subsidiaries; (vi) any undertaking that has close links with the entities referred to in points (i) to (v); the instruments or subordinated loans, as applicable, are not subject to any arrangement that otherwise enhances the seniority of the claim under the instruments or subordinated loans respectively; g) the instruments or subordinated loans, as applicable, have an original maturity of at least five years; h) the provisions governing the instruments or subordinated loans, as applicable, do not include any incentive for their principal amount to be redeemed or repaid, as applicable by the institution prior to their maturity; i) where the instruments or subordinated loans, as applicable, include one or more call options or early repayment options, as applicable, the options are exercisable at the sole discretion of the issuer or debtor, as applicable; j) the instruments or

subordinated loans, as applicable, may be called, redeemed or repurchased or repaid early only where the conditions laid down in Article 77 are met, and not before five years after the date of issuance or raising, as applicable, except where the conditions laid down in Article 78(4) are met; k) the provisions governing the instruments or subordinated loans, as applicable, do not indicate explicitly or implicitly that the instruments or subordinated loans, as applicable, would or might be called, redeemed, repurchased or repaid early, as applicable by the institution other than in the insolvency or liquidation of the institution and the institution does not otherwise provide such an indication; l) the provisions governing the instruments or subordinated loans, as applicable, do not give the holder the right to accelerate the future scheduled payment of interest or principal, other than in the insolvency or liquidation of the institution; m) the level of interest or dividend payments, as applicable, due on the instruments or subordinated loans, as applicable, will not be amended on the basis of the credit standing of the institution or its parent undertaking; n) where the instruments are not issued directly by an institution, or where the subordinated loans are not raised directly by an institution, as applicable, both of the following conditions shall be met: i) the instruments are issued or subordinated loans are raised, as applicable, through an entity, which is part of the consolidation pursuant to Chapter 2 of Title II of Part One; ii) the proceeds are immediately available to the institution without limitation in a form that satisfies the conditions laid down in this paragraph.