

# Markets in Financial Instruments Act

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## TITLE ONE GENERAL PROVISIONS

### Chapter One MAJOR PROVISIONS AND CONCEPTS

**Art. 1** (1) This Act shall govern:

1. the activities of the investment intermediaries and regulated markets in financial instruments;
2. requirements to persons that manage and control persons under item 1, as well as towards persons, having a qualifying holding in the persons under item 1;
3. the state supervision for ensuring compliance with this Act.

(2) The goal of this Act is to:

1. provide protection of investors in financial instruments, including through ensuring that they have greater knowledge about the financial instruments market;
2. create prerequisites for development of a fair, transparent and efficient financial instruments market;
3. keep the integrity and the public confidence in the financial instruments market.

**Art. 2.** The regulation and the supervision over the activities and persons under Art. 1 shall be carried out by the Financial Supervision Commission, hereinafter referred to as “the Commission”, as well as by the deputy chairman of the Commission in charge of Investment Activity Supervision Division, hereinafter referred to as the “deputy chairman”.

**Art.3.** Financial instruments, subject of this Law shall be:

1. securities
2. instruments other than securities
  - a) money market instruments;
  - b) units in undertakings for collective investment;
  - c) options, futures, swaps, forward rate agreements and other derivative contracts on securities, currencies, interest rates, yields, or other derivative instruments, indexes or financial indicators, which may be settled physically or in cash;
  - d) options, futures, swaps, forward rate agreements and other derivative contracts on commodities, that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event);
  - e) options, futures, swaps and other derivative contracts on commodities, that can be physically settled, provided that they are traded on a regulated market and/or a Multilateral Trading Facility (MTF);
  - f) options, futures, swaps, forwards and other derivative contracts on commodities, other than those indicated in letter “e”, which may be settled physically, and not being for commercial purposes, and which according Art. 38 paragraph 1 of Regulation (EC) No. 1287/2006 of the Commission have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are cleared and settled through recognized clearing houses or are used as collateral with margin purchases or short sales;
  - g) derivative financial instruments for credit risk transfer;
  - h) contracts for differences
  - i) options, futures, swaps, forward rate agreements, and any other derivative contracts relating to climatic variables, freight rates, emission allowances or inflation rates or other

official economic statistics, that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event), as well as all other derivative contracts related to assets, rights, liabilities, and indicators, other than those indicated under this article, which have the characteristics of the other derivative financial instruments, having regard to whether they are traded on a regulated market, are cleared and settled including through recognized clearing houses or are used as a collateral with margin purchases or short sales, as well as the derivative contracts according Art. 38 paragraph 3 of Commission Regulation (EC) No. 1287/2006.

**Art. 4. (1)** This Act shall not apply to the activity of:

1. insurers under Art. 1 of Council Directive 73/239/EEC on the coordination of laws, regulations and the administrative provisions relating to the taking-up and pursuit of the business of direct insurance other than life assurance, the persons under para 1 of Directive 2002/83/RC of the European Parliament and of the Council concerning life assurance and the persons which pursue reinsurance and retrocession under Council Directive 64/225/EEC on the abolition of restrictions on freedom of establishment and freedom to provide services in respect of reinsurance and retrocession;
2. persons which provide investment services exclusively for their parent undertakings, for their subsidiaries or for other subsidiaries of the parent undertaking;
3. persons providing investment services in an incidental manner in the course of a professional activity and that activity is regulated by legal or other regulatory provisions or a code of ethics which do not prohibit the provision of those services;
4. persons who do not provide any investment services or do not carry out any investment activities other than dealing in financial instruments on own account unless they are market makers and deal outside a regulated market or an MTF on an organized, frequent and systematic basis by providing a system for trading accessible to third parties in order to engage in dealing with them;
5. persons which provide investment services consisting exclusively in the administration of employee and worker-participation schemes;
6. persons which provide investment services which only involve both administration of employee-schemes and the provision of investment services exclusively for their parent undertakings, for their subsidiaries or for other subsidiaries of their parent undertakings;
7. the members of the European System of Central Banks, other bodies of the member-states, performing similar functions and other public bodies charged with or intervening in the management of the public debt;
8. collective investment undertakings and pension funds, whether regulated at Community level or not, as well as the depositories and managers of such undertakings;
9. persons dealing on own account in financial instruments or providing investment services in commodity derivatives or derivative contracts included in Art. 3 item 2, letter “i”, to the clients of their main business, provided that this is an ancillary activity to their main business, when considered on a group basis and that main business is not the provision of investment services within the meaning of this Act and Annex I, Sections A and B of Directive 2004/39/EC of the European Parliament and of the Council and is not the provision of banking services within the meaning of Annex I to Directive 2006/48/EC of the European Parliament and the Council relating to the taking up and pursuit of the business of credit institutions (recast);
10. persons providing investment consultations in the course of performance of another professional activity not regulated by this Act, provided that the provision of such consultations is not specifically remunerated;
11. persons whose main business consists of dealing on own account in commodities and/or commodity derivatives. This exception shall not apply where such persons are part of a group

the main business of which is the provision of other investment services within the meaning of this Act and Directive 2004/39/EC of the European Parliament and of the Council and is not the provision of banking services within the meaning of the Law on Credit Institutions and Directive 2006/48/EC of the European Parliament and the Council relating to the taking up and pursuit of the business of credit institutions (recast);

12. legal entities which provide investment services and/or perform investment activities consisting exclusively in dealing on own account on the markets in financial futures or options or other derivative financial instruments and on the money market for the sole purpose of hedging positions on the markets of derivative financial instruments or which deal for the accounts of other members of those markets or make prices for them and which are guaranteed by clearing members of the same markets, where responsibility for ensuring the performance of contracts entered by such entities is assumed by clearing members of the same markets;

(2) The rights conferred by virtue of this Act shall not extend to the provision of services as counterparty in contracts of public bodies dealing with public debt or by members of the European System of Central Banks performing their tasks as provided for by the Treaty establishing the European Community and the Statute of the European System of Central Banks or performing equivalent functions under national provisions.

## Chapter Two CONDITIONS TO PURSUE BUSINESS

### Division I General Provisions

**Art.5.** (1) Investment intermediary is any entity whose regular occupation or business is the provision of one or more investment services and/or the performance one or more investment activities

(2) Investment services and activities means:

1. reception and delivery of orders in relation to one or more financial instruments, including intermediation for entering into transactions with financial instruments;
2. execution of orders on behalf of clients;
3. dealing on own account in financial instruments;
4. management of portfolio;
5. providing of investment consultations to a client;
6. underwriting of issues of financial instruments and/or offering for initial sale financial instruments in the conditions of unconditional and irrevocable commitment for subscription/acquisition of the financial instruments for own account;
7. offering for initial sale of financial instruments without an unconditional and irrevocable commitment for acquisition of the financial instruments for own account;
8. organization of Multilateral Trading Facilities.

(3) The investment intermediaries may also provide the following ancillary services:

1. safekeeping and administration of financial instruments for client account, including custodianship (keeping financial instruments and client cash in a depository institution) and related services such as management of the received cash/provided collateral;
2. granting loans for carrying out of transactions in one or more financial instruments, provided that the entity granting the loan is involved in the transaction under conditions and procedure, laid down in an ordinance;
3. advice to undertakings on capital structure, industrial strategy and related matters, as well as advice and services relating to mergers and the purchase of undertakings;

4. providing of services, related to foreign exchange services where these are connected with the provided investment services;
5. investment research and financial analysis or other forms of general recommendation relating to transactions in financial instruments;
6. related to underwriting of issues of financial instruments;
7. services under para 2 and 3 related to the underlying of the derivative financial instruments under Art. 3 item 2 letter “d”, “e”, “f”, and “i” – where these are connected to the provision of services under item 1 – 6 and under para 2.

**Art. 6.** (1) The provision of investment services and performance of investment activities by way of occupation may be carried out only by a joint-stock company or limited liability company with a head office and registered office on the territory of the Republic of Bulgaria, that has obtained authorization to pursue business as investment intermediary by the Commission under the procedure and provisions of this Law and its implementing instruments.

(2) Provision of one or more investment services and performance of one or more investment activities by way of occupation may also be carried out by a bank, which has obtained authorization to pursue such services and activities by the Bulgarian National Bank.

**Art.7.** (1) Investment intermediaries, except for banks, may not carry out by way of occupation some other commercial transactions.

(2) The investment intermediaries, which perform investment services and activities under Art. 5 para 2 item 3 and 6, may also carry out transactions with foreign means of payment, if they have been authorized under the conditions and the procedure of the acting legislation.

**Art. 8** (1) An investment intermediary, who holds client cash and/or securities and provides one or more of the investment services under Art. 5 para 2 item 1, 2 and 4 must have an initial capital not less than BGN 250 000, provided that it does not perform the investment services and activities under Art. 5 para 2 item 3 and 6.

(2) An investment intermediary who does not hold client cash and financial instruments and does not pursue the investment services and activities under Art. 5 para 2 item 3 and 6, must have an initial capital not less than BGN 100 000.

(3) An investment intermediary who performs investment services under Art. 5 para 2 item 1 and/or 5 and does not hold client cash or securities and for whom, due to it, no liabilities towards clients may arise, shall meet one of the following requirements:

1. to have an initial capital at amount not less than BGN 100 000;

2. to have a Professional Liability Insurance, valid for the whole territory of the European Union and the European Economic Area, for the damages which may occur as a result of guilty default on its obligations, related to its activities as an investment intermediary. The minimum insured sum of the insurance shall be at the amount of the BGN equivalence of 1 000 000 Euro for any insurance event and the BGN equivalence of 1 500 000 Euro for all insurance events for one year;

3. the combination of the requirements, stated in item 1 and 2 to exist, which is to ensure a level of cover analogous of that under item 1 and 2;

(4) In cases other than those under para 1-3, the investment intermediary must have an initial capital of not less than BGN 1 500 000.

(5) Not less than 25 per cent of the capital under 1-4 must be paid in upon filing the application for the issue of a license, and the other part – within a 14-day period after receipt of the written notification under Art. 14 para 4.

(6) The investment intermediary must at any time maintain own funds exceeding or equal to the amount of the capital requirements for the risks associated with its activities;

(7) The structure and elements of the initial capital and equity, the requirements to capital adequacy, the ways and methods of their calculation, the requirements to keeping records and

disclosure of information, as well as the supervision for compliance with them shall be laid down in an ordinance. The ordinance may also specify the financial instruments, which the investment intermediaries may hold for own account in the cases when they carry out investment services under Art. 5 para 2 item 2.

(8) An investment intermediary must maintain at any time minimum liquid funds, as laid down in an ordinance.

(9) Investment intermediaries shall issue only dematerialized shares with one voting right. If the investment intermediary is a limited liability company, any partner shall have a number of votes in the general meeting proportionate to his share in the capital.

(10) The investment intermediary shall remedy the indicated by the deputy chairman deficiencies and other inconsistencies with the requirements of the Act, including with the International Financial Reporting Standards, existing in capital adequacy and liquidity reports, or any financial statements, registers and other accounting documents within an adequate time frame as set out by the deputy chairman.

**Art. 9.** The annual financial statement of the investment intermediary shall be certified by a registered auditor. The results of the audit conducted by the auditor of the annual financial statement shall be reflected in a separate report according a model form, approved by the deputy chairman, which is to be included in the annual report.

**Art. 10.** (1) An investment intermediary must form a Reserve Fund which shall contain at least 10 per cent of the capital. Whenever the value in the Reserve Fund falls under that minimum amount, the company must restore it within one year.

(2) Until replenishment of the Reserve Fund, the investment intermediary shall transfer thereto at least one-fifth of its profit after taxation and before payment of dividends. The company may also use other sources to replenish the fund, as provided in the Articles of Association or in a resolution of the general meeting.

(3) An investment intermediary must form provisions to cover the risks relating to its business, as laid down in an ordinance. The provisions shall form an element of the accounting expenditure and shall be an adjustment of the value of the assets.

**Art. 11.** (1) An investment intermediary shall be managed jointly by at least two persons who satisfy the requirements according para 2. They may authorize third persons for the performance of separate actions.

(2) A person who is a member of the governing or control body of the investment intermediary or manages its activity must:

1. have higher university education and professional experience, necessary to manage the business of the investment intermediary in conformity with the services and activities stated under Art. 5 para 2 and 3;

2. not have been sentenced for an intentional crime of general nature;

3. not have been member of a management or supervisory body, or unlimited liability partner in a company, for which bankruptcy proceedings have been instituted or wound up due to bankruptcy, where there are unsatisfied creditors;

4. not have been declared bankrupt or be involved in pending insolvency proceedings;

5. not be the spouse or a relative in the direct or collateral line up to the third degree inclusive, or by affinity up to the third degree to another member of the company's management or supervisory body and not be in de facto conjugal cohabitation with such member;

6. not have been deprived of the right to occupy positions involving financial responsibilities;

7. not have been during the last one year before the act of the relevant competent authority, a member of a management or supervisory body of a company, whose license to pursue business subject to licensing regime to the Commission or the Bulgarian National Bank was withdrawn, except in the cases where the license was withdrawn on the company's request, as well as if the act for withdrawal of the issued license was canceled under the due procedure;

8. not have been imposed administrative punishment during the last 3 years for committed gross breach of this Act, the Law on Public Offering of Securities (LPOS), the Law on Measures Against Market Abuse With Financial Instruments (LMAMAFI), the Special Purpose Vehicles Act (SPVA) or their implementing instruments;

9. not have been imposed administrative punishments during the last 3 years for breaches of this Act, the LPOS, LMAMAFI, SPVA or their implementing instruments, which are qualified as systematic;

10. not have been dismissed from office in a management or supervisory body of a company under this Act, LPOS, SPVA on the grounds of imposed coercive administrative measure, save for the cases when the Commission's act was canceled under the due procedure.

(3) A member of a management or supervisory body of an investment intermediary, as well as a person, authorized to manage or represent it, must be a person of good repute and who does not jeopardize the investment intermediary's management, investor interests and does not impede the investment supervision.

(4) The requirements of para 2-3 shall also apply for natural persons representing legal persons who are members of the management and supervisory bodies of an investment intermediary.

(5) The requirements under para 2-3 shall also apply to any other persons who may, independently or jointly with another person, enter into transactions for the account of the investment intermediary.

(6) The circumstances under para 2, item 3-10 shall be attested by a declaration.

(7) The persons under para 2 and 5 shall be subject of approval by the deputy chairman before their entry in the commercial register, and the persons under para 4 – before their appointment as representatives of the legal entities – members of the management and supervisory bodies of the investment intermediary. The deputy chairman shall pronounce within a 15-day period after the filing of the application with enclosed to it documents, attesting compliance with the requirements, applicable to those persons. The deputy chairman shall deny to issue an approval, if any of those persons fails to satisfy the requirements of this Act or through his/her activities or influence on the decision making, may jeopardize the safety of the company or its operations;

(9) Professional experience within the meaning of para 2 item 1 shall exist, if the person has worked not less than:

1. one year in undertakings from the non-banking financial sector or banks, and the duties of the person were connected with the main activities of these undertakings; or

2. three years in government institutions or other public entities, whose main functions include management and control of government or international public financial assets or management, control and investment of cash in funds formed by virtue of a statutory act.

(9) The Commission shall impose the coercive administrative measure under Art. 118 para 1 item 5 when a person under para 2-5 ceases to meet the requirements of para 2 or 3.

**Art. 12.** The requirements to be satisfied by natural persons who, under a contract directly carry out transactions in financial instruments and provide investment consultations, as well as the procedure for the acquisition and withdrawal of the right to pursue such business, shall be laid down in an ordinance.

Division II  
**Granting and Withdrawal of a License**

**Art. 13.** (1) In order for one or more services and activities under Art. 5 para 2 and 3 to be carried out by way of occupation by persons which are not banks, a license from the Commission shall be required.

(2) To issue a license under para 1 an application according a model form shall be filed, to which shall be attached:

1. the Articles or the Memorandum of Association;
2. particulars for the capital under Art. 8
3. a programme of the company's operations, including data about the types of business which the company envisages to carry out as well about its internal organization;
4. particulars for the persons under Art. 11;
5. the general conditions applicable to contracts with clients;
6. rules related to the personal transactions with financial instruments of the members of the management and supervisory bodies of the investment intermediary, the investment intermediary's employees;
7. particulars for the persons who have direct or indirect qualifying participation in the company – applicant, as well as for the number of the held by them votes; the persons shall present written statements according a model form set by the deputy chairman about the origin of the funds with which the payments against the subscribed shares have been made, including also whether the funds are not loan and about the paid by them taxes during the last five years;
8. particulars for other persons with whom the applicant is a related person;
9. other documents and information, as laid down in an ordinance.

(3) In the cases where an investment intermediary wishes to perform services and activities under Art. 5 para 2 and 3, which are not covered by its license, then it must file an application with the Commission for extension of the scope of the license, to which shall be attached the documents under para 2, item 1, 2, 3 and 5, as well as other documents and information, laid down in an ordinance.

(4) In cases where a market operator wishes to be licensed to organize a Multilateral Trading Facility and the persons who manage the activity of the Multilateral Trading Facility are one and same with the persons who manage the activity of the regulated market, it shall be considered that these persons meet the requirements of Art. 11 para 2 and 3.

(5) The Commission shall issue a license to a market operator for the organization of a Multilateral Trading Facility, if it satisfies the relevant requirements of this Chapter, save for Art. 14 para 4 item 1 and Art. 16 para 1 item 7.

**Art.14.** (1) The Commission shall decide on the application within three months of its receipt, and where additional information and documents have been requested – within one month of their receipt.

(2) On the basis of the submitted documents the Commission shall find whether the requirements for the issue of the requested license, or for extension of the scope of the issued license have been met. If the presented data and documents are incomplete, incorrect, or non-complied with the statutory requirements or some additional information is required or evidence for their correctness, the Commission shall send a notice about the established deficiencies and inconsistencies or about the required additional information and documents.

(3) In the cases of Art. 111 para 1 and 2, the Commission shall require the opinion of the relevant competent authority, and the term under para 1 shall start running from the date of receiving the required opinion. The Commission shall pronounce not later than 6 months after

the receiving of the application and the demanded under para 2 additional data and documents.

(4) The period under para 1 and 3 shall be considered complied with if within the relevant period the Commission notifies the applicant in writing that it will issue a license to pursue the business of an investment intermediary, or will extend the scope of the issued license, if within a 14-day period after the receipt of the notification, the applicant verifies that:

1. the entrance contribution to the Fund for Compensation of Investors in Securities was paid;
2. the required capital under Art. 8 was fully paid.

**Art. 15.** (1) The Commission shall grant a license for the provision of investment services and performance of investment activities by way of regular occupation, respectively for extension of the scope of the issued license, only in case it decides that the applicant meets the requirements of this Act or its implementing instruments.

(2) The Commission may not issue a license, or refuse extension of the scope of the issued license, for a part of the applied for services and activities under Art. 5 para 2, for which it shall decide that the applicant does not satisfy the requirements of this law or its implementing instruments.

(3) The license under para 1 shall specify exhaustively the investment services and activities, which the entity is entitled to perform. The license may include the right to perform one or more services under Art. 5 para 3. The license cannot be granted only for the provision of the services under Art. 5 para 3.

(4) The license under para 1 shall entitle to perform the indicated in it services and activities under Art. 5 para 2 and 3 within the European Union and the European Economic Area by the establishment of a branch or under the freedom to provide services, unless the Commission has explicitly approved their performance in third countries.

(5) The Commission may issue a license to perform the services and activities under Art. 5 para 2 and 3 on the territory of the Republic of Bulgaria through a branch of a legal entity from a third country, provided that:

1. the person has the right under his national legislation to perform such services and activities, or
2. the authority, supervising the market of financial instruments in the state where the person is registered, exercises supervision over it on a consolidated basis.

(6) Where so envisaged in an international treaty to which the Republic of Bulgaria is a party, the Commission may recognize the authorization for performance of services and activities under Art. 5 para 2 and 3, issued by a legal entity from a third country.

(7) The person from a third country shall have the rights and obligations of an investment intermediary for which the Republic of Bulgaria is a home Member State, unless envisaged otherwise by law.

**Art. 16.** (1) The Commission shall refuse to issue a license, or the extension of the scope of the issued license, if:

1. the capital of the applicant does not satisfy the requirements of Art. 8;
2. some of the members of the management or supervisory body of the company or the persons under Art. 11 para 2, 4 and 5 does not satisfy the requirements of this Law, through his activities or influence on the decision making, may jeopardize the safety of the company or its operations;
3. a person who has directly or indirectly a qualifying holding in the applicant, through his activities or influence on the decision making, may jeopardize the safety of the company or its operations;
4. the general conditions under Art. 13 para 2 item 5 do not guarantee to a sufficient extent the interests of investors;
5. the applicant has submitted false particulars or documents with incorrect content;



6. the persons who have directly or indirectly qualifying holding in the applicant company have made contributions with loan funds;

7. the entry contribution in the Fund for Compensation of Investors in Securities is not paid;

8. due to relatedness between the applicant and other persons, substantial difficulties may arise for the efficient exercising of supervision by the Commission;

9. the statutory acts applicable in a third country, regulating the operation of related to the applicant person, or difficulties with their application shall create obstacles for the efficient exercising of the supervisory functions of the Commission, or of the deputy chairman;

10. it is evident from the content of the programme of operations or from other documents of the applicant, that the main part of the activities will be carried out on the territory of another Member State, and the application to obtain a license from the Commission is with the purpose of avoiding the more stringent requirements to the investment intermediaries in the Member State on whose territory the applicant intends to pursue business.

11. the applicant fails to satisfy the other requirements laid down in the Act and its implementing instruments.

(2) In the cases under para 1, item 1, 2, 4, 6 and 11 the Commission will refuse the issue of a license only if the applicant has failed to eliminate the inconsistencies and to submit the required documents within the term set by the Commission which may not be less than one month.

(3) Beside in the cases under para 1, the Commission may refuse the issue of a license to an investment intermediary from a third country to perform services and activities under Art. 5 para 2 and 3 on the territory of the Republic of Bulgaria through a branch, if it decides that the exercised over such investment intermediary supervision on a consolidated basis by the relevant competent authority in its home member-state does not satisfy the requirements, laid down in this Act or its implementing instruments.

(4) The refusal of the Commission to issue a license shall be reasoned in writing.

**Art. 17.** In case of a refusal the applicant may file a new application to obtain license to perform the services and activities under Art. 5 para 2 and 3 at least six months after the refusal has come into effect.

**Art. 18.** (1) A person who does not possess an authorization to carry on services and activities under Art. 5 para 2 and 3 in conformity with the requirements of this Act may not use in his business name, advertising or any other activities words in Bulgarian or foreign language denoting the carrying on of services and activities in relation to financial instruments.

(2) No license shall be issued to pursue the business of investment intermediary to an applicant with a business name, which resembles the business name of existing in the country investment intermediary.

**Art. 19.** The Entry Registry shall enter the company in the commercial register, or the right to pursue the services and activities under Art. 5 para 2 and 3 in its subject of activities, after it is provided with the issued by the Commission license.

**Art. 20.** (1) The Commission shall withdraw the license issued where the investment intermediary:

1. fails to commence carrying on the authorized services and activities under Art. 5 para 2 within 12 months as from the issuing of the license or has explicitly renounced the license issued;
2. has submitted false particulars which have served as a ground to issue the license or has used other illegal means to obtain a license;
3. fails to satisfy the conditions under which the license has been issued;
4. and/or persons under Art. 11 have violated and/or have admitted the perpetration of violation under Art. 35 para 1, under Art. 8-11 of the Law on Measures Against Market Abuse with Financial Instruments or some other gross violation of this Act, the Law on Public

Offering of Securities, Law on Measures Against Market Abuse with Financial Instruments, the Special Purpose Vehicles Act or their implementing instruments;

5. did not fulfill the imposed coercive measure under this Act or in the cases under Art. 77n para 1 of the Law on Public Offering of Securities.

(2) The Commission may withdraw the license issued where:

1. the investment intermediary has not performed the authorized services and activities under Art. 5 para 2 for more than 6 months;

2. the investment intermediary fails to satisfy the requirements to capital adequacy and liquidity of this Act and its implementing instruments, and does not submit within a 5-day period from occurrence of the inconsistency, a restructuring program for compliance with these requirements, or the restructuring program is not approved by the Commission within 14 days from its submission, or it does not implement the restructuring program approved by the Commission;

3. the investment intermediary is in lasting worsened financial situation and it cannot perform its duties;

4. the investment intermediary and/or persons under Art. 11 have committed and/or have allowed the commitment of systematic offences of this Act, the Law on Public Offering of Securities, Law on Measures Against Market Abuse with Financial Instruments, the Special Purpose Vehicles Act or their implementing instruments;

5. if from the activities carried out by the intermediary it is evident that the main part of the business is pursued on the territory of another Member State, and a license has been obtained from the Commission with the purpose of avoiding the more stringent requirements to the investment intermediaries in the other Member State.

(3) The Commission shall inform the company in writing within 7 days after a decision is made to withdraw the license.

(4) After the decision to withdraw the license comes into effect, the Commission shall immediately file a demand with the respective district court in order to institute liquidation proceedings for the company, and where the latter has other business activities as well – to strike off the relevant part of its activities, or for the initiation of bankruptcy proceedings and shall take the measures necessary to inform the public.

**Art. 21.** (1) The investment intermediary must, within 7 days after the decision of the general meeting for its winding up, or for giving up activity, upon expiration of the term for which it has been incorporated, as well as on the emergence of another reason for winding up that has been provided for in the intermediary's charter, ask the Commission to withdraw the license issued.

(2) Together with the request under para 1 the investment intermediary shall present a plan for settlement of its relations with clients. The plan shall include transfer of the clients' financial instruments, funds and other assets to an investment intermediary chosen by the clients, which has given consent for that.

(3) Where the requirements under para 2, sentence two is not fulfilled, the plan must provide for transferring the clients' financial instruments, funds and other assets to a depository institution, including through the opening of new accounts of the individual clients.

(4) The costs for carrying out the plan for settlement of relationships with clients shall be covered by the investment intermediary.

(5) The Commission shall withdraw the license of the investment intermediary after it has settled the relationships with its clients.

(6) The District Court shall initiate proceedings for the liquidation, respectively shall delete from the company's subject of activity the performance of the services and activities under Art. 5 para 2 and 3 after the withdrawal of the license to pursue business as investment intermediary and the receiving of the demand under Art. 20 para 4.

**Art. 22.** (1) In cases other than that of Art.21 para 1, within three working days after coming to the knowledge of the decision-taking for the license withdrawal, the investment intermediary shall notify its clients about this decision and about the option to choose another investment intermediary where they could transfer their financial instruments, funds and other assets.

(2) Within five working days after the expiration of the term under para 1, the investment intermediary shall transfer the client's financial instruments, funds and other assets under the terms of Art. 21 para 2, sentence two, para 3 and 4.

(3) When taking the decision for withdrawal of the license, the Commission may obligate the investment intermediary to perform the activities under para 2 in a shorter term. The deputy chairman may obligate the investment intermediary under the terms of Art. 118 – 121 to take further specific measures to protect the interests of its clients.

(4) The investment intermediary shall notify of its activities under para 2 and para 3:

1. its clients – within three working days after performing them;
2. the Commission – within three working days after the expiration of the term under para 2 or the expiration of the term given by the decision under para 3.

**Art. 23.** The investment intermediary may not carry out the services and activities under Art. 5 para 2 and 3 after the license issued to it has been withdrawn, and after the court decision for initiation of bankruptcy proceedings.

(2) The deputy chairman may order the conduction of inspections and may impose coercive administrative measures under Art. 118 until the company's deletion from the commercial register, and where it has another type of activity – until the final settlement of the relations with its clients.

(3) All documents and other information, related to the services and activities performed by the investment intermediary under Art. 5 para 2, 3 and Art. 7 para 2 shall be kept for a period of 5 years:

1. by the investment intermediary, when it is not deleted from the commercial register, the term starting to run from the license withdrawal;
2. by another person about whom the Commission shall be notified, the term starting to run from the investment intermediary's deletion from the commercial register; the notification shall be made by the intermediary whose license was withdrawn within a 14-day period after the withdrawal of the license.

### Division III

#### **Requirements to the Investment Intermediary's Organization. Qualifying Holding**

**Art. 24.** (1) The investment intermediary shall operate and maintain internal organization in compliance with the pursued by it business, including qualified personnel, equipment and software, which is to make:

1. adequate arrangements for the performance of the investment services and activities continuously and regularly in consistence with the requirements of this Act and its implementing instruments;
2. adequate arrangements for avoidance and finding of conflicts of interest, and where such conflicts arise – for equitable treatment of clients, disclosure of information and prevention of harm to the client's interests;
3. adequate arrangements for observance of the existing rules for personal transactions in the investment intermediary;
4. adequate arrangements for the safekeeping of the whole information about the executed services and activities under Art. 5 para 2 and 3;

5. adequate arrangements in cases where the intermediary holds client financial instruments and cash, for compliance with the provisions of Art. 34;
  6. adequate arrangements which provide for prompt and accurate execution of client orders, as well as for execution of comparable client orders in the sequence of their reception;
  7. adequate arrangements which provide for the retention of the client's interest in cases of orders consolidation;
  8. effective rules for risk assessment and management, for keeping the accounting records;
  9. effective rules for limitation of the risk in case of assigning important operational functions or services under Art. 6 para 2 and 3 to a third person.
- (2) The internal organization under para 1 shall be laid down in rules adopted by the investment intermediary's management body, whose minimal content shall be determined by an ordinance. The rules under sentence one must ensure execution of identical client orders in the sequence of their receiving.
- (3) The investment intermediary shall have an internal control department, which operates independently and exercises continuous supervision for compliance by the persons to whom the investment intermediary's management has been entrusted and by all other persons who work under a contract for the investment intermediary, of this Act and its implementing instruments. The structure, organization, powers and relations of the internal control department with the other bodies and persons, working for the investment intermediary shall be set forth by rules, adopted by the investment intermediary's management body.
- (4) In the case of a limit order given by a client in respect of shares admitted to trading on a regulated market, which order is not immediately executed under the prevailing market conditions, the investment intermediary shall, unless the client expressly instructs otherwise, facilitate the earliest possible execution of that given order, by making it public in a manner which is easily accessible to the other market participants as well.
- (5) The obligation under para 4 shall be considered complied with by the intermediary with the transmission of the client limit order to a regulated market or a multilateral trading facility (MTF).
- (6) It may be provided for in an ordinance that an investment intermediary may not comply with the obligation under para 4 if the size of the order does not correspond to the normal market size.
- (7) The information about concluded transactions with financial instruments for a client's account, kept by the investment intermediary, must contain at least data about the client's identity and data about the actions taken for implementation of the Measures Against Money Laundering Act and the Measures Against Terrorism Financing Act.
- (8) The investment intermediary shall safeguard the information about the executed services and activities under Art. 5 para 2 and 3 at least for 5 years.

**Art. 25.** (1) Transformation of an investment intermediary may be done only after a preliminary approval by the Commission.

(2) For the issue of an approval under para 1, an application shall be filed with the Commission, to which shall be attached documents and data as laid down in an ordinance.

(3) The Commission will issue or refuse to issue an approval under para 1 within one month after receiving of the application, and where some additional information and documents have been requested – after their receiving. Article 14, para 2 shall apply accordingly.

(4) The Commission shall refuse to issue an approval if the action under para 1 does not satisfy the requirements of the law, the applicant has presented false particulars or documents with incorrect content or the interests of the investment intermediary's clients have not been ensured.

(5) The Registry Agency shall enter in the commercial register the changes in para 1, after it is has been provided with the issued by the Commission approval.

(6) The investment intermediary shall notify the deputy chairman of any change in its general conditions under Art. 13 para 2 item 5. To the notification shall be provided the full text of the general conditions and the protocol of the management body for their acceptance. If the adopted changes do not meet the requirements of this Act and its implementing instruments, the deputy chairman shall be entitled to demand within a period of one month of the submission of the general conditions, elimination of the established deficiencies, irregularities and discrepancies.

**Art. 26.** (1) A person that proposes to acquire, directly or indirectly, a qualifying holding in the investment intermediary shall first notify of it the deputy chairman.

(2) A person proposing to transfer possessed, directly or indirectly, qualifying holding in the investment intermediary, shall first notify of it the deputy chairman.

(3) The requirement under para 1 and 2 shall be also applied in case of acquisition or transfer of a holding which shall result in reaching or exceeding the thresholds of 20, 33 or 50 per cent of the capital or of the votes in the investment intermediary's general meeting or as a result of which the investment intermediary would become a subsidiary of the person which shall acquire such holding, or would cease to be a subsidiary of the person, that will transfer such holding.

(4) The persons under para 1-3 shall send to the Commission a notification, indicating the holding in the capital, or the votes in the general meeting which they intend to acquire or transfer. To the notification under sentence one the persons shall attach also other information and documents, as laid down in an ordinance.

(5) The deputy chairman within one month from the notification under para 4 or from the provision of the additional documents, may issue a ban on the execution of the acquisition or transfer under para 1-3, if he establishes that the requirements of the laws have not been complied with, the applicant has submitted false data or documents with incorrect content, the sound management and safety of the investment intermediary have been prejudiced or the interests of the investment intermediary's clients have not been otherwise ensured.

(6) In case that the person who wishes to acquire holding according para 1 or 3 is an investment intermediary, credit institution, insurance company, management company that have obtained a license in another Member State, a parent undertaking of such company, or a person controlling such company, if as a result of the intended acquisition the investment intermediary will become a subsidiary or is to be controlled by the person who will acquire the votes in the general meeting, the deputy chairman within 7 days from the receiving of the notification under para 2 and 3, shall require the opinion of the relevant competent authority of the other Member State, and the term under para 5 sentence one shall start running from the receiving of the requested opinion.

(7) If the deputy chairman does not issue a ban within the period under para 5, respectively within the period under para 6, he/she may set a term within which the acquisition or transfer is to be executed.

(8) If within the term under para 5, respectively the term under para 6, the deputy chairman does not issue a ban, the persons under para 1 – 3 may acquire or transfer the stated holding in the investment intermediary.

(9) A person that has acquired a shareholding in spite of the ban under para 5, or without having filed before the acquisition the notification under para 4, shall not be entitled to exercise his voting right in the general meeting of the investment intermediary.

(10) In case that persons possessing a qualifying participation in the investment intermediary may prejudice the sound management and safety of the investment intermediary, the deputy

chairman may impose a temporary or final prohibition on the exercising of the voting right by those persons in the investment intermediary's general meeting.

Chapter Three  
**REQUIREMENTS TO THE INVESTMENT INTERMEDIARIES' ACTIVITIES**  
Division I  
**Relations with Clients**

**Art. 27.** (1) The investment intermediary shall carry out the services and activities under Art. 5 para 2 and 3 for client account on the basis of a written contract with the client.

(2) In the performance of the services and activities under Art. 5 para 2 and 3, the investment intermediary shall act honestly, fairly and professionally, with due diligence and in accordance with the best interests of its clients, and shall also inform them of the risks associated with transactions with financial instruments.

(3) The investment intermediary shall inform its clients about the existing system for compensation of investors in financial instruments, including about its scope and about the guaranteed amount of the client's assets, and on request shall provide data about the conditions and procedure of compensation.

(4) The information which the investment intermediary provides to its clients, as well as to potential clients, including in its advertising materials and the public statements of the members of the intermediary's management and supervisory bodies and of the persons, working under a contract for it, must be understandable, correct and clear and not to be misleading. The advertising materials of the investment intermediary must clearly be indicated as such.

(5) The investment intermediary shall provide in an appropriate manner and in compliance with para 4, the following information to its clients or to potential clients:

1. data about the investment intermediary and about the services offered by it, including whether it pursues business or concludes transactions with financial instruments for its account;

2. the financial instruments, subject of the provided by the intermediary investment services and the proposed investment strategies;

3. warning about the risks associated with investments in the instruments under item 2 or in relation to specific investment strategies;

4. the venues for the transactions' execution;

5. the types of expenses for the client and their amount;

6. other circumstances, as laid down in an ordinance.

(6) The information under para 5 shall be provided to the client in a way, allowing him to understand the nature and risks of the investment service and the offered specific financial instrument, ensuring the taking subsequently of informed investment decision. This information may be provided in a standardized form.

(7) The investment intermediary must supply to its clients enough information on the provided service, including on the expenses about the transactions and services, provided for the client's account, where applicable.

**Art. 28.** (1) In the performance of services under Art. 5 para 2 item 4 and 5, the investment intermediary shall require from the client, respectively from the potential client, information regarding his financial possibilities, investment objectives, knowledge, and experience relevant to the services under Art. 5 para 2 item 4 and readiness to risk, as well as to update this information. The investment intermediary shall not have the right to execute the services under Art. 5 para 2 item 4 and 5 for a client, who has not provided the information under sentence one.

(2) In the provision of the services under para 1 the investment intermediary shall be guided by the received under para 1 information.

(3) Upon the provision of investment services, other than those indicated in para 1, the investment intermediary shall ask the client, respectively the potential client, to provide information regarding his knowledge and experience relevant to the provided services, as well as to update this information.

(4) On the basis of the information under para 3 the investment intermediary shall assess whether the offered investment service is appropriate for the client, respectively for the potential client. The investment intermediary shall notify the client, respectively the potential client in writing, in case that on the basis of the received under para 3 information it decides that the offered investment service will not be appropriate for the client.

(5) In case that the client, respectively the potential client, fails to provide the information under para 3, or the provided information is insufficient to make the estimate under para 4, the investment intermediary shall inform the client in writing that it cannot estimate whether the offered investment service is appropriate for it.

(6) An investment intermediary, providing investment services under Art. 5 para 2 item 1 and/or 2, may provide such services to a client, without the latter having supplied the information under para 3, if:

1. subject of the services are shares, which have been admitted to trading on a regulated market, or on an equivalent market of a third country, according a list of the European Commission, bonds or other forms of securitized debt, with the exception of such bonds or other debt securities that underlie a derivative instrument, money market instruments, units of collective investment schemes and other non-complex financial instruments;
2. the service is provided at the initiative of the client or of a potential client;
3. the client or the potential client has been informed in writing that the investment intermediary will not comply with the obligations under para 4;
4. the investment intermediary complies with the requirements for treatment of conflict of interests.

(7) The requirements under para 1-6 shall not apply when the investment service is offered as part of a financial product, which is regulated by *acquis communautaire* or by common European standards in relation to credit institutions or consumer credits with regard to risk assessment of clients and/or requirements to information providing.

**Art. 29.** (1) When performing the services and activities under Art. 5 para 2 and 3, the investment intermediary shall take all necessary steps to identify potential conflicts of interests between:

1. the investment intermediary, including the persons under Art. 11 para 2 and 5, all other persons who work under a contract for it, and the linked to it by control persons, on one side, and its clients, on the other side;
2. its individual clients;

(2) In case that in spite of the applying of the rules under Art. 24 para 2, a risk to client interests continues to exist, the investment intermediary may not carry out activities for client account, if it has not informed the client about the general nature and/or sources of the potential conflicts of interest.

**Art. 30.** (1) The investment intermediary shall execute client orders in the best interest of the client. The investment intermediary shall have fulfilled this duty of its, if it has made reasonable efforts to establish the best for the client price according the conditions of the order, amount of costs, likeliness of performance, as well as all other circumstances concerning the order fulfillment. In case of specific instructions on the client's side, the investment intermediary must fulfill the order following these instructions.

(2) An investment intermediary shall accept, update and inform its clients about the policy for client orders execution, ensuring fulfillment of the obligations under para 1, as well as about any substantial changes in this policy.

(3) The policy under para 2 includes information of the venues for the client orders execution (type of financial instrument), the advantages and shortcomings of any execution venue (according the volume, price and execution costs) and venues where the intermediary may achieve best execution. The execution policy shall include at least the venues of execution which allow the investment intermediary to obtain continuously the best possible results for the execution of its clients' orders.

(4) An investment intermediary may not execute orders for client account unless they have given their preliminary consent for the followed by the intermediary policy.

(5) An investment intermediary must perform the client orders in conformity with the adopted execution policy and to inform in due time the client about any changes in such policy.

(6) Where the policy for order execution envisages a possibility client orders to be also executed outside of a regulated market or MTF, the orders may be executed in such way only provided the clients of the intermediary have been preliminarily informed and have given an express assent for that.

(7) On client's request, the investment intermediary shall prove that it has fulfilled the orders in compliance with the declared policy under para 2.

(8) The investment intermediary shall monitor the effectiveness of the policy for order execution, and in the cases where possible, shall remove the established by it irregularities. The investment intermediary shall conduct regular inspections whether the included in the execution policy venues ensure the best execution of the clients' orders, as well as whether any changes in this relation are needed.

**Art. 31.** (1) An investment intermediary carrying out investment services under Art. 5 para 2 item 1, 2 and 3 may enter into transactions with eligible counterparties, without it having to comply with the requirements under Art. 27 para 4 and 7, Art. 28, 30 and Art. 33 para 2 with respect to the specific transactions or the relevant ancillary service directly related to these transactions.

(2) Any entity specified as an eligible counterparty under this Act, may expressly request not to be considered such in whole, or for a concrete transaction.

**Art. 32.** (1) An investment intermediary carrying out investment services under Art. 5 para 2 item 2, or ancillary services for the account of a third person, according an order by another intermediary, shall be entitled to receive the information about the third person gathered by such intermediary.

(2) The investment intermediary by whose order the services under para 1 are performed, shall bear responsibility for the completeness and correctness of the provided information.

(3) An investment intermediary performing investment services under Art. 5 para 2 shall be entitled to receive and to refer to the recommendations, provided to a third party by the other intermediary in respect to the service.

(4) The investment intermediary on whose orders the services under para 3 are performed shall bear responsibility for the correctness of the recommendations provided to the client.

(5) The investment intermediary under para 1 and 3 shall be responsible for the execution of the order under which a transaction has been entered into on the basis of the received information and recommendations under para 1 and 3.

(6) An investment intermediary may not transfer the performance of investment and ancillary services for client account to another intermediary, as well as the performance of material operational functions to a third person, if thus the realization of an efficient internal control, or the possibility of the Commission to exercise its supervisory functions will be frustrated.



(7) The cases where the investment intermediary may transfer material operational functions and the performance of investment services for client account to another intermediary shall be laid down in an ordinance.

**Art. 33.** (1) An investment intermediary shall enter in a special register in the sequence of their receiving all orders of its clients.

(2) An investment intermediary must execute immediately, fairly and accurately the received client orders, including to observe the sequence of receiving of identical orders.

(3) The register under para 1 shall be kept on paper and magnetic media.

(4) With regard to every transaction shall be written down the name or business name of the parties to it, time of entering into, as well as other data as laid down in an ordinance.

(5) The investment intermediary shall register in the relevant register, in the sequence of their entering, the transactions with financial instruments not later than at the end of the working day.

(6) An investment intermediary shall maintain records of all transactions, services and activities carried out by it, which are to allow the Commission and the deputy chairman in the exercising of their supervisory functions under this Act and its implementing instruments, to establish that the investment intermediary fulfills the envisaged in the Act and its implementing instruments obligations in relation to the clients and the potential clients.

**Art. 34.** (1) An investment intermediary shall segregate its financial instruments and cash from those of its clients. The investment intermediary shall not be liable to its creditors with the financial instruments and cash of its clients, as well as with securities which are underlying in respect to depository receipts.

(2) An investment intermediary may not keep with itself the cash of its clients.

(3) An investment intermediary shall deposit the cash of its clients in:

1. a central bank;

2. a credit institution;

3. bank, licensed in a third country;

4. collective investment scheme that has been authorized to pursue activity according Council Directive 85/611/EEC or undertaking for collective investment, which is subject to control by the competent supervisory authority in a Member State, provided it meets the following conditions:

a) its major investment objective is to maintain certain average net asset value (net profit) or net asset value equal to the capital attracted from investors plus profit;

b) it invests the raised pecuniary funds exclusively in money market instruments with highest possible credit rating, awarded by a credit rating agency, whose maturity or residual term till maturity is not more than 397 days, or in instruments with fixed yield, close to that of the preceding instruments, or in instruments whose average residual term till maturity is 60 days; it may additionally invest pecuniary funds in bank deposits;

c) ensures liquidity on the same day or settlement on the next day.

(4) An investment intermediary may deposit the pecuniary funds of its clients in the entities under para 3, with which it is a related person, only if the clients have given written assent for that.

(5) The investment intermediary shall safeguard the financial instruments of its clients in a depository institution on client accounts under the investment intermediary's account or on accounts opened under the account of a third person on conditions and according a procedure as laid down in an ordinance.

(6) An investment intermediary shall regularly inform its clients about the balances and operations on the cash accounts and about financial instruments which it keeps and about the conditions of the contracts for their safeguarding.

(7) Except for the cases laid down in an ordinance, the investment intermediary shall not have the right to use:

1. for its account the cash and financial instruments of its clients;
2. for the account of its client the cash or financial instruments of other clients;
3. for account of a client its own cash or financial instruments.

(8) The safekeeping and registration of government securities, issued on the internal market shall be carried out under the conditions and procedure, provided for in the National Debt Act and its implementing instruments. .

**Art. 35.** (1) In the performance of its activities the investment intermediary shall keep the trade secret of its clients as well as their trade prestige.

(2) The members of the management and supervisory bodies of the investment intermediary, the persons working under a contract for an investment intermediary may not divulge, unless authorized for it, and use for the benefit of themselves or of other persons, facts and circumstances, relating to the balances and operations under the accounts for financial instruments and for cash of the investment intermediary's clients, as well as all other facts and circumstances constituting trade secret, which have come to their knowledge in the fulfillment of their official and professional obligations.

(3) All persons under para 2, upon taking up office or beginning activity as an investment intermediary shall sign a declaration that they shall keep the secret under para 2.

(4) The provision of para 2 shall also apply in the cases where the indicated persons are not in office or their activity was terminated.

(5) Beside to the Commission, the deputy chairman and authorized officials from the Commission's administration, or to a regulated market of which it is a member, for the purposes their control activities and within the order for an inspection, the investment intermediary may give information under para 2 only:

1. with the consent of its client, or
2. by court decision issued under the conditions and procedure of para 6 and 7.

(6) The court may rule disclosure of the information under para 2 on the request of:

1. the prosecutor – in case of availability of data for perpetrated crime;
2. the Minister of Finance or authorized by him official – in the cases of Art. 143 para 4 of the Tax and Social Security Procedure Code;
3. the director of the territorial directorate of the National Revenue Agency, where:
  - a) evidence is presented that the inspected person has frustrated the carrying out of an audit or inspection or does not keep the required records, as well as if there is material incompleteness therein;
  - b) by an act of a competent government authority the occurrence of an accidental event has been established, that resulted in destruction of the inspected person's reporting documentation;
4. The Committee for establishment of property acquired from criminal activity and the directors of its territorial divisions.
5. The Director of the Agency for State Financial Inspection where by an act of a body of the Agency it has been established that:
  - a) the management of the inspected organization or entity frustrates the carrying out of financial inspection;
  - b) no accounting records are kept in the inspected organization or entity or they are incomplete or untrustworthy;
  - c) there are data about shortages or crimes;
  - d) the levying of distraint on bank accounts is necessary for the securing of established during financial inspections receivables;

e) by an act of a government authority the occurrence of an accidental event has been established, that resulted in the destruction of reporting documentation of the inspected organization or person;

6. the Director of Customs Agency and the directors of the regional customs divisions, where:

a) by an act of the customs authorities it has been established that the inspected person has frustrated the carrying out of customs inspection and does not keep the necessary records, as well as when they are incomplete or untrustworthy;

b) by an act of the customs authorities customs violations have been established;

c) the levying of distraint on bank accounts is necessary for the securing of established by the customs authorities receivables, collected by them, as well as for the securing of fines, legal interests, etc.;

d) by an act of a government authority the occurrence of an accidental event has been established, that resulted in the destruction of the reporting documentation of the inspected by the customs bodies site.

7. the Director of the National Police Service of the Ministry of Interior – for the purpose of enquiry on instituted criminal proceedings;

8. the Director of the National Security Service to the Ministry of Interior – when this is necessary for protection of the national security.

(7) The regional judge shall rule on the petition with a reasoned decision in a closed session not later than 24 hours of its receiving, setting the time-limit for disclosure of the information under para 2. The decision of the court shall not be subject to appeal.

(8) On written request of the Director of the National Investigation Service, of National Security Service or National Police Service, the investment intermediaries shall provide information about the cash and movements under the accounts of companies having over 50 per cent of state and/or municipal participation.

(9) If there are data about organized criminal activity or about money laundering, the Prosecutor General, or an authorized by him Deputy, may demand from the investment intermediaries to provide the information under para 2.

**Art. 36.** (1) The investment intermediary shall provide a possibility for its professional clients under Division I of the Appendix to use a higher degree of protection, which is provided to unprofessional clients. The investment intermediary shall inform the professional client under Division I of the Appendix before the beginning of the investment services provision, that on the basis of the received from the client information he is considered a professional client and with regard to him shall be applied the rules for professional clients, unless the investment intermediary and the client do not agree otherwise.

(2) The investment intermediary shall inform the professional client under Division I of the Appendix that he is entitled to ask for amendment to the conditions of the contract with the purpose of securing higher degree of protection for the client.

(3) The investment intermediary ensures a higher degree of protection for a client under Division I of the Appendix on his request, where the client estimates that he cannot rightly assess and manage the risks, associated with investment in financial instruments.

(4) The higher degree of protection under para 3 shall be provided on the grounds of a written agreement between the investment intermediary and the client under Division I of the Appendix, which shall explicitly state the specific services, activities, transactions, financial instruments or other financial products, in relation to which a higher degree of protection will be ensured to the client.

(5) The higher degree of protection under para 3 shall ensure to the client under Division I of the Appendix that he shall not be considered as a professional client for the purposes of the applicable regime to the investment intermediary's operation.

**Art. 37.** (1) Clients, other than those under Division I of the Appendix, including government authorities and private individual investors, may request in respect to them not to apply the rules of pursuing business of investment intermediaries, which ensure a higher degree of client protection.

(2) An investment intermediary may treat a client under para 1 as a professional client, if the criteria under item 1 of Division II of the Appendix exist and the procedure under item 2 of Division II of the Appendix has been complied with. It shall not be considered that a client for whom the conditions under sentence one are complied with, possesses the knowledge and experience as the clients under Division I of the Appendix.

(3) The investment intermediary shall not apply the relevant rules which ensure a higher degree of client protection, only if on the basis of its evaluation of the experience, skills and knowledge of the client, a reasoned conclusion may be drawn that according the nature of the transactions and services which the client intends to use or enter into, the client may take independent investment decisions and to assess the risks associated with them.

(4) The evaluation under para 3 may be done according the conditions and procedure of evaluation, envisaged for the persons, who manage the activities of the investment intermediaries, insurers or credit institutions according the *acquis communautaire*. In cases where the client under para 2 does not have an independent management body, subject to evaluation shall be the person who has the right to conclude on his own transactions for the account of a legal entity.

(5) In cases when a client of the investment intermediary has been specified as a professional client on the basis of a procedure and in accordance with criteria, analogous to those under Division II of the Appendix, this Article shall not apply.

(6) An investment intermediary shall apply appropriate written internal procedures and policies for specifying the clients as professional clients.

(7) The clients of an investment intermediary that have been specified as professional clients according Art. 1 – 6 shall inform the investment intermediary of any change in the data that served as a ground for their specifying as professional clients.

(8) In the cases where the investment intermediary in the course of the pursued by it business finds out that a client defined as a professional according Art. 1-6, has ceased to meet the conditions under item 1 of Division II from the Appendix, on which it has been specified as a professional client, the investment intermediary shall take the necessary measures to apply a higher degree of protection with respect to such client according the internal procedures and policies of item 6.

## Division II

### **Disclosure of Information by the Investment Intermediaries**

**Art. 38.** (1) An investment intermediary shall notify the Commission of the concluded by it on the territory of the Republic of Bulgaria transactions with financial instruments admitted to trading on a regulated market, at its earliest convenience, but not later than the close of the working day following the day of the transaction's conclusion.

(2) The notification under para 1 may be forwarded either directly by the investment intermediary, or by a third person acting on its behalf. The notification under para 1 may also be made through a trading system or a separate reporting system, approved by the deputy chairman or through the regulated market or a multilateral trading facility (MTF), through whose trading system the transaction was concluded. In the cases of sentence two when the notification about the transactions is done directly by the system, para 1 shall not apply.

(3) The Commission shall provide the information under para 1 to the competent institution of the most relevant market of those financial instruments. The Commission shall provide this information, when it has been received by it in the capacity of a host Member State competent authority, also to the competent authority of the home Member State, unless the competent authority has stated that it does not wish to receive that information.

(4) An investment intermediary, which concludes outside of a regulated market and a MTF transactions in shares, admitted to trading on a regulated market, must disclose publicly information on the type, issue, number and unit price of the financial instruments, subject of the transaction, the currency of the transaction, date and time of entering into the transaction, indicating that the transaction was entered into outside of a regulated market and a MTF.

(5) The disclosure under para 4 must be done on reasonable commercial conditions by:

1. publishing the information through technical facilities on the regulated market on which the shares are traded, in case that the market admits such disclosure;
2. technical means of the Multilateral Trading Facility on which the shares are traded;
3. publishing the information on the web site of the investment intermediary or in some other generally accessible way.

(6) The disclosure under para 4 shall be done:

1. within three minutes from the conclusion of the transaction if the transaction was entered into within the trade session of the most relevant market or within the normal hours for trading of the investment intermediary;
2. before the opening of the next trade session of the most relevant market or immediately after the beginning of the normal hours of trading of the investment intermediary, if such time sets in earlier, in cases other than those under item 1.

**Art. 39.** (1) An investment intermediary shall inform the Commission about:

1. the opening or closing of a branch;
2. change in the business name entered in the issued license, as well as about change of the seat or registered office;
3. amendments and supplements to the articles or memorandum of association and to the other documents which served as a ground for the issue of the license to the investment intermediary;
4. changes in the membership of the persons under Art. 11;
5. other circumstances, laid down in an ordinance.

(2) The obligation under para 1 shall be fulfilled by the investment intermediary within a 7-day period from the decision-taking, introduction or coming to know of the amendment or supplement, and in the cases when the circumstance is subject to entry in the commercial register – from the entry.

**Art. 40.** (1) The investment intermediary shall inform the Commission of any acquisition or transfer of holding according Art. 26 para 1-3 within 1 day from coming to know of them.

(2) The investment intermediary shall provide to the deputy chairman twice yearly, at 30 June and 31 December, within a 10-day period from the indicated dates, a list of the persons who possess directly or indirectly qualifying holding, as well as particulars about the held by them votes in the general meeting.

(3) When establishing that a person possessing a holding in an investment intermediary according Art. 26 para 1 through his activities or through his influence on the decision-making may prejudice the safety of the company or its operations, the deputy chairman may issue a ban for the person on exercising his voting right in the investment intermediary's general meeting.

**Art. 41.** (1) Foreign persons, having the right under their national legislation to perform the services and activities under Art. 5 para 2, who on the conditions of Art. 15 para 5 and 6, or as clients of an investment intermediary for which the Republic of Bulgaria is a home Member

State, have acquired financial instruments on their behalf but for the account of other foreign persons, must identify their clients and the executed for their account transactions before the Commission within three working days from the written request.

(2) The obligations for regular notification of the Commission by the foreign persons under para 1, that have acquired securities on their behalf but for the account of other foreign persons shall be laid down in an ordinance.

**Art. 42.** (1) The auditor of the investment intermediary shall inform immediately the Commission of any circumstance, which has become known to him when conducting the audit and which relates to the investment intermediary and constitutes a material breach of this law or its implementing instruments, or may adversely affect the carrying out of the investment intermediary's activities, or is a ground for refusal to express an opinion, a ground to express reserves or a ground for expression of negative opinion.

(2) The auditor of the investment intermediary shall inform the Commission also of any circumstance under para 1, that has become known to him in the course of the audit of a related to the investment intermediary person.

(3) In the cases under para 1 and 2 the restrictions on disclosure of information, envisaged by law, regulations or contract shall not apply.

**Art. 43.** Other requirements to the investment intermediaries' operation, directed to protection of the client interests and the financial instruments market integrity, including for established internal organization and prevention of conflict of interests, prevention and disclosure of market abuses, for records keeping, processing and storage of information, conclusion and execution of contracts with clients, for their content, for disclosure of information to clients shall be laid down in an ordinance.

### Division III Disclosure of Quotes

**Art. 44.** (1) An investment intermediary which acts as a systematic internaliser with respect to shares admitted to trading on a regulated market and for which there is a liquid market, must publish its quotes for those shares.

(2) In the case of shares for which there is not a liquid market, the investment intermediary under para 1 shall disclose quotes only on client request.

(3) The investment intermediary under para 1 shall adopt, announce and comply with rules which in an objective and non-discriminatory way settle:

1. the manner of specifying the clients who may receive quotes under para 1 and 2, equal for all clients;
2. the conditions on which it may deny the establishment or terminate relations with clients under item 1;
3. restrictions concerning the number of transactions per a client;
4. restrictions about the total number of transactions of all clients for a certain period of time, if the number and/or the volume of client orders considerably exceed the set norms.

(4) The investment intermediary under para 1 may refuse to enter into or may sever the existing trade relations with investors due to trade considerations, such as the investor's credit status, the risk of default on the obligations of the transaction by the counter party and final settlement of the transaction.

**Art. 45.** (1) For a particular class of share the quote shall include:

1. type of quote;
2. bid and/or offer price for a size not exceeding the standard market size for the relevant class of shares;
3. size of the quote.

(2) The prices of the shares under para 1 shall conform to the market conditions for the relevant share. Shares shall be grouped in classes on the basis of the arithmetic average of the orders executed on the market for each class of shares. The standard market size for each class of shares is the arithmetic average of the orders executed on the market of this class of shares, included in it. The market of each class of shares consists of all orders for these shares, executed in the European Union, excluding those large in scale compared to the normal market size for those shares.

(3) The investment intermediary under Art. 44 para 1 is entitled to fix the size or the sizes within which it shall make quotes, provided that they are close to the prices under comparable quotes for the same shares, disclosed on a regulated market, Multilateral Trading Facility (MTS) or by another systematic internaliser.

(4) The investment intermediary under Art. 44 para 1 shall keep the information about the quoted prices for a period not shorter than one year from making the quote.

(5) The Commission, when it is a competent authority of the most relevant market for certain shares, shall determine annually and make public the class of shares to which they belong, taking into consideration the arithmetic average value of the executed orders for that issue of shares.

**Art. 46.** (1) The systematic internalisers shall make public in a manner which is easily accessible and on a reasonable commercial basis their quotes on a regular and continuous basis during normal trading hours for the investment intermediary in some of the ways indicated under Art. 38 para 5.

(2) Systematic internalisers shall be entitled to update their quotes at any time.

(3) Under exceptional market conditions a systematic internaliser shall also be allowed to withdraw its quotes.

**Art. 47.** (1) Systematic internalisers shall, while complying with the provisions set down in Art. 30, execute the orders they receive from their unprofessional clients in relation to the shares for which the investment intermediary is a systematic internaliser at the quoted prices at the time of reception of the order.

(2) A systematic internaliser shall execute orders from professional clients for which it is a systematic internaliser at the quoted prices at the time of reception of the order.

(3) The systematic internaliser may enter into transactions for the account of its professional clients at a better price than the quoted, provided that this price is close to the market conditions and the orders are of a size bigger than the size normally executed for the account of unprofessional clients.

(4) The systematic internaliser may execute orders from professional clients at price different than the quoted, with respect to transactions with a subject of several securities or with respect to orders which are not made at current market prices.

**Art. 48.** (1) A systematic internaliser may execute a client order at a total amount greater than the total amount of the only published by it quote or of the quote with highest total value, but lower than the standard market size, in full size of the quoted price, unless the preconditions under Art. 47 para 2-4 are available.

(2) A systematic internsliser, which has published quotes at different total value and receives an order by a client between the indicated values, may execute the order at one of the quoted prices, while complying with the requirements under Art. 24 para 4-6 and Art. 33 para 2, unless the preconditions under Art. 47 para 2-4 exist.

**Art. 49.** This section applies for systematic internalisers which trade only within the standard market size.

**Art. 50.** (1) Other requirements to the activities of investment intermediaries – systematic internalisers shall be laid down in an ordinance.

(2) Article 24 para 6, Art. 33 para 6, Art. 38 para 2, 3 and 4, Art. 44, 45, Art. 47 para 3 and 4 and Art. 49 shall be applied in compliance with the requirements of Commission Regulation (EC) No. 1287/2006.

#### Division IV

##### **Multilateral Trading Facility**

**Art. 51.** (1) An investment intermediary operating a multilateral trading facility (MTF) in addition to meeting the requirements laid down in Art. 24 para 1 and Art. 27 para 2, must adopt and apply transparent and obligatory for all participants on the multilateral trading facility (MTF) rules for lawful, fair and orderly trading and objective criteria for the execution of orders.

(2) The investment intermediary under para 1 shall establish and maintain the necessary relations to facilitate the settlement of the transactions concluded under the organized by it MTF.

(3) The investment intermediary under para 1 shall adopt and apply transparent rules regarding:

1. the requirements to the participants in the multilateral trading facility (MTF);
2. the instruments which may be traded through the organized by it MTF, including guaranteeing the availability of publicly accessible information to enable the participants in the facility to make an informed investment judgment, taking into account both the types of the participants and the traded through the facility instruments.
3. the settlement of the transactions concluded through an MTF and informing the participants in the facility of their responsibilities in relation to the settlement of the executed by them transactions.

(4) The requirements under Art. 24 para 4-6; Art. 27 para 2 and 4-7; Art. 28; 30 and Art. 33 para 1 are not applicable to the transactions concluded through a multilateral trading facility (MTF) according the facility's rules, as well as in the relations between the participants in the facility and between those persons and the MTF organizer in connection with the MTF's use. The participants in the facility are not exonerated from complying with the stated requirements in their relations with clients when acting on their behalf, they execute orders through such facility.

(5) The deputy chairman may impose a coercive administrative measure on the grounds, indicated under Art. 118, for suspension or termination of the trade with a financial instrument through the organized multilateral trading facility (MTF) by the investment intermediary under para 1.

(6) In the cases where securities admitted to trading on a regulated market, are also traded on a multilateral trading facility without the issuer's consent, it shall not be obligated to disclose the envisaged in the Law on Public Offering of Securities, the Law on Measures Against Market Abuse with Financial Instruments and in their implementing instruments financial information in relation to that multilateral facility.

(7) To organize a multilateral trading facility (MTF) for government securities on the territory of the Republic of Bulgaria, the preliminary approval of the rules for admission to trading, the criteria of order execution, registration and settlement of government securities shall be required by the Minister of Finance and the Governor of the Bulgarian National Bank.

**Art. 52.** (1) The investment intermediary under Art. 51 para 1 shall monitor for compliance by the participants in the organized by it MTF with the rules under Art. 51 para 1 and 2, as well as shall maintain an internal organization which allows for the exercising of such control.

(2) The investment intermediary under Art. 51 para 1 shall without delay notify the Commission about:



1. any perpetrated by the participants in the organized by it MTF violations of the rules under Art. 51 para 1 and 3;
2. created by persons under item 1 preconditions for commitment of violations of the rules according Art. 51 para 1 and 3;
3. actions of the persons under item 1, which constitute market abuse.

**Art. 53.** (1) The investment intermediary under Art. 51 para 1 shall make public and on reasonable commercial conditions, continuously in the customary trading hours of the organized by it multilateral trading facility, the current “bid” and “sell” prices, as well as the quantity of the quotes made through the facility for shares, traded on a regulated market.

(2) The deputy chairman may exonerate the investment intermediary under Art. 51 para 1 from the obligation under para 1 in relation to orders large in scale compared to normal market size for that type of shares, as well as in other cases according the model of the market and type of orders on the conditions of Art. 18 – 20 of Commission Regulation (EC) No: 1287/2006.

(3) The investment intermediary under Art. 51 para 1 shall make public and on reasonable commercial conditions information about the issue, number and unit price of traded on a regulated market shares - subject of the transaction, the currency of the transaction, the date and time of the transaction’s conclusion, in compliance with the requirements of Art. 27 and 30 of Commission Regulation (EC) No: 1287/2006.

(4) The requirement of para 3 shall not apply in case that for a specific transaction may be applied the approved by the deputy chairman rules for deferred disclosure of information, including for transactions with size bigger than the normal market volume for that types of shares, and in such case the time-limits envisaged by those rules shall apply.

(5) The requirement under para 3 shall not apply for transactions which are made public through the facilities of a regulated market.

**Art. 54.** (1) The investment intermediary under Art. 51 para 1 shall notify the Commission of the concluded through the organized by it multilateral trading facility transactions with financial instruments latest by the end of the next working day.

(2) The notifications under para 1 shall contain for each transaction:

1. type and issue of the financial instrument;
2. type of transaction;
3. number of the financial instruments – subject of the transaction;
4. unit price;
5. date and time of entering into the transaction;
6. particulars about the parties to the transaction;
7. other information, as laid down in an ordinance.

(3) The Commission, on regular basis or on request, shall provide to the Ministry of Finance and the Bulgarian National Bank information about transactions with government securities, executed on a multilateral trading facility (MTF).

**Art. 55.** (1) An investment intermediary under Art. 51 para 1 which intends to provide a remote access to the organized by it multilateral trading facility (MTF) to participants, established on the territory of another Member State, shall notify in advance the Commission of the Member State in which it intends to carry out such activity.

(2) The Commission shall provide the information under para 1 to the relevant competent authority of the host Member State within one month from its receiving, and on request it shall also provide information about the established on the territory of this Member State participants in the multilateral trading facility (MTF) organized by the investment intermediary under Art. 51 para 1.

**Art. 56.** An investment intermediary which organizes a multilateral trading facility (MTF) in another Member State may provide a remote access to the organized by it MTF to participants, established on the territory of the Republic of Bulgaria.

**Art. 57.** (1) An investment intermediary under Art. 51 para 1 shall have the right to use central counterparty, clearing house or settlement system of another Member State with the purpose of ensuring clearing and settlement of transactions concluded through the organized by it facility, after a preliminary approval by the deputy chairman. With respect to trade with government securities, issued on the domestic market, the deputy chairman shall issue such approval after a preliminary consent by the Minister of Finance and the Governor of the Bulgarian National Bank.

(2) For the issue of approval under para 1, an application shall be filed, to which shall be enclosed documents and data as laid down in an ordinance.

(3) The deputy chairman shall issue or refuse to issue an approval under para 1 within one month from receiving the application, and where some additional information and documents have been requested – within one month from their receiving. Article 14 para 2 shall apply accordingly.

(4) The deputy chairman shall refuse to issue an approval if the action under para 1 would hinder the operation of the established by the investment intermediary multilateral trading facility, a prompt and efficient settlement has not been provided or the technical conditions do not allow the facility's good operation.

**Art. 58.** Other requirements to the investment intermediaries' operation related to the organization of a multilateral trading facility (MTF) shall be laid down by an ordinance.

**Art. 59.** The requirements of this section shall also apply to the market operator when it organizes a multilateral trading facility.

#### Division V

#### **Pursuing of Business by Investment Intermediaries in a Member State**

**Art. 60.** (1) An investment intermediary which has a license to perform services and activities under Art. 5 para 2 and 3 and intends to establish a branch in a Member State, hereinafter referred to as the "host Member State", must preliminarily notify the Commission so. All branches, established by the investment intermediary in the host Member State shall be considered to be one branch.

(2) The notification under para 1 shall contain:

1. indication of the host Member State, in which the investment intermediary intends to establish a branch, as well as its address;
2. a program of operations, including information about the services and activities under Art. 5 para 2 and 3, which the investment intermediary shall carry out in the host Member State, as well as the organizational structure of the branch.
3. the name of the branch manager.

(3) The Commission shall provide to the relevant competent authority of the host Member State the information under para 2 within one month after the notification under para 1, and where additional information and documents have been requested - within one month of their receiving, as well as information about the acting in the country scheme for compensation of investors in financial instruments, in which the investment intermediary participates. The Commission shall inform forthwith the investment intermediary about the submission of the information under sentence one.

(4) The Commission may refuse within the term under para 3 to provide the information under para 2 to the relevant competent authority in the host Member State with a decision, if the investment intermediary's administrative structure or financial situation do not secure the investors interests, of which it will immediately inform the investment intermediary. The

Commission may provide the investment intermediary with the reasons for its decision within three months from the receiving of the whole information under para 2.

(5) An investment intermediary may set up a branch and start to pursue business on the territory of the host Member State after receiving a notification by the host Member State's relevant competent authority, or after expiry of two months from the notification under para. 3 to the relevant competent authority in the host Member State, provided it has not received notification within this term.

(6) An investment intermediary which has established a branch on the territory of a host Member State, shall notify in writing the Commission of any change in the particulars and documents under para 2 at least one month before the change is made.

(7) The Commission shall inform the relevant host Member State's competent authority of the changes under para 6, as well as of any change, related to the acting in the country scheme for compensation of investors in financial instruments, in which the investment intermediary participates.

**Art. 61.** (1) An investment intermediary which intends to carry out the authorized services and activities under Art. 5, para 2 and 3 in a host Member State under the freedom to provide services, without opening a branch on its territory, shall preliminarily notify of it the Commission.

(2) The notification under para 1 shall contain:

1. indication of the host Member State in which the investment intermediary intends to pursue business;
2. a program of operations, including particulars about the services and activities under Art. 5, para. 2 and 3, which the investment intermediary shall carry out in the host Member State.

(3) The Commission shall submit the information under para 2 to the relevant competent authority of the host Member State within one-month period after its receiving, notifying the investment intermediary of it.

(4) The investment intermediary may start to pursue business on the host Member State's territory after it has been informed by the Commission about the submission of the information under para 3.

(5) The investment intermediary shall notify in writing the Commission about any change in the particulars and documents under para 2 at least one month before the change is made. The Commission shall inform the host Member State's relevant competent authority about the changes under sentence one.

**Art. 62** (1) The Commission, or the deputy chairman, shall exercise supervision over the activities of the investment intermediary carried out in the host Member State through a branch or under the freedom to provide services.

(2) Where the relevant competent authority in the host Member State notifies the Commission about offences perpetrated by the investment intermediary under para 1, the Commission, or the deputy chairman, shall take the appropriate measures and shall inform of it the competent authority of the host Member State.

(3) The Commission, respectively the deputy chairman, in exercising its supervisory powers may carry out on-site inspection in the investment intermediary's branch after giving a preliminary notification of it to the competent authority in the host Member State.

**Art. 63.** The Commission shall inform without delay the relevant competent authority in the host Member State about the withdrawal of the issued to the investment intermediary license to pursue business.

## Division VI

### **Pursuing of Business in the Republic of Bulgaria by Investment Intermediaries with Registered Office in a Member State**

**Art.64.** An investment intermediary, whose registered office is in a Member State and which has obtained a license to pursue the business of investment intermediary in compliance with the *acquis communautaire* by the relevant competent authority of such state, hereinafter referred to as an “investment intermediary from a Member State”, may carry out the activity, for which a license has been issued to it, on the territory of the Republic of Bulgaria, through a branch, or under the freedom to provide services. Ancillary services may be provided only along with the investment service and/or activity. All branches, established by the investment intermediary in the Republic of Bulgaria shall be considered to be one subsidiary.

**Art.65.** (1) Within two months after receiving information from the relevant competent authority about an investment intermediary from a Member State, which intends to establish a branch on the territory of the Republic of Bulgaria, the Commission shall notify the investment intermediary about the receiving of the information.

(2) The investment intermediary from a Member State may set up a branch and start to pursue business on the territory of the Republic of Bulgaria after receiving a notification from the Commission under para (1), or after the expiry of the time-limit under para 1, if within this term it has not received a notification.

**Art.66.** An investment intermediary from a Member State, which intends to perform the authorized services and activities under Art. 5, para 2 and 3 on the territory of the Republic of Bulgaria under the freedom to provide services, without opening a branch, may start to pursue business after the Commission receives information by the relevant competent authority on the program of the investment intermediary's operations in the Republic of Bulgaria and the investor-compensation scheme in which the intermediary participates.

**Art. 67** (1) An investment intermediary from a Member State must comply with the provisions of this Act and its implementing instruments which apply to its activity, including keeping the whole information about the performed services and activities on the territory of the Republic of Bulgaria.

(2) The investment intermediary from a Member State must submit to the Commission and publish in Bulgarian language in the Republic of Bulgaria all documents and information according the requirements of this Act and its implementing instruments.

(3) In pursuing business in the Republic of Bulgaria, an investment intermediary from a Member State may use the business name under which it carries out activity in its home Member State, indicating the home Member State.

(4) Investment intermediaries authorized in another Member State shall be entitled to an access to a central counterparty and clearing and settlement systems on the territory of the Republic of Bulgaria in the same way as the investment intermediaries authorized in the Republic of Bulgaria. The central counterparty and the operators of clearing and settlement systems shall have the right to deny an access under sentence one only in case of existence of a legal ground for that.

**Art. 68.** (1) The Commission, or the deputy chairman, shall exercise supervision over the operation of the investment intermediary from a Member State carried out through a branch in the Republic of Bulgaria for compliance with the requirements under Art. 24 para 1 item 4, 6-8, Art. 27, 28, 30, 33, 38 and section III of this Chapter, as well as their implementing instruments.

(2) The competent authority of the Member State, in which the investment intermediary under Art. 64 has been authorized, in the exercising of its supervisory powers may conduct on-site

inspections in the investment intermediary's branch, after notifying beforehand the Commission.

## Division VII Supervision on a Consolidated Basis

**Art. 69.** (1) The Commission shall exercise supervision on a consolidated basis over the investment intermediaries, groups, financial holding companies and the mixed-activities holding companies under the conditions and procedure of this Act.

(2) A group shall exist where the parent undertaking is an investment intermediary and has as subsidiaries other investment intermediaries, credit institutions and/or financial institutions.

(3) The scope of the supervision on a consolidated basis under this Division shall also cover the management companies in the manner and to the extent to which the financial institutions are covered.

**Art. 70.** (1) The Commission shall carry out supervision on a consolidated basis in the cases where:

1. the parent undertaking is a parent investment intermediary with a registered office in the Republic of Bulgaria or a licensed in the Republic of Bulgaria parent investment intermediary from the European Union;

2. the parent undertaking of an investment intermediary, licensed in the Republic of Bulgaria is a parent financial holding company from a Member State or an EU parent financial holding company, established in a Member State.

(2) Where a parent financial holding company, established in the Republic of Bulgaria or a parent financial holding company from the European Union, established in the Republic of Bulgaria is a parent undertaking of investment intermediaries, authorised in two or more Member States, one of which is authorized in the Republic of Bulgaria, the supervision on a consolidated basis shall be exercised by the Commission.

(3) Where parent undertakings are financial holding companies established in different Member States, and have as subsidiaries investment intermediaries authorised in each of these Member States, the Commission shall exercise supervision on a consolidated basis, if the investment intermediary with the largest balance sheet total has been authorized in the Republic of Bulgaria.

(4) Where more than one investment intermediaries authorised in different Member States have as their parent the same financial holding company and none of these investment intermediaries has been authorised in the Member State in which the financial holding company was set up, supervision on a consolidated basis shall be exercised by the Commission, if the investment intermediary with the largest balance sheet total has been authorized in the Republic of Bulgaria. This investment intermediary shall be considered controlled by a parent financial holding company from the European Union.

(5) The Commission may, by common agreement with the competent authorities of the relevant Member States, waive the criteria referred to in para 2-4, if their application would be inappropriate, taking into account the investment intermediaries participating in the financial holding company and the relative importance of their activities in the different states. The agreement shall indicate the competent which will exercise supervision on a consolidated basis. Before the conclusion of the agreement, the Commission shall give the investment intermediary with the largest balance sheet total, the parent investment intermediary in a Member State or the investment intermediary from the European Union an opportunity to state its opinion within set by the Commission term.

(6) On request by a competent authority from a Member State, the Commission may participate in consultations and sign agreements about the appointment of an authority which shall exercise supervision on a consolidated basis according para 5. In such case the Commission may undertake the carrying out of supervision on a consolidated basis without the availability of the conditions under para 2-4.

(7) The Commission shall notify the European Commission of the concluded agreements under para 6 according which it shall exercise supervision on a consolidated basis.

**Art. 71.** The persons, appointed for members of the financial holding company's management body shall be of good repute and have professional experience required to direct the holding company's operation.

**Art. 72.** The Commission shall exercise supervision on a consolidated basis according this Division under conditions and procedure, laid down in an ordinance.

## **TITLE TWO REGULATED MARKETS IN FINANCIAL INSTRUMENTS**

### **Chapter Four ESTABLISHMENT AND MANAGEMENT**

#### **Division I General Provisions**

**Art. 73.** (1) Regulated market means a multilateral system operated and/or managed by a market operator, which brings together or assists for the bringing together of multiple third party buying and selling interests in financial instruments through the system and in accordance with its non-discretionary rules in a manner, the result of which is the conclusion of a contract in relation to financial instruments, admitted to trading according its rules/and systems, authorized and functioning regularly and in accordance with the provisions of this Act and its implementing instruments.

(2) A regulated market also means any multilateral system which is authorized and operates in consistence with the requirements of Title Three of Directive 2004/39/EC of the European Parliament and of the Council.

**Art. 74.** (1) The Commission shall issue a license to pursue the business of a regulated market if both the trading system and its market operator comply with the provisions of this Act and its implementing instruments. The Commission may issue an authorization to a market operator to organize a multilateral trading facility (MTF). Where on the regulated market trade is also carried out with government securities, issued on the domestic market, the Commission shall issue a license after a preliminary approval by the Minister of Finance and the Governor of the Bulgarian National Bank of the regulations for the regulated market's operation, the rules of trading, internal organization, the registration and settlement of government securities.

(2) The market operator organizes the business and operations of a regulated market. The market operator shall be responsible for compliance with the provisions of the law and the sub-statutory acts by the operated by it regulated market. The market operator shall be entitled to exercise the rights attaching to the regulated market.

(3) The regulated market and its market operator shall at any time meet the conditions on which the license under para 1 was issued.

(4) The Commission and the deputy chairman shall exercise supervision over the operation of the regulated market and the market operator.

(5) The trading in financial instruments on a regulated market under para 1 shall be carried out under the conditions and the procedure of the Bulgarian legislation.

(6) The Commission may envisage in an Ordinance other requirements to the regulated markets' operation, directed to the investor interests' protection and the capital market integrity, including also to the way of allocation of the obligations envisaged in the Act, between the regulated market and the market operator in the cases when they are separate legal entities.

**Art. 75.** (1) The market operator shall be a joint stock company which at any time shall have capital not less than BGN 5 000 000.

(2) Not less than 25 per cent of the capital under para 1 must be paid in at the time of filing the application for the issue of a license, and the other part – within a 14-day period after receiving the written notification under Art. 80 para 5.

(2) The regulated market must at any time have financial resources, required for its due functioning, having regard to the nature and extent of the transactions, concluded through its system, as well as depending on the range and degree of the risks to which it is exposed.

**Art. 76.** The regulated market shall have an internal organization and structure, ensuring that the pursued by it business shall satisfy the requirements of this Act and the instruments of its implementation.

**Art. 77.** (1) The persons who are members of the market operator's management body, or manage its activity, must have a good repute and professional experience, which are to ensure the stable and reasonable management and operation of the regulated market. The persons under sentence one must:

1. have higher university education, qualification and professional experience in the field of economics, law, finance, banking or computer science;
2. not have been sentenced for an intentional crime prosecuted on indictment;
3. not have been members of a management or controlling body or unlimited liability partners in a company wound-up due to bankruptcy, where there are unsatisfied creditors;
4. not have been declared bankrupt and not be parties to pending bankruptcy proceedings;
5. not be related parties under this Act;
6. not have been deprived of the right to occupy positions, involving financial responsibilities;
7. not jeopardize otherwise the integrity and prudent management and the operations of the regulated market.

(2) The persons shall meet the requirements of para 1, if at the time of issue of the authorization by the Commission, they are members of a management body, or control the operation of a regulated market licensed according the provisions of this Act or of Title III of Directive 2004/39/EC of the European Parliament and the Council.

**Art. 78.** (1) The persons possessing a qualifying holding in the market operator, must be fit and proper depending on the influence which they may exercise over the operation of the regulated market, according to the following criteria:

1. the reputation of the person who possesses a qualifying holding;
2. the reputation and experience of the persons who may manage the activity of the market operator as a result of the qualifying holding;
3. the financial stability of the person who possesses a qualifying holding with a view to the business and operations on the regulated market;

4. whether the possession of a qualifying holding does not prevent the market operator from the discharge of its duties under this Act and its implementing instruments;
5. if reasoned assumptions can be made that an action has been or is forthcoming to be done, which constitutes money laundering or is directed to terrorism financing, in relation to such qualifying holding.

**Art. 79.** (1) The organization and management of the regulated market shall be performed on the basis of Rules for the operation of the regulated market, which are adopted by the board of directors, or the management board of the market operator.

(2) The Rules under para 1 shall lay down:

1. the conditions and procedure for administration of the regulated market;
2. the rules about the transactions concluded on the regulated market;
3. the conditions which must be met by the members or participants on the regulated market, including when they are not investment intermediaries or credit institutions, according Art. 93 para 3;
4. the rules and procedures for clearing, settlement and securing the transactions concluded on a regulated market;
5. the conditions and procedure for settlement of claims against members or participants of the regulated market by arbitration;
6. other rules and procedures, envisaged in this Act.

## Division II

### Issuing of License to Pursue Business

**Art. 80.** (1) For the issue of a license to pursue the business of a regulated market, an application shall be filed with the Commission according a model form, to which the following documents shall be enclosed:

1. the articles of association of the market operator;
2. rules on the operation of the organized regulated market;
3. particulars about the capital paid in;
4. particulars about the members of the management and controlling body of the market operator and about all other persons, who are entitled to manage the market operator's activity;
5. particulars about the persons who have a qualifying holding in the market operator;
6. data about the premises and the technical equipment of the regulated market;
7. programme of operations of the regulated market which contains:
  - a) the types of business which the regulated market shall carry out;
  - b) the organizational structure of the regulated market;
8. in cases where the regulated market is a different legal entity from the market operator, the following data and documents as well
  - a) the data under item 1, 4 and 5 about the regulated market;
  - b) the documents, attesting the allocation of the obligations between the regulated market and the market operator;
  - c) other documents laid down in an ordinance.



(2) The Commission shall determine whether the requirements for issuing the requested license have been satisfied on the basis of the submitted documents. If the submitted data and documents are incomplete or incorrect, or if additional data or proof of authenticity is required, the Commission shall send a notice and set a term for removal of the discovered deficiencies and discrepancies or for presentation of the additional information and documents, which may not be shorter than 1 month and longer than 2 months.

(3) If the notice under para 2 is not accepted at the mailing address indicated by the applicant, the term for their submission shall start running as from the placing of the notice at a specially designated for the purpose location in the Commission's building. That fact shall be certified with a protocol drawn up by officials appointed by an order of the Commission's Chairman.

(4) The Commission shall pronounce on the request within 3 months from its receiving, and where additional information and documents have been requested – within three months from their receipt, or from the expiration of the term under para 2 sentence two.

(5) Within the term under para 4 the Commission shall inform in writing the applicant that it will issue a license for carrying out the activity of a regulated market, if within a 14-day period from receiving the notification, the applicant verifies that the required capital under Art. 75 para 1 was paid in full.

(6) The applicant shall be notified in writing of the decision made within 7 days.

**Art. 81.** (1) The Commission shall refuse to issue a license where:

1. the persons who are members of the management body of the market operator or manage the market operator's activity, fail to satisfy the requirements of this Act and its implementing instruments or the company's articles of association;
2. the persons who have a qualifying holding in the market operator fail to satisfy the requirements of this Act or may otherwise prejudice the sound and prudent management of the regulated market;
3. the Rules for the operation of the regulated market does not satisfy the provisions of this Act;
4. the principles or methods of trading do not ensure to the members or participants on the regulated market equal conditions for participation in trading;
5. the market operator or the trading system of the regulated market do not meet the provisions of this Act;
6. other requirements of this Act have no been complied with.

(2) In the cases under para 1 the Commission may refuse to issue a license only where the applicant has failed to remove the discovered deficiencies and inconsistencies and to submit the required additional information and documents within the time limit set by the Commission.

(3) The Commission's refusal to issue a license shall be reasoned in writing.

**Art. 82.** In case of refusal under Art. 81, the applicant may file a new request for the issue of a license, not earlier than six months after the coming into effect of the decision for refusal.

**Art. 83.** (1) After it is provided with the license issued by the Commission, the Registry Agency shall enter the market operator in the commercial register, and in the cases when the regulated market and the market operator are separate legal entities – the regulated market, as well.

(2) Persons who do not possess a license to pursue the business of a regulated market, may not use in their names and in advertising or other activities the words “regulated market” or “market operator” or a derivative thereof in Bulgarian or in a foreign language, or any other word denoting the carrying on of such activity.

**Art. 84.** (1) The Commission shall withdraw the license issued to a regulated market where:

1. it does not start pursuing business within 12 months from the issue of the license;
2. the market operator expressly requests for the licence withdrawing;
3. it does not operate in the course of 6 months;
4. where false particulars have been provided which have served as a ground for the issue of the license;
5. the regulated market commits systematic offences of this Act and of its implementing instruments, as well as of the Law on Measures Against Market Abuse with Financial Instruments and its implementing instruments;
6. the market operator or the organized by it regulated market cease to satisfy the requirements of this Act and its implementing instruments for pursuing business of a regulated market.

(2) With its decision to withdraw the license the Commission shall appoint one or more quaestors.

(3) From the date when the decision to withdraw the license of a regulated market comes into effect, no new transactions may be entered into, unless this is necessary for the execution of transactions already entered into or for investor protection.

(4) After the coming into effect of the decision for the license withdrawal, the Commission shall forthwith send a copy of it to the Registry Agency for initiation of a liquidation procedure of the market operator, respectively of the regulated market, and shall publish it in two central dailies. In such case the Commission shall appoint a liquidator, set a term for the liquidation’s performance and the liquidator’s remuneration.

## Chapter Five

### CONDITIONS TO PURSUE BUSINESS

#### Division I

#### Organizational Requirements

**Art. 85.** (1) The following actions may be done only after the prior approval by the deputy chairman:

1. change in the membership of the persons who are members of the management body of the market operator or who have the right to manage the activity of the market operator;
2. acquisition by a person of a qualifying holding in the market operator;
3. any amendments and supplements to the rules for the operation of the regulated market.

(2) In order an approval under para 1 to be issued, an application shall be filed to which data and documents shall be attached, as laid down in an ordinance.

(3) The deputy chairman shall issue or refuse to issue an approval under para 1 within one month from receiving the application. If the submitted data and documents are incomplete or irregular or additional information or evidence for the correctness of the data are needed, the Commission shall send a notification and set the time limit for removal of the established deficiencies and inconsistencies or for the submission of the additional information and documents, which may not be shorter than 14 days and longer than one month. Article 80 para 3 and 6 shall apply accordingly.

(4) The deputy chairman shall deny to issue an approval if the action under para 1 does not meet the requirements of the law, the sound and prudent management of the regulated market has been jeopardized, the applicant has submitted false data or documents with incorrect content or the interests of the clients and the members of the regulated market have not been secured.

(5) The regulated market shall notify the Commission of any amendments and supplements to the other documents, which served as a ground for the issue of the license. The term under sentence one starts running from the taking of the decision, filing or coming to know of the amendment or supplement.

(6) The market operator shall file with the Commission an annual report by 31 March of the following year, as well a 6-month report by 31 August of the current year. The contents of the reports shall be laid down in an ordinance.

(7) The market operator shall publish information about the persons who have a qualifying holding in it and of the size of such holding and shall update this information.

**Art. 86.** (1) The regulated market shall apply appropriate arrangements and procedures for:

1. identifying in a categorical way and preventing potential adverse consequences for the operations of the regulated market or for its members, which are a result of conflicts of interest between the interest of the market operator, or the regulated market, of the persons possessing qualifying holdings in the market operator, or in the regulated market on one side, and the sound functioning of the regulated market, on the other, and in particular when they may hinder the due accomplishment of the functions delegated to the regulated market by the Commission;

2. managing the risks, associated with the regulated market's operation, for identifying the significant risks for the orderly operation of the regulated market, as well as of mitigating those risks;

3. ensuring the sound management of the technical operations of the regulated market's system, including for the undertaking of effective contingency arrangements to cope with risk of systems disruption;

4. envisaging fair and non-discretionary rules which are to ensure a fair and orderly trading and objective criteria for efficient execution of orders for the conclusion of transactions with financial instruments;

5. securing efficient and timely settlement of the transactions executed on the regulated market;

6. disclosure and prevention of manipulations on the market in financial instruments.

(2) The measures and procedures under para 1 shall be determined by the Rules according Art. 79.

(3) Art. 35 shall apply for the regulated markets accordingly.

(4) In the cases when the regulated market and the market operator are separate legal entities, Art. 77, Art. 78, Art. 81 para 1 and Art. 85 para 1 item 1 and 2 and para 7 shall apply for the regulated market accordingly.

## Division II

### **Admission of Financial Instruments to Trading on a Regulated Market**

**Art. 87.** (1) The regulated market shall apply clear and transparent rules regarding the admission of financial instruments to trading, which are part of the Rules under Art. 79.

(2) The rules under para 1 shall ensure that the financial instruments admitted to trading on a regulated market are capable of being traded in a fair, orderly and efficient manner and in the case of securities, are freely negotiable.

(3) In case of trading in derivative financial instruments, the rules shall ensure that the design and contents of the derivative contract allow for their orderly pricing as well as for the existence of effective settlement conditions.

(4) The content of the rules under para 1, as well as the conditions and procedure for admission of financial instruments to trading on a regulated market, shall be determined in compliance with the provisions of Commission Regulation (EC) No. 1287/2006.

**Art. 88.** (1) The regulated market shall apply appropriate procedures to verify that issuers of securities that are admitted to trading on the regulated market comply with their obligations under *acquis communautaire* in respect of initial, ongoing and ad hoc disclosure of information. The procedures shall be part of the Rules under Art. 79.

(2) The regulated market shall ensure to its members and participants facilitated access to information which has been made public under *acquis communautaire*.

(3) A regulated market shall exercise continuous control for compliance with the admission requirements of the financial instruments admitted to trading.

**Art. 89.** (1) Transferable securities that have been admitted to trading on a regulated market can subsequently be admitted to trading on other regulated markets, even without the consent of the issuer, if the provisions of Directive 2003/71/EC of the European Parliament and of the Council have been complied with.

(2) In the cases under para 1, the market operator of the regulated market on which subsequent admission to trading has been done, shall inform the issuer of the admission of the securities to trading on that regulated market. The issuer may not be obligated to provide the information under Art. 88 para 2 to the regulated market directly or indirectly.

**Art. 90.** (1) A regulated market may organize an official and/or unofficial securities market.

(2) If the admission of securities to an official market is preceded by an initial public offering under Art. 5 para 1 item 1 of the Law on Public Offering of Securities (LPOS), the admission to trading may be done after the deadline of the subscription.

(3) The general requirements to the securities as well as to the manner and procedure for admission of securities to trading on an official market shall be laid down in an ordinance.

### Division III

#### **Suspension of Trading With Financial Instruments and Removal of Financial Instruments from Trading on a Regulated Market**

**Art. 91.** (1) The market operator may suspend the trading with financial instruments or remove from trading financial instruments which no longer comply with the requirements established in the Rules for the operation of the regulated market, unless that would be likely to cause significant damage to the investors' interests and the orderly functioning of the market.

(2) The market operator shall make public its decision for suspension of the trading with financial instruments or for removal from trading of financial instruments and shall notify the Commission of it. The Commission shall provide the information under sentence one to the competent authorities of the other Member States.

(3) The market operator may inform of its decision under para 2 directly the market operators of the other regulated markets on which the relevant financial instruments have been admitted to trading.

**Art. 92.** (1) In the cases when the Commission demands the suspension of trading with financial instruments or removal of financial instruments from trading on one or more regulated markets according Art. 118 para 1 item 4 and 9, it shall immediately make public its decision and shall inform the competent authorities of the other Member States.

(2) In the cases where the Commission receives information from a competent authority of another Member State for suspension of the trade with financial instruments or removal of financial instruments from trading on one or more regulated markets, it shall demand suspension of the trade or removal of those financial instruments from trading on the regulated markets or a multilateral trading facility (MTF), that operate on the territory of the Republic of Bulgaria, unless this could seriously prejudice the investor interests and the market's orderly functioning.

### Division IV

#### **Access to a Regulated Market**

**Art. 93.** (1) A regulated market shall apply transparent and non-discriminatory rules, based on objective criteria, settling access to or membership of the regulated market. The rules shall be part of the Rules under Art. 79.

(2) The rules under para 1 shall set forth the obligations for the members and the participants of the regulated market in relation to:

1. the constitution and administration of the regulated market;
2. rules relating to transactions, executed on the regulated market;
3. professional standards which have to be covered by the staff of the investment intermediaries or credit institutions that are operating on the regulated market;
4. the conditions which must be met by members or participants on the regulated market other than investment intermediaries and credit institutions under para 3;
5. the rules and procedures for the clearing and settlement of transactions concluded on the regulated market.

(3) A regulated market may admit for participation in the trade or accept as members investment intermediaries, credit institutions as well as other persons meeting the following requirements:

1. to have the necessary professional qualification and experience, as well as a good reputation;
2. to have the required trading ability and competence;
3. to have adequate organisational arrangements according the business they pursue;
4. to have sufficient resources for the functions they are to perform in relation to the regulated market's operation, taking into account the different financial arrangements that the regulated market envisages to conclude or may have concluded in order to guarantee the adequate settlement of transactions.

**Art. 94.** (1) Members and participants on a regulated market are not obliged to comply with the requirements laid down in Art. 24 para 4, 7 and 8; Art. 27 para 2, 4 and 5; Art. 28, 30 and Art. 33 para 2 in the execution of transactions on the regulated market between themselves. The members and participants of the regulated market shall comply with the obligations according sentence one first in the relations with their clients when they, acting on behalf of clients, execute their orders on a regulated market.

(2) Investment intermediaries and credit institutions shall be direct or remote participants or members of the regulated market on conditions set forth in the rules under Art. 93 para 1.

(3) The market operator shall provide the Commission with information about the members or participants of the regulated market and shall notify it of any change in that information.

#### Division V

##### **Provision of Access of Local Persons to the Systems of a Regulated Market Which Has Obtained an Authorization to Pursue Business in Another Member State.**

##### **Provision of Access of Persons from Another Member State to the Systems of a Regulated Market Which Has Obtained a License in the Republic of Bulgaria**

**Art. 95.** (1) A regulated market, which has been authorized to pursue business by a competent authority of another Member State, may conclude agreements on the territory of the Republic of Bulgaria to facilitate the access to its trading systems and the carrying out of trade on that market by local persons as remote members or participants on that regulated market after receiving a notification by the competent authority of the Member State.

(2) In connection with the exercising of its supervisory functions the Commission may ask the competent authority from a Member State under para 1 to supply information on the members or the participants in the regulated market under para 1, established in the Republic of Bulgaria.

**Art. 96.** (1) A regulated market that has obtained a license to pursue business in the Republic of Bulgaria may conclude agreements on the territory of another Member State in order to facilitate the access to its trading systems and carrying out of trade on that market by persons from another Member State as remote members or participants on that regulated market, after notifying of it the Commission. The notification shall indicate the state on whose territory the regulated market intends to conclude agreements for facilitated access, and information on the types of agreements.

(2) The Commission shall provide to the competent authority under para 1 the information, that the notification contains within 1 month from its receipt. The Commission shall notify forthwith the regulated market of the provision of the information.

(3) Within the term under para 2 the Commission may refuse to provide the information that the notification contains to the relevant competent authority under para 1 with a reasoned decision, if the envisaged by the regulated market agreements do not ensure to sufficient extent a free access to its trading systems, or the interests of the participants in the trade on the regulated market have not been otherwise ensured.

(4) On request of the competent authority from the other Member State, the Commission shall provide to it information about the members or the participants in the regulated market established in that Member State.

#### Division VI

### **Monitoring of Compliance With the Provisions of the Law and With the Rules of the Regulated Market**

**Art. 97.** (1) A regulated market shall apply effective arrangements and procedures for continuous monitoring of compliance with the established by it rules by the members or participants on the regulated market. The rules and procedures shall be a part of the Rules under Art. 79.

(2) The regulated markets shall exercise control over the transactions executed by the participants or by the members through its trading systems, in order to identify breaches of the statutory requirements and of the regulated market's rules, disorderly trading or conduct that may involve market abuse.

(3) The market operator shall report to the Commission significant breaches of the regulated market's rules, disorderly trading or conduct that may involve market abuse. The regulated market shall render full assistance to the Commission and the deputy chairman in the exercising of their supervisory functions in relation to the market abuses with financial instruments.

#### Division VII

### **Disclosure of Market Information by the Regulated Market**

**Art. 98.** (1) In the normal trading hours the regulated markets shall make public on a continuous basis and on reasonable commercial terms information on current bid and offer prices which are advertised through their systems for shares admitted to trading, as well as the orders given at those prices.

(2) Regulated markets may, on reasonable commercial conditions, give access to the arrangements they employ for making public the information under para 1 to investment intermediaries which are obliged to publish their quotes in shares pursuant to Art. 44.

(3) The deputy chairman may waive the obligation for regulated markets to make public the information referred to in para 1 based on the market model, the type and size of orders in the cases defined in accordance with paragraph 5, including when such information relates to transactions that are large in scale compared with the normal market size for the relevant issue of shares or type of share.

(4) The regulated market, on regular basis and on request, shall provide the Ministry of Finance and the Bulgarian National Bank with information about the transactions with government securities, executed on the regulated market.

(5) Commission Regulation (EC) No. 1287/2006 defines:

1. the range of bids and offers or designate market-makers quotes, and the orders given at those prices, to be made public according para 1;
2. the size and type of orders for which para 3 applies;
3. the market model for which waiver of a pre-trade disclosure under paragraph 3 may be requested;
4. the applicability of the obligation under para 1 to trading methods operated by regulated markets which conclude transactions under the adopted according them rules, by reference to prices established outside the regulated market or by periodic auction.

**Art. 99.** (1) The regulated market shall make public on a reasonable commercial basis and as close to real-time as possible the price, volume and time of the transactions executed in respect of shares admitted to trading.

(2) Regulated markets may give equal access to the intermediaries which are obliged to publish the information under Art. 53, on reasonable commercial terms, to the arrangements they employ for making public the information under para 1.

(3) The deputy chairman may authorize the regulated market to provide for deferred publication of the details under para 1 of transactions that are large in scale compared with the normal market size for that issue of shares or that class of shares, as well as in other cases with a view to the type and volume of the concluded transactions.

(4) The conditions on which a regulated market envisages deferred publication of the information under para 3 and any changes therein shall be approved by the deputy chairman and shall be published on the web site of the regulated market or shall be disclosed to the market participants and investors in another appropriate way.

(5) Commission Regulation (EC) No. 1287/2006 defines:

1. the scope and content of the information to be made available to the public under para 1;
2. the conditions on which a regulated market may provide for deferred publication of the information on the transactions, and the criteria which must apply in determining the transactions for which due to the size or type of shares, deferred publication of information is admissible.

## Division VIII

### **Central Counterparty and Clearing and Settlement Arrangements**

**Art. 100.** (1) A regulated market shall apply a clearing system, including through a central counterparty or clearing houses, also for the settlement of the concluded transactions with financial instruments, which is to ensure their effective and timely finalisation.

(2) The regulated markets shall offer their participants and members the right to designate the system for the settlement of transactions in financial instruments, entered into on that regulated market, subject to:



1. such links and arrangements have been ensured between the designated settlement system and any other settlement system or facility as are necessary to ensure the efficient and economic settlement of the transactions;

2. the deputy chairman has issued an approval for the settlement of the transactions in financial instruments, concluded on a regulated market to be carried out through a settlement system other than that applied by the regulated market.

(3) For the issue of a decision under para 2 item 2 the deputy chairman shall take into account the supervision which is exercised over the participants in the settlement system. The power of the Commission for issuance of the authorization under para 2 item 2 shall not affect the supervisory functions of the central bank or another authority exercising supervision over the settlement system.

(4) The deputy chairman shall refuse to issue an approval under para 2 item 2, if the technical conditions for settlement of the transactions, executed on the regulated market, do not ensure the unimpeded and orderly functioning of the financial markets. Article 85 para 3 – 5 shall apply accordingly.

**Art. 101.** (1) A regulated market may enter into arrangements with a central counterparty or clearing house and a settlement system in another Member State with a view to providing for the clearing and/or settlement of some or all trades concluded by market participants through its trading system.

(2) For the entering into arrangements under para 1, the preliminary approval of the deputy chairman shall be required. With respect to trading with government securities, issued on the domestic market, the deputy chairman shall issue such approval after the preliminary consent of the Minister of Finance and the Governor of the Bulgarian National Bank.

(3) The deputy chairman shall pronounce on the request for the issue of approval under para 2, taking into account the conditions which must be satisfied by the settlement systems according Art. 100. The deputy chairman may not deny to issue the approval under para 2, unless the conclusion of the arrangements according para 1 may jeopardize the orderly functioning of the regulated market. Article 100 para 4 shall apply accordingly.

(4) In the exercising of its supervisory functions, the deputy chairman shall take into account the oversight of the clearing and settlement system under para 1, exercised by the relevant central bank or by other supervisory authorities of the Member States.

**Art. 102.** (1) The Commission shall draw up and maintain an up-dated list of the regulated markets for which the Republic of Bulgaria is a home Member State. The Commission shall post the list on its web site and shall provide it to the relevant competent authorities of the other Member States and to the European Commission.

(2) The Commission shall notify the Member States and the European Commission of any change in the list under para 1.

### **TITLE THREE**

#### **INTERACTION WITH THE COMPETENT AUTHORITIES OF A MEMBER STATE**

##### **Chapter Six**

#### **COOPERATION AND EXCHANGE OF INFORMATION WITH THE COMPETENT AUTHORITIES OF MEMBER STATES**

## Division I

### Cooperation With the Competent Authorities of Member States

**Art. 103.** (1) In the exercising of its supervisory functions under this law and its implementing instruments, the Commission shall provide information to and cooperate with the relevant competent authorities of other Member States.

(2) For the purposes of para 1, the Commission will use the powers entrusted to it by law also in cases when the action, subject of investigation by the competent authorities of other Member States, does not constitute infringement of the legislation of the Republic of Bulgaria.

(3) The Commission shall designate contact points through which requests for the provision of information or for cooperation will be received and shall notify of it the European Commission and the other Member States.

**Art. 104.** (1) In cases when the operation of a regulated market from a Member State on the territory of the Republic of Bulgaria is of substantial importance for the functioning of the securities markets and the protection of investor interests in the Republic of Bulgaria, the Commission and the relevant competent authority from the Member State shall undertake proportionate cooperation arrangements.

(2) The measures under para 1 shall also be taken in cases when the operation on the territory of a Member State of a regulated market, which has been authorized to pursue business in the Republic of Bulgaria, is of substantial importance for the functioning of the securities markets and the protection of investor interests in that Member State.

(3) The cases in which the regulated market under para 1 and 2 is of substantial importance for the functioning of the securities markets and the investor interests protection have been defined by Commission Regulation (EC) No. 1287/2006.

**Art. 105.** (1) Where the Commission has good reasons to suspect that an entity over whose activities it does not exercise supervisory powers, acts or has acted contrary to the provisions of Directive 2004/39/EC of the European Parliament and of the Council on the territory of another Member State, it shall notify of it the competent authority of the relevant Member State.

(2) In the cases when the Commission has been notified by the competent authority of a Member State that an entity over whose operation they do not exercise supervisory powers carries out on the territory of the Republic of Bulgaria actions in breach of the provisions of Directive 2004/39/EC of the European Parliament and of the Council, the Commission shall take appropriate actions and inform the relevant competent authority of the Member State of the outcome of such actions.

**Art. 106.** (1) In carrying out of its supervisory activity, when conducting on-the-spot verifications or an investigation, the Commission may request the cooperation of the competent authority of another Member State.

(2) In the cases under para 1, relating to investment intermediaries that are remote members of a regulated market in the Republic of Bulgaria, the Commission may exercise its powers in regard to them, directly informing of it the competent authority of the home Member State.

(3) Where the Commission receives a request for assistance with respect to an on-the-spot verification or an investigation from a competent authority of another Member State, it within the framework of its powers shall:

- (a) carry out the verifications or investigations itself; or
- (b) allow the competent authority of the other Member State to carry out the verification or investigation;
- (c) allow auditors or experts to carry out the verification or investigation.

## Division II

### **Exchange of Information with the Competent Authorities of Member States**

**Art. 107.** (1) In order to receive the information needed for the realization of the Commission's functions, the contact persons according Art. 103 para 3 shall file a request with the contact persons from the relevant competent authority of a Member State. In case that at the time of supply of the requested information, the contact persons from the relevant Member State have indicated that such information must not be disclosed to third parties without the express consent of the competent authority of the Member State, the Commission may provide the information to third parties solely for the purposes for which the competent authority from the Member State gave its consent.

(2) Upon receiving a request for provision of information, the contact persons according Art. 103 para 3 shall supply to the contact persons from the relevant Member State the information, required for exercising of the supervisory functions of its competent body. At the time of the supply of the information, the contact persons according Art. 103 para 3 may indicate that this information must not be disclosed to third parties without the express consent of the Commission.

(3) The requirements which must be met in filing a request for the receiving of information under para 1 and upon the provision of information under para 2 have been set forth by Commission Regulation No. 1287/2006.

**Art. 108.** (1) The contact persons under Art. 103 para 3 may provide to the Bulgarian National Bank on conditions and under a procedure, laid down in a joint instruction of the Commission and the Bulgarian National Bank, the information received under Art. 42 and Art. 107 para 1 and the information, received from the relevant competent authority of a third country.

(2) The contact persons under Art. 103 para 3 may not provide the information under para 1 to other bodies or to natural persons and legal entities without the express consent of the competent authorities which disclosed the information and solely for the cases for which they gave consent, except in the cases when duly reasoned circumstances necessitate that, for which the contact persons under Art. 103 para 3 shall immediately inform the contact persons that provided the information.

(3) The Commission, the deputy chairman, the Bulgarian National Bank, as well as other authorities or natural or legal persons who have been provided with information, received under Art. 42 and Art. 107 para 1, and information received from the relevant competent authority of a third country, may use it only in connection with the fulfilment of their functions:

1. when checking for compliance with the requirements for the issue of an authorisation to pursue the business of investment intermediary and for facilitation of the supervision on unconsolidated and consolidated basis, especially with regard to the capital adequacy requirements, administrative and accounting procedures and internal-control mechanisms;
2. for control over the operation of the trading venues;

3. in the applying of coercive administrative measures and imposition of administrative sanctions;
4. in administrative and court appeals against warrants of the Commission and the deputy chairman, as well as against warrants of the Bulgarian National Bank under Art. 16 para 2 and Art. 103 para 8 of the Law on Credit Institutions;
5. in the extra-judicial procedures for settlement of consumer claims concerning the investment services and activities, provided to investment intermediaries.

**Art. 109.** (1) Regardless of the provisions of Art. 107 and 108 of this Act and Art. 24 and 25 of the Financial Supervision Commission Act (FSCA), the Commission shall provide to the central banks, the European System of Central Banks and the European Central Bank, in their capacity of authorities exercising payment supervision and, where appropriate, to other public authorities responsible for overseeing payment and settlement systems, information needed for the performance of their tasks.

(2) The Commission may request from the authorities under para 1 to provide it with the information needed for the performance of its activity.

**Art. 110.** (1) The Commission may refuse assistance in the carrying out of on-the-spot verification or investigation as provided for in Art. 103 para 3 and for the supply of the information as provided for in Art. 107 para 2, Art. 108 and Art. 109, where:

1. the carrying out of on-the-spot verification, or investigation and the supply of information might adversely affect the sovereignty, security or public policy of the Republic of Bulgaria;
2. proceedings have already been initiated in respect of the same actions and the same persons for whom assistance has been requested, before judicial authorities in the Republic of Bulgaria;
3. in respect of the same persons and the same actions in relation to whom an assistance has been requested, final enforceable judgement has already been delivered in the Republic of Bulgaria.

(2) In the cases under para 1 the Commission shall notify the authority which has requested assistance, providing to it detailed information on the reasons for the refusal.

**Art. 111.** (1) The Commission shall carry out consultations with the relevant competent authorities of another Member State prior to taking a decision on the application, when the applicant is:

1. a subsidiary of another investment intermediary, insurer or credit institution authorized to pursue business by the competent authorities of another Member State;
2. a subsidiary of a parent undertaking of another investment intermediary, insurer or credit institution authorized to pursue business by the competent authorities of another Member State;
3. a person controlled by the same natural or legal person as controls an investment intermediary, insurer or credit institution, that has been authorized to pursue business by the competent authority of another Member State;

(2) The Commission shall conduct consultations with the Bulgarian National Bank before pronouncing on the application, when the applicant is:

1. a subsidiary of a credit institution, that has obtained an authorization to pursue business under the Law on Credit Institutions;

2. a subsidiary of a parent undertaking of a credit institution, that has obtained an authorization to pursue business under the Law on Credit Institutions;

3. a person controlled by a natural or legal person, that controls a credit institution, which has obtained an authorization to pursue business under the Law on Credit Institutions;

(3) The Commission shall consult the relevant competent authorities under para 1 and para 2 when assessing the persons possessing shareholding, in assessment of the reputation and experience of persons who will represent and manage the investment intermediary, if they are involved also in the management of another entity of the same group.

(4) The Commission shall carry out consultations with the relevant competent authority from a Member State in connection with the issue of authorization to pursue business as investment intermediary to an entity which is:

1. a subsidiary of an investment intermediary, that has obtained a license to pursue business under this Act, or an insurer that has received a license to pursue business under the Insurance Code;

2. a subsidiary of the parent undertaking of an investment intermediary, that has obtained a license to pursue business under this Act, or an insurer that has obtained a license to pursue business under the Insurance Code;

3. an entity controlled by a natural or legal person, who controls an investment intermediary that has obtained a license to pursue business under this Act, or an insurer that has obtained a license to pursue business under the Insurance Code;

(5) The Commission shall consult the relevant competent authority from a Member State also when assessing the shareholders and the reputation and experience of persons who will represent and manage the investment intermediary, if they are also involved in the management of an investment intermediary, which has obtained a license to pursue business under this Act, or an insurer that has obtained a license to pursue business under the Insurance Code.

**Art. 112.** (1) The Commission may, for statistical purposes, require the investment intermediaries from a Member State, which carry out activities on the territory of the Republic of Bulgaria through a branch, to submit periodical reports with form and contents, as laid down in an ordinance.

(2) In discharging its functions the Commission shall require the investment intermediaries from a Member State, which carry out activities on the territory of the Republic of Bulgaria through a branch, to provide the information necessary for the exercising of supervision over compliance with their obligations under Art. 68, which obligations may not be more stringent than those provided for the investment intermediaries that have obtained a license to pursue business under this Act.

**Art. 113.** (1) Where the deputy chairman has clear and demonstrable grounds for believing that an investment intermediary from a Member State, which carries out activities through a branch or under the freedom to provide services on the territory of the Republic of Bulgaria, is in breach of the provisions of Directive 2004/39/EC of the European Parliament and of the Council, which do not confer powers to the Commission, respectively the deputy chairman to exercise supervision, it shall notify of it the competent authority of the home Member State.

(2) If, despite the measures taken by the competent authority of the home Member State, or because such measures prove inadequate or inappropriate and the investment intermediary persists in acting in a manner prejudicial to the investor interests or to the orderly functioning

of the capital markets on the territory of the Republic of Bulgaria, the deputy chairman may, after informing the competent authority of the home Member State, take the appropriate measures needed in order to protect investors and for the proper functioning of the capital markets, and if necessary, also prohibit the investment intermediary from pursuing business on the territory of the Republic of Bulgaria. The Commission shall inform without delay the European Commission of the measures taken.

**Art. 114.** (1) Where the deputy chairman ascertains that an investment intermediary from a Member State, which carries out activities through a branch on the territory of the Republic of Bulgaria, is in breach of the provisions of Art. 24 para 1 item 4 and para 4, 7 and 8, Art. 27, 28, 30, 38 and Division III of Chapter Three, as well as the acts of their implementation, the deputy chairman shall direct in writing to put an end of and remove within certain term the admitted breaches and the harmful consequences thereof.

(2) If the investment intermediary fails to execute the direction under para 1, the deputy chairman shall take all appropriate measures for putting an end of the breaches and shall communicate the nature of those measures to the competent authorities of the home Member State.

(3) If, despite the measures taken under para 2, the investment intermediary persists with the breach referred to in paragraph 1, the Commission, or the deputy chairman may, after informing the competent authority of the home Member State, take appropriate measures to prevent the offence or penalise the offender and, in so far as necessary, to prohibit the investment intermediary from pursuing business on the territory of the Republic of Bulgaria. The Commission shall forthwith inform the European Commission of the measures taken.

**Art. 115.** (1) Where the deputy chairman has clear and demonstrable grounds for believing that a regulated market or multilateral trading facility (MTF) from a Member State is in breach of the provisions of Directive 2004/39/EC of the European Parliament and of the Council, it shall notify of it the competent authority of the home Member State.

(2) If, despite the measures taken by the competent authority of the home Member State, or because such measures prove inadequate or inappropriate, and the said regulated market or the MTF persists in acting in a manner that is prejudicial to the investor interests or the orderly functioning of the capital markets on the territory of the Republic of Bulgaria, the deputy chairman may, after informing the competent authority of the home Member State, take all the appropriate measures needed in order to protect investors and ensure the proper functioning of the capital markets, and if needed, also to prohibit the regulated market or the multilateral trading facility (MTF) from pursuing business on the territory of the Republic of Bulgaria. The Commission shall inform without delay the European Commission about the measures taken under sentence one.

**Art. 116.** Any measures adopted by the Commission or the deputy chairman under Art. 113, 114 and 115 involving sanctions or restrictions on the activities of an investment intermediary or of a regulated market shall be reasoned in writing and communicated to the investment intermediary or to the regulated market concerned.

### Division III

#### **Provision of Information to the European Commission**

**Art. 117.** (1) The Commission shall inform the European Commission of any substantial difficulties arisen for investment intermediaries, to which the Republic of Bulgaria is a home

Member State, in their establishment, or in the performance of the services and activities under Art. 5 para 2 and 3 in a third country.

(2) On request of the European Commission, the Commission shall restrict or suspend for a period of three months the issue of authorizations to pursue business on the territory of the Republic of Bulgaria by an investment intermediary from a third country, as well as the procedures in relation to the acquisition of holding by a parent undertaking, which is regulated by the legislation of such third country. By decision of the Council of the European Union this period may be extended.

(3) Paragraph 2 shall not apply with regard to a subsidiary of an investment intermediary, that has obtained an authorization to pursue business within the European Union, or a subsidiary of such subsidiary.

(4) On request of the European Union, in cases when a third country does not ensure to investment intermediaries from a Member State, the pursuance of business in market conditions, equal to those which the *acquis communautaire* guarantees to the investment intermediaries from that third country, or when a third country does not provide a regime of national treatment when business is pursued on its territory by investment intermediaries from a Member State, the Commission shall inform it of any filed:

1. application for the issue of a license to an investment intermediary, which is direct or indirect subsidiary of a parent undertakings, which is regulated by the legislation of that third country;

2. notification by a parent undertaking, which is regulated by the legislation of that third country and intends to acquire holding in an investment intermediary for which the Republic of Bulgaria is a home Member State, as a result of which the investment intermediary will become a subsidiary of that parent undertaking.

(5) The notification under para 4 shall be terminated after the achieving of an agreement between the European Union and the third country for the provision by the third country to investment intermediaries from the European Community conditions for pursuing their business equivalent to those which *acquis communautaire* guarantees to the investment intermediaries from that third country, for the providing of a regime of national treatment or after the expiration of the term under para 2.

## **TITLE FOUR**

### **COERCIVE ADMINISTRATIVE MEASURES AND ADMINISTRATIVE LIABILITY**

#### Chapter Seven

### **COERCIVE ADMINISTRATIVE MEASURES**

**Art. 118.** (1) When it establishes that an investment intermediary or regulated market, their employees, persons performing managerial functions under a contract, persons entering into transactions for the account of an intermediary, as well as persons possessing qualifying holding, have carried out or carry out activities in contravention of this Act, its implementing instruments, the rules or other internal instruments of the regulated markets of financial instruments approved by the deputy chairman, decisions of the Commission or the deputy chairman, as well as where the exercising of control activity by the Commission or the deputy

chairman is prevented or the interests of investors are jeopardized, the Commission, respectively the deputy chairman may:

1. obligate them to take specific measures needed to prevent and remove the offenses, the harmful effects thereof or the jeopardy to investor interests, within a time limit set by the Commission;
2. convene, with a specified agenda, a general assembly and/or schedule a meeting of the governing or supervisory bodies of the supervised persons in view of passing resolutions on the measures to be taken;
3. inform the public of any activities that jeopardize investors' interests;
4. suspend the trading with certain financial instruments;
5. order in writing a supervised person to dismiss one or more persons authorized to manage and represent the corresponding person and divest such person of his managerial and representation rights until his dismissal;
6. appoint quaestors in the cases provided for in this Act;
7. appoint a registered auditor who should conduct a financial or other audit of a supervised person, in accordance with requirements set by the deputy chairman;
8. demand distraint upon property;
9. remove financial instruments from trading on a regulated market or other trading system.

(2). Where it establishes that a bank carries out its activities in contravention of this Act or of its implementing instruments, the deputy chairman may apply the measures under para. 1 items 1, and propose to the Bulgarian National Bank to apply the measures under Art.103, para. 2 of the Law on Credit Institutions. The Bulgarian National Bank must communicate its decision to the deputy chairman within one month from receiving the proposal of the deputy chairman.

(3) The deputy chairman may propose to the Bulgarian National Bank to withdraw a bank's license only if the corresponding entity systematically violates the provisions of this Act or its implementing instruments.

(4) On request from the Commission, respectively the deputy chairman, the Registry Agency shall enter the circumstances, respectively shall announce the acts under para. (1) in the commercial register.

**Art. 119.** (1) The procedure of applying coercive administrative measures shall start on the initiative of the deputy chairman, and in the cases under Art. 118, para 1, item 5 and 6 - on the Commission's initiative.

(2) The notifications and communications in the procedure under para. 1 may also be made via registered mail with delivery receipt, via telegram, over the phone, telex or fax. Notifications and communications by registered mail with delivery receipt or telegram are verified by a notice of their delivery, over the phone - in writing by the official who delivered them, and those by telex or fax - by written confirmation for sent message.

(3) If the notifications and communications in the procedure under para. (1) are not received on the address, telephone, telex or fax specified by the persons or entered in the respective register under Art. 30, para. 1 of the Financial Supervision Commission Act, they shall be considered sent with their posting on specially indicated for the purpose place in the Commission's building. This circumstance shall be ascertained by a report, drawn up by officials appointed by an order of the deputy chairman.

(4) The coercive administrative measures under Art. 118, para 1, item 1 - 4, and 7 shall be applied by a written reasoned decision of the deputy chairman, and the coercive administrative measures under Art. 118, para 1, item 5 and 6 - by a written reasoned decision of the Commission, which shall be communicated to the concerned person within 7 days as of its pronouncement.

**Art. 120.** The decision to apply a coercive administrative measure shall be subject to immediate enforcement, regardless of whether it has been appealed against.



**Art. 121.** Insofar as no special rules have been provided for in this Chapter, the provisions of the Administrative Procedure Code shall apply.

## Chapter Eight QUAESTOR

**Art. 122.** (1) The Commission may appoint one or several quaestors:

1. of a regulated market, in the case of Art. 84, para. (2);
  2. of an investment intermediary:
    - a) by adopting a resolution to apply a measure under Art. 118, para. 1, items 1 or 5 for a period of up to 3 months; or
    - b) in case of withdrawal of the license to pursue business – until the court appoints a liquidator or trustee, respectively.
- (2) Where upon the expiration of the three-month term under para. 1, item 2, letter “a” the intermediary’s license to pursue business is not withdrawn, the powers of the quaestor shall be discontinued and the rights of the company’s bodies shall be restored.
- (3) The Commission may at any time terminate the powers of the quaestor and appoint another one in his place. This act shall not be subject to appeal.

**Art. 123.** (1) The quaestor must be a natural person.

- (2) A quaestor must satisfy the conditions of Art. 11, para. (1), items 1-4, 6-10, and not be:
1. the spouse, a relative in the direct or collateral line up to the sixth degree or by affinity up to the third degree to a member of a governing body of the person under Art. 122, para. 1 whose powers are terminated with the act of appointment of the quaestor;
  2. with the person under Art. 122, para. 1 or with his debtor in relations which give good reasons to doubt the quaestor’s impartiality.
- (3) The quaestor shall state in writing to the Commission the circumstances under para. 2. He must forthwith notify the Commission of any change in those circumstances.

**Art. 124.** (1) After issuing the act of appointment of a quaestor, the Commission shall forthwith serve it on the person under Art. 122, para. (1) and shall publish a notice in at least one central daily newspaper.

- (2) With the appointment of a quaestor all powers of the supervisory and the managing board, or the board of directors of the person under Art. 122, para. 1, shall be terminated and shall be exercised by the quaestor, so far as the act of his appointment does not envisage any restrictions. The quaestor shall take all necessary measures to protect investor interests.
- (3) After the quaestor’s appointment, the general shareholders meeting may only be convened by the quaestor and take a decision on the announced by him agenda.
- (4) Acts and transactions carried out by third parties in the name of and for the account of the person under Art. 122, para. 1 without a preliminary authorization by the quaestor, shall be null and void.
- (5) If two or more quaestors have been appointed, they shall take decisions unanimously and shall exercise their powers jointly, unless the Commission decides otherwise.
- (6) The Commission may issue binding prescriptions to the quaestors in relation to their activities.
- (7) The quaestor shall report about his activities only to the Commission and, upon its request, he shall forthwith submit a report on his activities.

**Art. 125.** (1) The quaestor shall have unrestricted access to and control over the offices of the person under Art. 122, para. (1), the accounting and other documents and its property.

- (2) Upon the quaestor’s request, the Public Prosecution and the authorities of the Ministry of the Interior must render assistance for the exercise of his powers under para. 1.

- Art. 126.** (1) The quaestor shall exercise his powers with due diligence. He shall only be liable for damages, which he has caused intentionally or with gross negligence.
- (2) All officials of the person under Art. 122, para. 1 must assist the quaestor in the exercise of his powers.
- (3) The quaestor shall receive for his work remuneration for the account of the person under Art. 122, para. (1), which shall be determined by the Commission.

## Chapter Nine ADMINISTRATIVE LIABILITY AND PENALTY PAYMENTS

- Art. 127.** (1) Any person who commits or admits the committing of an offense under:
1. Art. 24 para 8, Art. 28 para 1-5, Art. 33 para 1 and 5, Art. 34 para 4, Art. 36 para 2-4, Art. 37 para 2, 3, 6 and 8, Art. 39 para 2, Art. 44 para 1-3, Art. 45 para 2, 3 and 4, Art. 85 para 5 of this law and the implementing ordinances shall be liable to a fine from BGN 500 to BGN 2000;
  2. Art. 7 para 2, Art. 18 para 1, Art. 23 para 3, Art. 24 para 4, Art. 25 para 6, Art. 26 para 1, 2 and 3, Art. 30 para 2, 3, 4, 6 and 7, Art. 35 para 3, Art. 38 para 1, 4, 5 and 6, Art. 39 para 1, Art. 42 para 1 and 2, Art. 46 para 1, Art. 47 para 1 and 2, Art. 48 para 2, Art. 51 para 1, 2 and 3, Art. 52, Art. 53 para 1 and 3, Art. 54 para 1, Art. 55 para 1, Art. 57 para 2, Art. 83 para 2, Art. 85 para 6 and 7, Art. 86 para 3 in relation to Art. 35 para 3, Art. 89 para 2, Art. 91 para 2, sentence one, shall be liable to a fine from BGN 1 000 to BGN 3000;
  3. Art. 7 para 1, Art. 10 para 1 and 2, Art. 11 para 7, Art. 22 para 1 and 4, Art. 24 para 1, 2 and 3, Art. 27 para 2, 3 and 4, Art. 29, Art. 30 para 5, Art. 32 para 6, Art. 34 para 1, 2, 3, 5 and 7, Art. 35 para 1 and 5, Art. 40 para 1 and 2, Art. 60 para 1, 5 and 6, Art. 61 para 1, 4 and 5, Art. 86 para 3 in relation to Art. 35 para 1 and 5, Art. 90 para 2, Art. 94 para 3, Art. 97 para 3, Art. 98 para 1, Art. 99 para 1, shall be liable to a fine from BGN 2000 to BGN 5000;
  4. Art. 21 para 1 and 2, Art. 22 para 2, Art. 25 para 1, Art. 26 para 8, Art. 30 para 1, Art. 33 para 2, Art. 75 para 3, Art. 85 para 1, Art. 88 para 2 and 3, Art. 100 para 2 and Art. 101 para 2, shall be liable to a fine from BGN 5000 to BGN 10,000.
- (2) In case of a repeated offense under para. 1, the guilty person shall be liable to a fine as follows:
1. for offenses under para. 1, item 1 - from BGN 1 000 to BGN 4000;
  2. for offenses under para. 1, item 2 - from BGN 2000 to BGN 6000;
  3. for offenses under para. 1, item 3 - from BGN 5000 to BGN 10 000;
  4. for offenses under para. 1, item 4 - from BGN 10 000 to BGN 20 000.
- (3) Any person who executes or admits the execution of investment services by way of occupation, without having obtained a license, under the conditions and the procedure of this Act, shall be liable to a fine of BGN 5000 to BGN 50 000, if the act does not constitute a crime.
- (4) Any person who commits or allows an offense to be committed under Art. 6 para 1, Art. 23 para 1, Art. 35 para 2 and 4, Art. 86 para 3 in relation to Art. 35 para 2 and 4, shall be liable to a fine at the amount from BGN 20 000 to BGN 50 000 if the act does not constitute a crime.
- (5) In case of non-compliance with an applied coercive administrative measure under Art. 118, para. 1, those who have committed the act and those who have allowed it shall be liable to a fine from BGN 5000 to BGN 20,000.
- (6) In the cases under para. 3 and 5, those who aid, abet and conceal a crime shall also be penalized, taking into account the nature and extent of their involvement.
- (7) For offences under para. 1 – 5 a property sanction shall be imposed on legal entities and sole traders in amounts as follows:

1. for offences under para. 1, item 1 - from BGN 1 000 to BGN 2000 and in case of a repeated offense - from BGN 2000 to BGN 6000;
2. for offenses under para. 1, item 2 - from BGN 2000 to BGN 6000 and in case of a repeated offense - from BGN 5000 to BGN 10 000;
3. for offenses under para. 1, item 3 - from BGN 5000 to BGN 10 000 and in case of a repeated offense - from BGN10 000 to BGN 20 000;
4. for offenses under para. 1, item 4 - from BGN 10 000 to BGN 20 000 and in case of a repeated offense - from BGN 20 000 to BGN 50 000;
5. for offenses under para. 3 and 4 - from BGN 50 000 to BGN 100 000 and in case of a repeated offense - from BGN 100 000 to BGN 200 000;
6. for offenses under para. 5 - from BGN 10 000 to BGN 50 000.

(8) Incomes acquired from activities unlawfully carried out shall be confiscated in favor of the State to the extent to which the affected persons cannot be compensated.

**Art. 128.** (1) The acts for establishment of offenses under Art. 127 shall be drawn up by authorized by the deputy chairman officials, and the penalty warrants shall be issued by the deputy chairman.

(2) The establishment of offenses, the issuing of, appeal against and enforcement of penalty warrants shall be carried out in accordance with the Law on Administrative Offenses and Penalties.

**Art. 129.** The Commission may disclose to the public any applied measure or imposed sanction for breach of the provisions of this Act and its implementing instruments, unless such disclosure would seriously jeopardize the capital markets integrity or may cause disproportionate damage to the parties involved.

## **ADDITIONAL PROVISIONS**

**§ 1.** For the purposes of this Act:

**1. “Securities”** means transferable rights registered on accounts with the Central Depository and for the government securities – registered on accounts with the Bulgarian National Bank or in a sub-depository of government securities, or in foreign institutions, pursuing such business (dematerialized securities) or documents materializing transferable rights (materialized securities) which may be dealt in on the capital market, with the exception of instruments of payment, such as:

- a) shares in companies and other securities equivalent to shares in equity companies, partnerships or other entities, and depository receipts for shares;
- b) bonds or other forms of securitized debt, including depository receipts in respect of such securities;
- c) any other securities giving the right to acquire or sell any such securities or giving rise to a cash settlement by reference to transferable securities, currencies, interest rates or yields, commodities or other indices or indicators.

**2. “Investment consultation”** means the provision of personal recommendation to a client either upon its request or at the initiative of the investment intermediary, in respect to one or more transactions relating to financial instruments. The recommendation shall be personal when it is provided to a person in its capacity of an investor or a potential investor, or to an agent of an investor or potential investor. The recommendation shall not be personal when it is provided exclusively through distribution channels within the meaning of the Law on Measures Against Market Abuse With Financial Instruments, or to the public.

The personal recommendation must be appropriate for the person to whom it is provided, or has to be prepared when taking account of the circumstances, relating to the knowledge, skills

and experience of the person in the field of investment in financial instruments. The personal recommendation represents a recommendation to undertake one of the following actions:

a) purchase, sale, subscription, exchange, redemption, holding or underwriting of certain financial instruments;

b) to exercise or not to exercise right attaching to certain financial instruments for the purchase, sale, subscription, exchange or redemption of financial instruments;

**3. “Execution of orders on behalf of clients”** means acting to conclude agreements to buy or sell one or more financial instruments on behalf and for account of a client;

**4. “Dealing on own account”** means trading against proprietary capital resulting in the conclusion of transactions in one or more financial instruments;

**5. “Systematic internaliser”** means an investment intermediary which, on an organized, frequent and systematic basis, deals on own account with financial instruments by executing client orders outside a regulated market or multilateral trading facility (MTF).

**6. “Market maker”** means a person who holds himself out on the financial markets on a continuous basis as being willing to deal on own account by buying and selling financial instruments against his proprietary capital at prices defined by him;

**7. “Portfolio management”** means managing of investment portfolios in accordance with mandates given by clients on a discretionary client-by-client basis and where such investment portfolios include one or more financial instruments;

**8. “Client”** means any natural or legal person who uses investment and/or ancillary services provided by an investment intermediary;

**9. “Professional client”** means a client who possesses the experience, knowledge and expertise to make its own investment decisions and properly assess the risks that it incurs and who complies with the criteria according Appendix No. 3;

**10. “Non-professional client”** means a client who does not meet the requirements to a professional client;

**11. “Market operator”** means a person or persons who manages and/or operates the business of a regulated market. The market operator may be the regulated market itself;

**12. “Limit order”** means an order to buy or sell a financial instrument at its specified price limit or better and for a specified size;

**13. “Money-market instruments”** means those instruments which are normally dealt on the money market, such as treasury bills, certificates of deposit and commercial papers and excluding instruments of payment.

**14. “Home Member State”** means:

a) in the case of investment intermediary

aa) if the investment intermediary is a natural person, the Member State in which its head office is situated;

bb) if the investment intermediary is a legal person, the Member State in which its registered office is situated, entered in the commercial register or into another analogous register;

cc) if the investment intermediary has, under its national law, no registered office, the Member State in which its head office is situated;

b) in the case of a regulated market – the Member State in which the regulated market is registered (entered) or, where under the national law of the regulated market it does not have entered registered office, the Member State in which its head office is situated;

**15. “Host Member State”** means the Member State, other than the home Member State, in which the investment intermediary has a branch or performs investment services and/or carries out activities, or the Member State in which a regulated market pursues business, providing facilitated access to trading on its system for its remote members or participants registered in that same Member State.

**16. “Competent authority”** means an authority of a Member State, which performs analogous functions to those under Title Three, unless otherwise specified in this Law;

**17. “Credit institution”** means a credit institution within the meaning of the Law on Credit Institutions, as well as any credit institution under Directive 2006/48/EC of the European Parliament and of the Council relating to the taking up and pursuit of the business of credit institutions (recast);

**18. “UCITS management company”** means a management company as defined under the Law on Public Offering of Securities, as well as any management company of undertaking for collective investment in transferable securities (UCITS) under Directive 85/611/EEC of the Council;

**19. “Multilateral trading facility (MTF)”** means a multilateral system, operated by an investment intermediary or a market operator, which brings together multiple third-party buying and selling interests in financial instruments – in the system and in accordance with non-discretionary rules, in a way that results in a contract in accordance with the provisions of Chapter Three, Division IV;

**20. “Branch”** of an investment intermediary means a place of business other than the head office which is a part of the investment intermediary, which has no legal personality, through which the investment intermediary provides investment services and/or activities, as well as ancillary services for which the investment intermediary has been authorized; all the places of business set up in the same Member State by an investment intermediary with registered office in another Member State shall be regarded as a single branch;

**21. “Qualifying holding”** means any direct or indirect holding which represents 10% or more of the capital or of the voting rights in the general meeting, as set out in Art. 146 of the Law on Public Offering of Securities, or which makes it possible to exercise a significant influence over the management of the investment intermediary;

**22. “Parent undertaking”** means a parent undertaking as defined under §1 item 9 of Additional Provisions of the Law on Supplementary Supervision of Financial Conglomerates;

**23. “Subsidiary”** means a subsidiary undertaking as defined under §1 item 10 of Additional Provisions the Law on Supplementary Supervision of Financial Conglomerates;

**24. “Control”** means control as defined under §1 item 8 of Additional Provisions the Law on Supplementary Supervision of Financial Conglomerates;

**25. “Related persons”** means a situation in which two or more natural or legal persons are linked through:

a) participation which means ownership, direct or by way of control, of 20% or more of the voting rights or capital of a company (undertaking);

b) the exercising of control by a parent undertaking over its subsidiary, in all the cases referred to in the Law on Supplementary Supervision of Financial Conglomerates, or a similar relationship between any natural or legal person and an undertaking; any subsidiary undertaking of subsidiary undertaking also being considered a subsidiary of the parent undertaking which is at the head of those undertakings.

Where two or more natural or legal persons are permanently linked to one and the same person by a control relationship, they shall be regarded as related persons.

**26. “Depository institution”** means:

a) in relation to pecuniary means – an entity under Art. 35 para 3;

b) in relation to financial instruments – an entity that pursues the business of registration of financial instruments and transfer of such instruments by opening and keeping accounts of their issuers and/or holders.

**27. “Group”** means a group of undertakings, which consists of:

a) a parent undertaking and its subsidiaries; the group also includes the entities in which the parent undertaking or its subsidiaries hold a participation, or

b) undertakings which have a common management by virtue of a contract or according their basic instruments or articles of association, or

c) undertakings in which more than a half of the members of their management or supervisory bodies are one the same persons during the relevant fiscal year and until the date of the drawing up of the consolidated financial statement;

**28. “Member State”** means a state, which is a member of the European Union or another state, which belongs to the European Economic Area;

**29 “Eligible counterparty”** means an investment intermediary, credit institution, insurance companies, UCITS, management companies, pension funds, pension insurance companies, other financial institutions, persons covered by Art. 4, para 1 item 11 and 12 national governments, public bodies that deal with public debt, central banks and supranational organizations, as well as such entities from third countries, provided that they have expressly requested to be treated as such.

**30. “Critical operational functions”** for the business of an investment intermediary means:

1. those functions with which a defect or failure in their performance would materially impair the continuing compliance of an investment intermediary with the conditions of its authorization or the compliance with the other requirements of the law, or the soundness and the continuity in the performance of investment services and activities by the investment intermediary;

2. without prejudice to the status of any other function, the following functions shall not be considered as critical for an investment intermediary’s business for the purposes of letter “a”;

aa) the provision to the investment intermediary of advisory services, and other services which do not form part of the investment business or service, executed on the investment intermediary’s behalf, including the provision of legal advice to the investment intermediary, or training of its personnel

bb) the receiving of standardized services, including such for the provision of market price information.

**31. “Option”** means a derivative financial instrument which expresses the right to buy or sell a given number of securities or other financial instruments at a price fixed in advance until the expiration of a given time limit or on a fixed date;

**32. “Futures”** mean a derivative financial instrument which expresses the right and the obligation to buy or sell a given number of securities or other financial instruments at a price fixed in advance on a set date;

**33. “Contracts for difference”** mean a derivative financial instrument which expresses the right to receive or the obligation to pay, respectively, the difference between the market value of a given number of securities or other financial instruments and their contractual price fixed in advance;

**34. “Financial holding company”** means a financial institution, the subsidiary undertakings of which are either exclusively or mainly investment intermediaries or other financial institutions, provided at least one of these subsidiaries is an investment intermediary, and which is not a mixed-activity financial holding company within the meaning of § 1 item 14 of the Additional Provisions of the Law on Supplementary Supervision of the Financial Conglomerates;

**35. “Parent financial holding company in a Member State”** means a financial holding company which is not itself a subsidiary of an investment intermediary or a credit institution licensed in the same Member State, or of a financial holding company set up in the same Member State;

**36. “European Union parent financial holding company”** means a parent financial holding company in a Member State, which is not a subsidiary of an investment intermediary or a

credit institution licensed in a Member State, or of another financial holding company set up in a Member State.

**37. “Mixed-activity financial holding company”** means a parent undertaking, other than an investment intermediary, financial holding company or a mixed-activity financial holding company within the meaning of § 1 item 14 of the Additional Provisions of the Law on Supplementary Supervision of the Financial Conglomerates, and which has at least one subsidiary that is an investment intermediary.

**38. “Parent investment intermediary in a Member State”** means an investment intermediary having as a subsidiary another investment intermediary, credit or financial institution, or holding a participation in such an institution, and which is not itself a subsidiary of another investment intermediary or credit institution licensed in the same Member State, or of a financial holding company set up in the same Member State.

**39. “European Union parent investment intermediary”** means a parent investment intermediary in a Member State, which is not a subsidiary of another investment intermediary or a credit institution licensed in a Member State, or of a financial holding company set up in a Member State.

**40. “Systematic offense”** exists when three or more administrative offenses under this Act and/or its implementing instruments have been committed within one year.

**41. "Repeated"** shall be an offence committed within a year of the effective date of the penal order penalizing the offender for an offence of the same kind.

**42. “Provision of investment services on an incidental basis”** is the provision of investment services less than three times annually.

**§ 2.** This Act implements the provisions of:

1. Directive 2004/39/EC of the European Parliament and of the Council on Markets in Financial Instruments, amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and on repealing Council Directive 93/22/EEC;

2. Directive 2006/73/EC of the European Commission, implementing Directive 2004/39/EC of the European Parliament and of the Council on the organizational requirements and the conditions for pursuance of business by the investment intermediaries and on giving definitions for the purposes of that Directive;

3. Directive 2006/49/EC of the European Parliament and of the Council on the capital adequacy of investment intermediaries and credit institutions (recast);

**§ 3.** (1) In regard to credit institutions performing one or more investment activities and/or offering one or more investment services, Art. 4 para 2, Art. 6 para 2, Art. 12, Art. 24, Art. 27 – 38, Art. 41, Art. 43 – 56, Art. 58, Art. 68 para 1, Art. 108 - 110 and Art. 112 shall apply accordingly.

(2) For violation of the provisions under para 1, the Financial Supervision Commission shall impose the relevant fines and sanctions envisaged in Art. 127.

## **TRANSITIONAL AND FINAL PROVISIONS**

**§ 4.** Investment intermediaries who have established trade relations with their clients and have classified them as professional clients on the basis of criteria and in compliance with requirements, equivalent to those envisaged in this Act, may continue to treat those clients as professional without applying the procedure envisaged in this Act. In these cases the investment intermediaries must notify their professional clients about the requirements envisaged in this Act.

**§ 5.** The minimum size of the insurance amount of the obligatory insurance under Art. 8 para 3 item 2 shall be updated every 5 years, its amount in euro increasing by the percentage

growth of the European Consumer Price Index, published by Eurostat, for the period since the latest updating. The first updating will be made at 20 July, 2011. The result will be rounded to a whole euro.

§ 6. The trade systems which correspond to the concept of a multilateral trading system (MTF) and are operated by a person which is a market operator, must file an application for the issue of an authorization for organizing a MTF within 18 months after the coming into effect if this Act.

§ 7. To the Law on Public Offering of Securities (prom. SG, iss. 114 in 1999; am. iss. 63 and 92 in 2000; iss. 28, 61, 93 and 101 in 2002; iss. 8, 31, 67 and 71 in 2003; iss. 37 in 2004; iss. 19, 31, 39, 103 and 105 in 2005; iss. 30, 33, 34, 59, 63, 80, 84 and 86 in 2006; iss. 2) shall be made the following amendments and supplements:

1. In Art. 1:

a) in para 1, item 1 and 2 shall be amended as follows:

“1. the public offering of securities, the issue and disposal of dematerialized securities including outside of the cases of public offering, as well as the restrictions on the disposal of securities issued by non-public offering;

2. the activities of the Central Depository, of the investment and management companies, and the conditions for carrying out such activities;”

b) in para 3 the word “the trading” is deleted;

2. In Art. 2 para 1 after the words “Central Depository” a comma is placed and the words “or a foreign institution, pursuing such business” are replaced with “and for the government securities – registered on accounts with the Bulgarian National Bank or with a sub-depository of government securities or in a foreign institutions, pursuing such business”.

3. Article 6 and 7 are cancelled.

4. In Title Two Regulated Securities Markets, articles 20 – 53 are cancelled.

5. In Title Three, Transactions with Securities, articles 54 – 77 are cancelled.

6. (In effect from 3 July, 2007 till 1 Nov., 2007 – SG, iss. 52 in 2007) In Art. 55 shall be created para 8 and 9:

“(8) On request of the European Commission, the Commission shall limit or suspend for a period of three months the issue of authorizations to perform services and activities under Art. 54 para 2 and 3 on the territory of the Republic of Bulgaria by a legal entity from a third country. By decision of the Council of the European Union the period under sentence one may be extended.

(9) Paragraph 8 shall not apply with regard to a subsidiary of an investment intermediary that has obtained an authorization to pursue business within the European Union, or with regard to a subsidiary of such subsidiary”.

7. (In effect from 3 July, 2007 till 1 Nov., 2007 – SG, iss. 52 in 2007) In Art. 71:

a) in para 6 shall be established item 7 and 8:

“7. the Director of the National Police Service – for the purposes of the investigation on initiated criminal procedure;

8. the Director of the National Security Service – when that is necessary for protection of the national security.”

b) para 9 and 10 shall be established:

“(9) On written request of the Director of the National Investigation Service, of the National Security Service or of National Police Service, the investment intermediaries shall provide information about the cash and movement on the accounts of the companies having over 50 per cent state and/or municipal participation.



(10) In case of available data about organized criminal activity or about money laundering, the Prosecutor General or authorised by him Deputy may demand from the investment intermediaries to provide the data under para 2.”

8. (In effect from 3 July, 2007 till 1 Nov., 2007 – SG, iss. 52 in 2007) In Art. 74b:

a) in para 5 sentence three is deleted;

b) para 8 is established:

“(8) On request of the European Commission, the consideration of the notifications under para 5 for acquisition, directly or indirectly, of qualifying holding by a parent undertaking, which is regulated by the legislation of a third country, shall be limited or suspended for a period of three months. By decision of the Council of the European Union the period under sentence one may be extended”.

9. In Art. 77a:

a) in para 1 the words “in securities” are deleted;

b) in para 4:

aa) in the text before item 1 the words “foreign investment intermediaries” shall be replaced with “investment intermediaries from a third country”;

bb) in item 1 and everywhere in item 2 the words “the foreign investment intermediary” shall be replaced with “the investment intermediary”.

10. In Art. 77b:

a) in para 1 item 2 the words “Art. 68 para 1 item 5” shall be replaced with “Art. 20 para 2 item 3” of the Markets in Financial Instruments Act”.

b) new para 3 is established:

“(3) The Fund shall pay compensation to the customers of a foreign investment intermediary upon occurrence of events, analogous to these under para 1, which are a ground for payment of compensation according the relevant legislation”;

c) the former para 3 becomes para 4.

11. In Art. 77c para 2 the words “Art. 54 para 2 and 3” shall be replaced with “Art. 5 para 2 and 3 of the Markets in Financial Instruments Act”.

12. In Art. 77d para 2 item 14 shall be amended as follows:

“14. other professional clients within the meaning of § 1 item 9 of the Additional Provisions of the Markets in Financial Instruments Act.”

13. In Art. 77f, para 3 item 1 and 2 the words “Art. 54 para 2 and 3” shall be replaced with “Art. 5 para 2 and 3 of the Markets in Financial Instruments Act”.

14. In Art. 77m para 1 the words “Art. 54” shall be replaced with “Art. 5 para 2 and 3 of the Markets in Financial Instruments Act”.

15. In Art. 77n para 1 the words “Art. 68 para 1 item 5 or under Art. 212 para 1” shall be replaced with “Art. 118 para 1 of the Markets in Financial Instruments Act” and sentence two is created: “If despite the measures taken under sentence one, the investment intermediary fails to fulfill its liability for payment, the Commission, or the Bulgarian National Bank, shall withdraw the investment intermediary’s license.

16. In Art. 77u para 2 the words “para 3” shall be replaced with “para 4”;

17. Everywhere in Chapter Five, Division IV the words “securities”, “in securities” and “the securities” shall be replaced respectively with “financial instruments”, “in financial instruments” and “the financial instruments”.

18. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) In Art. 77y para 1 shall be established item 8 and 9:

“8. “undertaking for collective investment, which is not of closed type” is an investment company or unit trust, whose objective is collective investment of funds raised by public offering of units, which operates on the principle of risk spreading and on request of the holders of such units, directly or indirectly, redeems its units at price based on its net asset value;

9. “units of a undertaking for collective investment” are securities issued by a undertaking for collective investment, which express the rights of their holders over the assets of the undertaking for collective investment”.

19. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) In Art. 78a para 1 item 1 shall be amended as follows:

“1. units issued by undertakings for collective investment which are not of closed type;”

20. In Art. 91:

a) para 1 shall be amended as follows:

“(1) On the basis of the submitted documents the Commission shall ascertain to what extent the requirements to the issue of the requested approval have been complied with. If the presented data and documents are incomplete or irregular or some additional information or evidence is needed for the correctness of the data, the Commission shall send a notification about the found deficiencies and irregularities and/or about the demanded additional information and documents within 10 working days after the receiving of the application.”;

b) new para 2 and 3 shall be established:

(2) If the notification under para 1 is not received on the indicated by the applicant address for correspondence, the term for their presentation shall start running from the placing of the notification on a specially designated for the purpose location in the Commission’s building. The latter shall be ascertained by a report, drawn up by officials appointed by an order of the Commission’s Chairman.

(3) The Commission shall decide on the application and inform the applicant within 10 working days from its receiving, and where additional information and documents have been required – within 10 days from their receiving.”;

c) the former para 2 becomes para 4 and therein the words “under para 1” shall be replaced with “under para 3”;

d) the former para 3 becomes para 5 and therein the words “para 1 and 2” shall be replaced with “para 1”;

e) the former para 4 becomes para 6 and in it the words “under para 1, or para 2” shall be replaced with “under para 3, or para 4”;

f) the former para 5 becomes para 7 and therein:

aa) in sentence one the words “para 4” shall be replaced with “para 6”;

bb) in sentence two the words “paragraph 4” shall be replaced with “paragraph 6”.

21. In Art. 92 g para 1 the words “para 4” shall be replaced with “para 6”.

22. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) In Chapter Six, Division IV Disclosure of Information with Art. 93a -100 is cancelled.

23. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) In Art. 100f para 1 item 1 the words “Division IV” shall be replaced with “Chapter Six “a””.

24. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) Chapter Six “a” with Art, 100j – 100z’ is created:

Chapter Six “a”  
**DISCLOSURE OF INFORMATION**  
Division I  
**General Provisions**

Art. 100j. (1) This Chapter shall govern the requirements to disclosure of information by issuers for which the Republic of Bulgaria is a home Member State and whose securities have been admitted to trading on a regulated market, as well as by issuers which have made an offer to the public in the Republic of Bulgaria.

(2) For the purposes of this Chapter:

1. "Home Member State" means:

a) for an issuer of equities or of debt securities, whose nominal value per unit amounts to less than the BGN equivalence of 1 000 euro or an equivalent amount in another currency, in which the securities are denominated at the date of their issue:

aa) for an issuer from a Member State, the Member State in which its registered office is situated";

bb) for an issuer from a third country - the Member State where the issuer is obligated to file with the relevant competent authority a document, which contains or refers to the whole information, which it published or otherwise made available to the public during the last 12 months according the requirements of Art. 10 of Directive 2003/71/EC of the European Parliament and of the Council and amending Directive 2001/34/EC;

b) in cases other than those under letter "a" – the Member State where the registered office of the issuer is situated or where its securities are admitted to trading on a regulated market, at the issuer's choice; the issuer may indicate only one home Member State, and its choice shall be valid for a period of not less than three years, unless the securities are already traded on a regulated market in the Republic of Bulgaria or another Member State;

2. "Host Member State" means the Member State where the securities are admitted to trading on a regulated market, when such state is different from the home Member State.

3. "Securities issued in a continuous or repeated manner" means issues of debt securities of a single issuer, issued regularly or at least two separate issues of securities of a similar type and/or class;

4. "debt securities" means bonds or other negotiable securitized debts, with the exception of securities equivalent to equities in companies or such which upon their conversion or exercising of the rights attached thereto, give rights to acquisition of equities or securities, equivalent to equities in companies.

(3) An issuer who has chosen the Republic of Bulgaria as a home Member State under para 2 item 1 letter "b" must make public its decision of choice in accordance with Art. 100s and 100u.

Art. 100k. The provisions of this Chapter shall not apply to:

1. units of undertakings for collective investment which are not of closed type within the meaning of Art. 77y para 1 item 8 and 9, or to units acquired or transferred within such undertakings for collective investment;

2. money market instruments with maturity shorter than 12 months.

Art. 100l. (1) The reports, notifications and other information, which are made public under this Chapter shall contain the information needed for investors to make a reasoned investment decision. Such reports, notifications and information may not hold incorrect, misleading or incomplete data.

(2) The issuer's management body shall be responsible for the drawing up and public disclosure of the financial statements.

(3) The members of the issuer's management body, as well as its procurator, shall be jointly and severally liable for the damages, caused by incorrect, misleading or incomplete data in the reports, notifications and other information, which is disclosed under this Chapter. The persons under Art. 34 para 1 and 2 of the Accountancy Act shall be jointly and severally liable with the persons under sentence one for any damages, caused by

incorrect, misleading or incomplete data in the issuer's financial statements, and the registered auditor – for the damages, caused by the audited by him financial statements.

## Division II **Disclosure of Regulated Information**

Art. 100m. (1) The issuer shall make public its annual financial statement concerning its activities within 90 days after the fiscal year's end.

(2) An issuer which is obligated to prepare a consolidated financial statement shall make public its annual consolidated financial statement about its activities within 120 days after the fiscal year's end.

(3) The issuer must ensure the annual financial statement and the annual consolidated financial statement about the activities to remain at the disposal of the public for a period not shorter than 5 years.

(4) The annual financial statement on the activities shall contain:

1. certified by a registered auditor financial statement under the Accountancy Act, as well as the auditor's report;
2. annual activity report;
3. programme for application of the internationally recognized good corporate governance standards, specified by the deputy chairman;
4. written statements by the responsible within the issuer persons, with their names and functions indicated, certifying that as far as they know:
  - a) the financial statement, drawn up according the applicable accounting standards, reflects correctly and fairly the information on the assets and liabilities, the financial situation and the profit or loss of the issuer and of the companies included in the consolidation;
  - b) the report on the activities contains a reliable review of the development and the results of the issuer's activities, as well as of the situation of the issuer and the companies, included in the consolidation, along with the major risks and uncertainties which it faces;
5. other information, laid down in an ordinance.

(5) Where the issuer is obligated to draw up a consolidated financial statement, the annual consolidated report on the activity shall be with the contents under para 4 item 1, 2, 4 and 5, and the financial statement shall be prepared according the International Accounting Standards and shall be submitted together with the annual audited financial statement of the parent undertaking, drawn up in consistence with the legislation of the home Member State of the parent undertaking.

(6) Where the issuer is not obligated to draw up a consolidated financial statement under para 5, the audited financial statement shall be prepared in compliance with the national legislation of its home Member State.

(7) The annual report on the activities shall include, beside the information under the Accountancy Act also information about:

1. the fulfillment of the programme for the application of the internationally recognized good corporate governance standards under para 4 item 3, and where there is no such programme available – about the reasons due to which it has not been prepared, as well as on compliance of the operation of the issuer's management and supervisory bodies during the past year with these standards;
2. the reasons due to which the operation of the issuer's management and supervisory bodies was not in compliance with the programme, respectively with the standards under item 1, if such non-compliance exists;

3. the measures taken to overcome the reasons under item 2 and for fulfillment of the programme of good corporate governance;
4. revaluation of the programme and proposals for its change with the purpose of improving the application of the good corporate governance standards in the company;
5. other information, laid down in an ordinance.

Art. 100n. (1) The issuer shall make public its quarterly financial statement about its operation within 30 days after the end of each quarter.

(2) An issuer who is obligated to draw up a consolidated financial statement shall make public a quarterly consolidated financial statement of its operation within 60 days after the end of each quarter.

(3) The issuer must ensure the quarterly financial statement and the quarterly consolidated financial statement on the activity to remain available to the public for a period not less than 5 years.

(4) The quarterly financial statement for the activities shall contain:

1. a set of financial statements;
2. an interim report on the operation, containing information on important events that have occurred during the quarter and with accumulation from the beginning of the fiscal year till the end of the respective quarter and on their impact over the results in the financial statement, as well as description of the major risks and uncertainties, which the issuer faces during the remaining part of the fiscal year; in respect to issuers of equities the report must contain information about the concluded large transactions between related persons whose minimum content shall be laid down in an ordinance;
3. written statements by the responsible within the issuer persons, with indication of their names and functions, attesting that so far as they know:
  - a) the set of financial statements, drawn up according the applicable accounting standards, reflect correctly and fairly the information about the assets and liabilities, the financial situation and the profit or loss of the issuer, or of the companies included in the consolidation;
  - b) the interim report on the activities contains a trustworthy review of the information under item 2;
4. other information, as laid down in an ordinance.

(5) Where the issuer is obligated to draw up a consolidated financial statement, the consolidated quarterly financial statement on the activities shall be with the content under para 4, and the financial statement shall be prepared according the International Accounting Standards, applicable for the drawing up of interim reports.

(6) Where the issuer is not obligated to prepare an interim consolidated financial statement under para 5, the set of financial statements, in the cases when it has not been prepared according the International Accounting Standards, must contain at least a short-form balance sheet, a short-form income statement and selected explanatory appendices, whose content shall be laid down in an ordinance. The same principles of recognition and accounting shall be applied in the preparation of the short-form balance sheet and the short-form income statement as those applied in the preparation of the annual financial statement.

(7) If the interim financial statement has been certified by a registered auditor or it has undergone an auditor's review on conditions and with content, as laid down in an ordinance, the auditor's report, or the results of the review shall be made public along with the financial statement. If the financial statement is not certified or has not been reviewed, the issuer shall state this circumstance.

Art.100o. (1) The requirements under Art. 100m and 100n shall not apply for issuers from a third country, if the Commission decides that the legislation of the respective country provides for requirements equivalent to the requirements of this Act and its implementing instruments. The conditions on which the Commission may consider that the requirements of

the legislation of the third country are equivalent to the requirements of this Act and its implementing instruments shall be laid down in an ordinance.

(2) The information which the persons under para 1 are obligated to disclose according their national legislation, shall be disclosed under the conditions and procedures of Art. 100s and 100u.

(3) The persons under para 1 are obligated to disclose under the conditions and procedure of Art. 100s and 100u also the information which they disclose according their national legislation, including when it is not regulated, but could be of significance for the public in the Member States.

(4) The Commission shall post on its web page the states for which it considers that their legislation provides for requirements equivalent to the requirements under this Act and its implementing instruments.

Art. 100p. (1) The provisions of Art. 100m and Art. 100n shall not apply to:

1. The Republic of Bulgaria, regional or local authorities in the Republic of Bulgaria, public international organizations, a member of which is at least one Member State, the European Central Bank, Bulgarian National Bank and the central banks of the other Member States, regardless of whether issuers of equities or other securities;

2. issuers which issue only debt securities, admitted to trading on a regulated market, having a nominal vale of not less than the BGN equivalence of 50 000 EURO, or in cases of debt securities denominated in foreign exchange, other than euro, having a nominal value at the date of their issue of not less than the BGN equivalence of 50 000 euro.

(2) The provisions of Art. 100n shall not apply to banks whose shares are not admitted to trading on a regulated market and which have issued only debt securities issued on a continuous or regular basis by them, provided that:

1. the total nominal value of the debt securities is less than the BGN equivalence of 100 000 000 euro;

2. they have not published a prospectus.

Art. 100r. (1) The issuer of securities, other than shares, shall immediately disclose to the public the changes in the rights of the owners of securities other than shares, including the changes in the time-limits and conditions concerning these securities, which could indirectly affect those rights, which are a result of alteration in the conditions of the loan and the interest rate.

(2) The issuer of securities shall immediately disclose to the public the information about the issue of a new issue of debt securities and all related guarantees and collateral. This requirement shall not apply to international institutions or other similar organizations, a member of which is at least one Member State.

Art. 100s. (1) An issuer, or the person that has applied without the issuer's consent for the admission of the securities to trading on a regulated market, shall disclose the regulated information simultaneously to the Commission and to the public. An issuer which has made only public offering of securities must disclose the information under sentence one first on the territory of the Republic of Bulgaria.

(2) Paragraph 1 shall also apply to issuers whose securities have been admitted to trading on a regulated market in the Republic of Bulgaria and have not been admitted to trading on a regulated market of the home Member State. In such case the regulated information must satisfy the minimum requirements of Directive 2004/109/EC of the European Parliament and of the Council for harmonization of the requirements to transparency in respect to information on the issuers, whose securities have been admitted to trading on a regulated market and amending Directive 2001/34/EC.

(3) The regulated information shall be disclosed to the public in a manner which ensures that it will reach the widest possible circle of persons, simultaneously and in a manner that does

not discriminate them. The issuer must use a news agency or another media, which may ensure the efficient dissemination of the regulated information to the public in all Member States. The requirements to the form and content of the regulated information, as well as the conditions, ways and procedure of its disclosure shall be laid down in an ordinance.

(4) The issuer, or the person that has asked for admission of the securities to trading on a regulated market, may not collect fees from investors for access to the regulated information.

Art. 100t. (1) The Commission shall create and maintain a centralized data base for storage of the regulated information, received from the issuers whose securities have been admitted to trading on a regulated market and whose home Member State is the Republic of Bulgaria.

(2) The information under para 1 is public and the access to it shall be free of charge.

(3) The establishment and maintenance of the centralized data base for storage of the regulated information, as well as the requirements to safety of the information, to reliability of its sources, to the time, procedure and manner for providing an access to it, shall be laid down in an ordinance.

Art. 100u. (1) Where the securities are admitted to trading on a regulated market only in the Republic of Bulgaria and the Republic of Bulgaria is the home Member State, the regulated information shall be disclosed in the Bulgarian language. When the securities are proposed to the public on the territory of the Republic of Bulgaria, the regulated information shall be disclosed in the Bulgarian language.

(2) Where the securities have been admitted to trading on a regulated market simultaneously in one or more Member States, including in the Republic of Bulgaria, and the Republic of Bulgaria is the home Member State, the regulated information shall be disclosed in the Bulgarian language and in a language, accepted by the competent authority of these states, or in a language that is customary in the field of the international finances, at the issuer's choice.

(3) Where the securities have been admitted to trading on a regulated market simultaneously in one or more Member States, with the exception of the Republic of Bulgaria, and the Republic of Bulgaria is the home Member State, the regulated information shall be disclosed in a language, accepted by the competent authorities of these Member States, or in a language that is customary in the field of the international finances, at the issuer's choice. For the purposes of realization of the supervisory functions of the Commission, the information shall also be disclosed in the Bulgarian language or in English language, at the issuer's choice.

(4) When the securities are admitted to trading on a regulated market without the issuer's consent, the requirements under para 1-3 shall apply to the person that applied for admission of the securities to trading on a regulated market.

(5) In cases other than those under para 1-4, where securities, having a unit nominal value of not less than the BGN equivalence of 50 000 EURO, or in cases of debt securities denominated in foreign currency, other than euro, having a nominal value at the date of their issue of not less than the BGN equivalence of 50 000 euro, have been admitted to trading on a regulated market in one or more Member States, the regulated information shall be disclosed in a language, accepted by the home and host Member States, or in a language accepted as customary in the field of international finances, at the choice of the issuer or of the person, that applied for admission of the securities to trading on a regulated market.

### Division III

#### **Requirements to Bond Issuers to Provide Information to Holders of Bonds and Other Debt Securities**

Art. 100v. (1) The issuer of bonds shall ensure equal treatment of bondholders in identical situation with regard to all rights, related to bonds.

(2) The bondholders may be represented by a proxy with a power of attorney, drawn up in compliance with the legislation of the issuer's home Member State.

(3) The person under para 1 shall:

1. ensure all necessary conditions and information, so that the bondholders may exercise their rights, as well as to guarantee the integrity of that information;
2. provide a model form of the power of attorney under para 2 on paper bearer or by electronic means, if applicable, together with the materials for the general meeting or on request and after its convening;
3. indicate at least one financial institution, through which payments concerning the bonds are made; the types of financial institutions through which the payment may be effected shall be laid down in an ordinance..

(4) The issuer may use electronic means to provide information to the bondholders, provided the general meeting has taken such decision and the following conditions have been complied with:

1. the use of electronic means does not depend on the head office or the address of the bondholders, or of the persons representing them;
2. measures for identification have been taken, so that the information may be really provided to the bond-holders;
3. the bond-holders have stated expressly in writing assent for provision of information through electronic means or within a 14-day period after the receiving of a request of the issuer for such assent, they have not stated an express denial; on the bondholders' request, the issuer shall at any time provide them with the information on paper bearer;
4. the specifying of the costs related to the provision of information through electronic means does not contradict the principle of ensuring equal treatment under para 1.

(1) Paragraphs 1-4 shall apply accordingly to the provision of information by issuers of other debt securities to their holders.

Art. 100w. (1) A bond issuer shall send to the Commission the notice under Art. 214 para 1 of the Commercial Law at least 15 days prior to the general meeting. Beside the information under Art. 223, para 4 of the Commercial Law, the notice about the general meeting shall include information on the bondholders' right to participate in it.

(2) The bond issuer must inform the Commission about:

1. payment of interest;
2. decisions in relation to conversion, exchange, subscription or cancellation of rights attaching to the bonds and payments in relation to them.

(3) The obligation under para 2 shall be fulfilled by the end of the working day following the day of decision-making, and when it is subject to entry in the commercial register – till the end of the working day following the day of coming to know of the entry, but not later than 7 days after the entry.

(4) When the notice for the general meeting relates only to bondholders with a unit nominal value of at least the BGN equivalence of 50 000 euro or an equivalent amount in another currency, in which the bonds are denominated at the date of their issue, the bond issuer for whom the Republic of Bulgaria is a home Member State may take a decision the general meeting to be held in any of the Member States, provided that all needed conditions and information are ensured in that state, so that the bond-holders may exercise their rights. In such case, the issuer shall notify the Commission of its choice.

(5) The Commission shall make the received information public through the kept by it register of the public companies and other securities issuers.

(6) Paragraphs 1-5 shall apply accordingly for issuers of other debt securities.

Art. 100x. (1) The requirements of this Division shall not apply to issuers from a third country, if the Commission decides that the legislation of the relevant country provides for



requirements, equivalent to the requirements of this Act and its implementing instruments. The conditions on which the Commission may consider that the requirements of the third country's legislation are equivalent to the requirements according this Act and its implementing instruments shall be laid down in an Ordinance.

(2) The information which the persons under para 1 are obligated to disclose under their national legislation will be disclosed on the conditions and under the procedure of Art. 100s and 100u.

(3) The persons under para 1 shall disclose under the conditions and the procedure of Art. 100s and 100u also the information which they disclose according their national legislation, including when it is not regulated, but could be of importance for the public in the Member States.

(4) The Commission shall publish on its web site the states where it considers their legislations provide for requirements equivalent to the requirements under this Act and its implementing instruments.

#### Division IV **Supervisory Requirements**

Art. 100y. (1) The issuer is obligated to inform the Commission of:

1. changes in its articles of association;
2. changes in its management and supervisory bodies;
3. a decision for the company's transformation;
4. other circumstances, as laid down in an ordinance.

(2) The obligation under para 1 shall be fulfilled by the issuer by the end of the working day, following the day of decision-making or coming to know of the relevant circumstance, and when it is subject to entry in the commercial register – by the end of the working day following the day of coming to know of the entry, but not later than 7 days after the entry.

(3) The Commission shall make public the information received under para 1 through the kept by it register of public companies and other securities issuers.

Art. 100z. (1) The requirements to the form of the reports and the notifications under this Chapter, the way and procedure of their provision to the Commission, as well as to making the reports public shall be laid down in an ordinance.

(2) The circumstances subject to disclosure by an issuer in procedure of liquidation or bankruptcy shall be laid down in an ordinance.

(3) The issuer's obligations under this Chapter shall be terminated with the decision of the deputy chairman for its deletion from the register under Art. 30 para 1 item 3 of the Financial Supervision Commission Act.

(4) The conditions and procedure for filing in and deletion of issuers from the register under Art. 30 para 1 item 3 of the Financial Supervision Commission Act shall be laid down in an ordinance.

#### Division V **Supervision and Cooperation**

Art. 100z' (1) To ensure compliance with the provisions of this Chapter, beside the envisaged in the other parts of the Act and its implementing instruments powers, the deputy chairman may:

1. require from the auditors, the issuer and from the persons, controlling it or which are controlled by it, to provide certain information or documents;

2. require from an issuer to make public the information under item 1 in a manner and within a term set by him;
3. publish, after submission of explanation by the issuer, the information under item 1 on his own initiative in the cases where the issuer or the persons controlling it or which are controlled by it have failed to perform their obligation under item 2;
4. require from the members of the management and supervisory bodies and the procurators of the issuer to provide certain information under this Chapter, and where needed – also additional information and documents;
5. cease the trade on a regulated market with certain securities for not more than 10 days, if he has sufficient grounds to consider that the provisions of this Chapter or its implementing instruments have been violated;
6. prohibit the carrying out of trade on a regulated market, if the provisions of this Chapter or its implementing instruments have been violated or there are enough grounds to consider that they have been violated;
7. obligate the issuer to take specific measures for the timely disclosure of information, so that to ensure public access to it simultaneously in all Member States where its securities have been admitted to trading;
8. inform the public that certain issuer does not comply with its obligations under this Chapter and its implementing instruments;
9. obligate the issuer within set by him sufficient term to remove the established deficiencies and other inconsistencies with the provisions of this Act or its implementing instruments, including with the International Accounting Standards, admitted in the financial statements, registers and other accounting documents.

(2) In the cases under para 1 item 1, no restrictions for disclosure of information envisaged by law, sub-statutory act or contract shall apply with respect to the auditor. The auditor will not be responsible for disclosure of information under para 1 item 1 to the Commission and the deputy chairman.

(3) The Commission may disclose any applied coercive measures and imposed sanction for offence of the provisions of this Chapter or its implementing instruments, unless this would seriously jeopardize the financial markets integrity or would cause excessive damages to the persons to whom this information relates.

Art. 100z" (1) The Commission shall cooperate and exchange information with the relevant competent authorities of the other Member States, when necessary for the realization of its powers under this Chapter, and shall render them assistance with a view to the exercising of their functions.

(2) Where the Republic of Bulgaria is a host Member State and the Commission establishes that the issuer offends this Act or its implementing instruments, it shall notify of it the home Member State's competent authority.

(3) If despite of the applied by the competent authority of the home Member State measures or due to it that such measures proved to be inappropriate, the issuer continues to commit offences of this Act or its implementing instruments, The Commission, after notifying the competent authority of the home Member State, may take the necessary measures for investor protection. The Commission shall inform the European Commission of the measures taken within a 7-day period of their applying.

(4) Where the Commission is informed by the relevant competent authority of the host Member State about an issuer for which the Republic of Bulgaria is a home Member State, which offends the legislation of the Member State on whose territory its securities have been admitted to trading, the Commission, or the deputy chairman, shall impose respective coercive administrative measures.

25. In Chapter Seven, Divisions I-III with Art. 101 - 109 are canceled.

26. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) Art. 110b and 110c are created:  
“Art. 110b. The public company shall ensure equal treatment of shareholders in identical situation.

Art. 110c. The public company must ensure all necessary conditions and information to enable shareholders to exercise their rights, as well as to guarantee the integrity of this information.”

27. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) In Art. 111:

a) paragraph 6 shall be amended as follows:

“(6) A public company shall inform the Commission of the number of its own shares, which it will redeem in accordance with the limit under para 5, and about the investment intermediary with which the buy order was placed. The notification shall be made latest by the end of the business day preceding the day of redemption. The Commission shall make the received information public through the kept by it register of public companies and other securities issuers”.

b) para 8 and 9 shall be created”

“(8) A public company which has acquired or transferred its own shares directly or through another person, acting on its own behalf but for the public company’s account, must disclose information about the number of votes, attaching to these shares, on the conditions and under the procedure of Art. 100s and 100u forthwith, but not later than 4 business days after the acquisition or transfer, when their number reaches, exceeds or falls below 5 or 10 per cent of the voting rights.

(9) The voting rights shall be calculated on the basis of the total number of shares, entitling to vote.”

28. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) Art. 111a is established”

“Art. 111a. (1) A public company is obligated to disclose under the conditions and the procedure of Art 100s and 100u all changes in the rights attaching to the separate classes of shares, including changes in the rights attaching to derivative financial instruments issued by it, which entitle to acquisition of shares of the company.

(2) The public company shall inform the Commission about any decision for the issuing of new shares, including also about decisions for distribution, subscription, cancellation or conversion of bonds into shares.

(3) The obligation under para 1 and 2 shall be fulfilled by the end of the business day following the day of the decision-making, and where it is subject to entry in the commercial register – by the end of the business day, following the day of coming to know of the entry, but not later than 7 days after the entry.

(4) The Commission shall make public the received information by the register of public companies and other securities issuers published by it.”

29. In Art. 112b the words “Art. 56 para 1” shall be replaced with “Art. 8 para 1 from the Market in Financial Instruments Act.”

30. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) In Art. 112c the words “Art. 115 para 2” shall be replaced with “Art. 115 para 3”.

31. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) Art. 112e shall be established:

“Art. 112e. (1) The public company shall disclose under the conditions and procedure of Art. 100s and 100u information about the total number of voting shares and the amount of capital at the end of every month, within which there was an increase or decrease. The information shall be disclosed for each separate class of shares.”

32. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) In Art. 115:

a) new para 2 is created:

“(2) Beside the information under Art. 223 para 4 of the Commercial Law, the notice for the general meeting must also include information about the total number of shares and voting rights in the general meeting, as well as the right of shareholders to participate in the general meeting.”;

b) the former para 2, 3, 4 and 5 become respectively 3, 4, 5 and 6.

33. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) A new Art. 115a is created:

“Art. 115a. The public company may use electronic means for supplying information to the shareholders, provided that the general meeting took such decision and the following conditions have been complied with:

1. the use of electronic means does not depend on the seat or address of the shareholders or the persons under Art. 146 para 1 item 1-8;

2. identification measures have been taken, in order the information to be really provided to the shareholders or the persons entitled to exercise the voting right or to determine its exercising.

3. the shareholders or the persons under Art. 146 para 1 item 1-5, entitled to acquire, transfer or exercise voting right, have expressly stated a written assent for the provision of information by electronic means, or within a 14-day period after receiving a request of a public company for such assent, have not stated an express refusal; on request of the persons under sentence one the public company must at any time provide the information to them also on a paper bearer;

4. the specifying of the expenditures, related to the provision of the information by electronic means shall not contradict the principle of ensuring equal treatment under Art. 110b.”

34. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) The former Art. 115a becomes Art. 115b and therein in para 3 the words “para 3” shall be replaced with “para 4”.

35. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) The former Art. 115b becomes Art. 115c and therein:

a) in para 1 sentence two the words “article 115a” shall be replaced with “article 115b”;

b) in para 2 at the end a comma shall be placed and be added: “including to indicate at least one financial institution through which the payments will be made. The types of financial institutions through which the payments may be effected shall be laid down in an ordinance”.

36. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) In Art. 116:

a) new para 3 is created:

“(3) The public company shall provide a sample form of the written power of attorney on a paper media or through electronic means, if applicable, together with the materials for the general meeting, or on request after its convening.”;

b) the former para 3 and 4 become respectively para 4 and 5;

c) the former para 5 becomes para 6 and therein, in the text before letter “a” the words “para 4” shall be replaced with “para 5”;

d) the former para 6, 7, 8, 9, 10 and 11 become respectively para 7, 8, 9, 10, 11 and 12.

37. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) In Art. 119:

a) in para 1:

aa) In item 3 letter “b” the words “with the deputy chairman in charge of Investment Activity Supervision” shall be replaced “with the Commission”;

bb) item 4 is created:

“4. upon the buying of all voting rights in the general meeting of the public company according Art. 157a.”

b) in para 4 the words “or 2” shall be replaced with “3 or 4”;

38. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) In Art. 120 the words “para 3 and 4” shall be replaced with “para 4 and 5”, and the word “Six” shall be replaced with “Six “a”.

39. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) Art. 120a is established:

“Art. 120a. (1) Articles 110b, 110c, 111, para 8 and 9, 111a, 112e, 115 para 2, 115a, 115c para 2 regarding the indication of financial institutions and Art. 116 para 3 shall also apply to the issuers of shares from a third country, for which the Republic of Bulgaria is a home Member State according Art. 100j para 2 item 1.

(2) The requirements under para 1 shall not apply to issuers from a third country for which the Republic of Bulgaria is a home Member State, if the Commission decides that the legislation of the relevant country provides for requirements equivalent to the requirements according this Act and its implementing instruments. The conditions on which the Commission may consider that the requirements of the third country’s legislation are equivalent to the requirements under this Act and its implementing instruments shall be laid down in an ordinance.

(3) The information which the persons under para 1 must disclose according their national legislation shall be disclosed under the conditions and the procedure of Art. 100s and 100u.

(4) The Commission shall post on its web site a list of the countries for which it considers that their legislations provide for requirements, equivalent to the requirements under this Act and its implementing instruments.

40. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) In Art. 126b:

a) paragraph 4 shall be amended as follows:

“(4) The persons under para 3 shall file with the Commission an annual and quarterly financial statement for the activity under Chapter Six “a”, Division II, as well as other information, as laid down in an ordinance. The procedure, terms and manner of provision of the information according sentence one to the Commission, as well as of its public dissemination shall be laid down in an ordinance.”;

b) a new para 5 is created:

“(5) The Commission shall make public the information received under para 1 through the register kept by it under Art. 30 para 1 of the Financial Supervision Commission Act.”

c) the former para 5 and 6 become respectively para 6 and 7.

41. In Art. 126d:

a) in para 2 sentence three is deleted;

b) new para 3 is created:

“(3) On the grounds of the submitted documents the deputy chairman shall establish to what extent the requirements to the issue of the requested approval have been complied with. If the submitted data and documents are incomplete or irregular or additional information is needed or evidence of the data correctness, the deputy chairman shall forward a notice about the found out deficiencies and irregularities and/or for the required additional information and documents.”;

c) para 4 and 5 are created:

“(4) If the notice under para 3 is not accepted at the indicated by the applicant address for correspondence, the term for their submission shall start running from the placing of the notice on a specially designated for the purpose site in the Commission’s building. The latter circumstance shall be certified by a report, drawn up by officials appointed on orders of the Commission’s Chairman.

(5) The applicant shall be informed in writing of the decision taken within a 7-day period.”;

d) the former para 3 becomes para 6.

42. In Art. 127:

a) in para 3 sentence two is deleted;

b) new para 4 shall be established:

“(4) The Central Depository may not:

1. grant credits or secure receivables of third persons;
2. issue bonds;

2. receive credit on conditions, less favorable than the market ones for the country”.
- c) the former para 4, 5, 6, 7 and 8 become para 5, 6, 7, 8 and 9 accordingly.
36. In Art. 131 para 1 item 4 shall be amended as follows:  
“4. regulated markets, or market operators in the cases where they are entities other than regulated markets.”
44. In Art. 133 para 5:  
a) item 2 shall be amended as follows:  
“2. by decision of the court, issued under the conditions and the procedure of Art. 35 para 6 and 7 of the Markets in Financial Instruments Act”.
- b) (In effect from 3 July, 2007 – SG, iss. 52 in 2007) item 3 and 4 shall be established:  
“3. on written request of the Director of the National Investigation Service, of National Security Service or National Police Service about the companies having over 50 per cent of state and/or municipal participation;  
4. on request of the Prosecutor General or an authorized by him Deputy if there are data about organized criminal activity or money laundering.
45. In Art. 136:  
a) in para 1 the words “under Art. 74d para 1” shall be replaced with “under Art. 41 para 1 of the Markets in Financial Instruments Act”;  
b) in para 3 the words “Art. 54 para 3 item 1” shall be replaced with “Art. 5 para 3 item 2 of the Markets in Financial Instruments Act”;  
c) in para 5 the words “Art. 54 para 3 item 1” shall be replaced with “Art. 5 para 3 item 1 of the Markets in Financial Instruments Act”.
46. In Art. 144 the words “Chapters Six and Seven shall apply accordingly” shall be replaced with “Chapter Six shall apply accordingly”.
47. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) To Chapter Eleven, Division I shall be made the following amendments and supplements:  
a) article 145 shall be amended as follows:  
“Art. 145. (1) Any shareholder who acquires or transfers directly and/or according Art. 146 a voting right in the general meeting of a public company shall notify the Commission and the public company, where:  
1. as a result of the acquisition or transfer his voting right reaches, exceeds or falls below 5 per cent or a figure multiple of 5 per cent, from the number of votes in the company’s general meeting;  
2. his voting right reaches, exceeds or falls below the thresholds under item 1 as a result of events, which lead to changes in the total number of voting rights on the basis of the information disclosed according Art. 112e.  
(2) The voting rights shall be calculated on the basis of the total number of voting shares, irrespective of whether a restriction has been imposed on the exercising of the voting right. The calculation shall be made for every separate class of shares.  
(3) Where the reaching or exceeding of the thresholds under para 1 is as a result of direct acquisition or transfer of voting shares, the obligation under para 1 shall arise also for the Central Depository. The form, content and procedure for making the notification shall be laid down in an ordinance.  
(4) Paragraph 1 shall not apply to voting rights, related to:  
1. shares acquired only with the purpose of performing clearing and settlement within the normal settlement cycle, which may not be longer than 3 business days after the conclusion of the transaction;  
2. shares held by custodians in that capacity, and provided that they may exercise the voting rights related to the shares only on the client’ orders given in written or electronic form.

(5) A notification shall not be required from a market-maker, acting in that capacity, whose voting right reaches, exceeds or falls below 5 per cent of the votes in the company's general meeting, provided that he:

1. has been authorized to pursue the business of investment intermediary according Art. 3 of Council Directive 93/22/EEC on investment services in the securities field;

2. does not participate in the management of the company and does not exercise influence on the company for the purchase of shares or for the maintenance of their prices.

b) Article 146 shall be amended as follows:

“Art. 146. (1) The obligation under Art. 145 para 1 shall also apply to any person entitled to acquire, transfer or exercise the voting rights in the general meeting of the public company in one or more of the following cases:

1. voting rights, possessed by a third person, with whom the person has concluded an agreement to pursue lasting common policy of the company's management by joint exercising of the possessed by them voting rights;

2. voting rights, possessed by a third person, with whom the person has concluded an agreement, providing for temporary transfer of the voting rights;

3. voting rights attaching to shares provided as a collateral to the person, provided that such person may control the voting right and has expressly stated his intent to exercise them;

4. voting rights, attaching to shares provided to be used by the person;

5. voting rights, which are possessed or may be exercised according item 1-4 by a company over which the person exercises control;

6. voting rights attaching to shares deposited with the person, which such person may exercise at his discretion without special orders by the shareholders;

7. voting rights, possessed by third persons on their behalf, but for the account of the person;

8. voting rights, which the person may exercise in his capacity of a proxy, where such person may exercise the voting rights at his discretion, without special orders by the shareholders;

(2) To the voting rights of the parent undertaking of a management company shall not be added the voting rights of the management company, attaching to shares, included in the individual portfolio managed by it according Art. 202 para 2 item 1, provided that the management company exercises the voting rights independently of the parent undertaking.

(3) To the voting rights of the parent undertaking of an investment intermediary, authorized to pursue business under Art. 3 of Council Directive 93/22/EEC on investment services in the securities field, shall not be added the voting rights of the investment intermediary, related to shares included in an individual portfolio, managed by the intermediary according § 1, item 7 of the Additional Provisions of the Markets in Financial Instruments Act, provided that:

1. the investment intermediary has the right to pursue management of an individual portfolio according Art. 5 para 2 item 4 of the Markets in Financial Instruments Act;

2. the investment intermediary may exercise the voting rights attaching to the shares only by an order, given in writing or in an electronic way, or to guarantee that the management of the individual portfolio is carried out irrespective of other services and on conditions, equivalent to the provisions of Council Directive 85/611/EEC by applying appropriate measures;

3. the investment intermediary exercises its voting rights independently from the parent undertaking;

4. Paragraph 2 and 3 shall not apply in the cases where the parent undertaking or another company, controlled by the parent undertaking, has invested in voting shares, included in an individual portfolio, managed by the management company, or by the investment intermediary and the management company, respectively the investment intermediary is not entitled to exercise the voting rights at its own discretion, but may exercise them only in consistence with direct or indirect instructions given to it by the parent undertaking or by another company, controlled by the parent undertaking.

(5) Paragraph 2-4 shall also apply to companies whose head office is in a third country, for which a license would be required according Art. 5 of Council Directive 85/611/EEC or for the management of an individual portfolio according item 3 of Section “A” of Annex No. 1 to Council Directive 93/22/EEC on investment services in the securities field, if they had a head office situated in a Member State, or in the cases of an investment intermediary – if its registered office was located in a Member State, provided that they comply with equivalent requirements for independent exercising of the voting rights or in the management of a portfolio as a management company, respectively an investment intermediary. The conditions on which the requirements shall be considered equivalent shall be laid down in an ordinance.”;

c) Article 147 shall be amended as follows:

“Art. 147. The requirements of Art. 145 and Art. 146 para 1 item 3 shall not apply for shares, provided to or by the European Central Bank, the Bulgarian National Bank or the central banks of the other Member States in the fulfillment of their functions in pursuance of the monetary policy, including shares provided to or by them as a collateral in repo transactions or similar agreements for ensuring liquidity for the purposes of the monetary policy or within a payment system, if the transactions are entered into for a short period of time and the voting rights attaching to the shares are not exercised.”

d) Article 148 shall be amended as follows:

“Art. 148. (1) The notification under Art. 145 para 1 and Art. 146 para 1 shall contain at least:

1. number of votes as a result of the change;
2. the controlled persons, through whom the person exercises the voting rights, if applicable;
3. the date on which the voting rights of the persons have reached, exceeded or fallen below the thresholds under Art. 145 para 1;
4. data about the shareholder, irrespective of whether he is entitled to exercise the voting rights according Art. 146 para 1, and about the persons entitled to exercise the voting right for the shareholder’s account.

(2) The notification shall be made in the Bulgarian language or in a language customary in the field of international finances. The public company shall not be obligated to provide a translation of the notification in a language, accepted by the Commission or the other competent authorities.

(3) The obligation for notification under Art. 145 para 1 and Art. 146 para 1 shall be fulfilled immediately, and not later than 4 working days after the day following the day in which the shareholder or the person under Art. 146 para 1:

1. comes to know of the acquisition, transfer or of the possibility to exercise the voting rights according Art. 146, or on which according the specific circumstances he must have learnt of it, regardless of the date, on which the acquisition, transfer were carried out or the possibility for exercising the voting rights arose;
2. is informed of the occurrence of the events under Art. 145 para 1 item 2;

(4) The notification obligation under Art. 145 para 3 shall be performed latest by the end of the day following the shares acquisition or transfer.

(5) The requirement under para 1 shall not apply to the entity, for which the notification obligation has been fulfilled by its parent undertaking or where the parent undertaking itself is a controlled company – by its parent undertaking.

(6) To the notification shall be attached a written statement for the availability of the circumstances under Art. 145 and/or Art. 146.

(7) The form and procedure of making the notification, as well as the additional requirements to its content, the cases in which it is considered that the person must have learnt of the acquisition and transfer, the conditions in which it is considered that the exercising of the votes, or the portfolio management by the management company and the investment



intermediary are independent, as well as the measures for exercising control for compliance with the conditions for exemption from the obligations for notification under this Division, shall be laid down in an ordinance.

Art. 148a.(1) The notification obligation under Art. 145 shall also relate to persons holding directly or indirectly financial instruments, entitling them to acquire on their own initiative and on the grounds of a written contract, voting shares in the public company's general meeting.

(2) The types of financial instruments under para 1, the procedure of making the notification, the nature of the contract, the contents, term and form of the notification, as well as the other requirements in connection with the notification's forwarding shall be laid down in an ordinance.

Art. 148b. A public company must disclose to the general public in accordance with Art. 100s the information provided with the notifications of the persons under Art. 145 and 146 within three working days after it is informed of it.

Art. 148c. (1) To ensure compliance with the provisions of this Division, beside the powers envisaged in the other parts of the Act and its implementing instruments, the deputy chairman may:

1. require from the public company, Central Depository, shareholders, the persons who possess other financial instruments and the persons under Art. 146 and Art. 148a, to provide certain information and documents:

2. require from the public company to make public the information under item 1 in a manner and within a term, determined by him/her;

3. publish the information under item 1 on his own initiative in the cases when the public company has failed to fulfill its obligation under item 2 and after presentation of an explanation by the company;

4. require from the Central Depository, the shareholders and the persons who possess other financial instruments, as well as the persons under Art. 146 and 148a, to provide the information under this Division, and where needed – also additional information and documents;

5. inform the public that a given public company, shareholder or a person, who possesses other financial instruments, or the person under Art. 146 or 148a, does not comply with its obligations under this Division or its implementing instruments.

(2) The Commission may disclose any applied coercive measure and imposed sanction for violation of the provisions of this Division or its implementing instruments, unless this would be seriously prejudicial to the financial markets' integrity or would cause expressive damages to the persons, to whom such information relates.

Art. 148d. (1) The Commission shall cooperate and exchange information with the relevant competent authorities of the other Member States, where this is needed for the realization of its powers under this Division, and shall render them assistance with a view to the exercising of their functions.

(2) Where the Republic of Bulgaria is a host Member State and the Commission establishes that an issuer, a shareholder or holder of other financial instruments, or the person under Art. 146 violates this Act or its implementing instruments, it shall notify of it the home Member State's competent authority.

(3) If despite of the applied by the competent authority of the home Member State measures, or due to it that such measures have proved inadequate, the issuer, the shareholder, the holder of other financial instruments or the person under Art. 146 continues to violate this Act or its implementing instruments, the Commission may, after notifying the home Member State competent authority, take the necessary measures for investor protection. The Commission

shall inform the European Commission about the measures taken within 7 days from their applying.

(4) Where the Commission is informed by the relevant competent authority of the host Member State within the meaning of Art. 100j para 2 item 2 about a public company, shareholders, holder of some other financial instruments or a person under Art. 146, who violates the legislation of the relevant Member State, the Commission, or the deputy chairman shall apply appropriate coercive administrative measures.

Art. 148e. (1) This Division also applies to the issuers from a third country, whose shares have been admitted to trading on a regulated market, for which the Republic of Bulgaria is a home Member State within the meaning of Art. 100j para 2 item 1.

(2) In the cases under Art. 145 para 1 item 2, when the issuer is from a third country, the notification shall be made upon the occurrence of equivalent events, which result in changes of the total number of voting rights.

(3) The requirements under Art. 148b concerning the term of disclosure shall not apply to the persons under para 1, if the Commission decides, that the legislation of the relevant state provides for equivalent requirements. The conditions on which the Commission may consider that the requirements of the third country's legislation are equivalent to the requirements under Art. 148b, shall be laid down in an ordinance.

(4) The Commission shall post on its web site the states for which it considers that their legislations provide for requirements, equivalent to the requirements under Art. 148b.

Art. 148f. The provisions of this Division shall not apply to:

1. units of undertakings for collective investment, which are not of closed type within the meaning of Art. 77y para 1 item 8 and 9, or to units, acquired or transferred within such undertakings for collective investment;

2. money market instruments with a maturity shorter than 12 months.”

48. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) In Chapter Eleven Division II shall be established Art. 148g and 148h:

“Art. 148g. For the purposes of this Division “related persons” are the persons who on the basis of an explicit or tacit, written or verbal agreement with the offeror or the company – subject of a tender offer, aim at the acquisition of control over the public company or prevention of the successful closing of a tender offer. The persons controlled by another person within the meaning of § 1 item 44 of the Additional Provisions shall be considered related persons with that person and among themselves, as well as with the persons under §1, item 12, letters “c” and “d” of the Additional Provisions.

Art. 148h. This Division shall not apply to tender offers about:

1. securities issued by companies whose objective is collective investment of cash, raised by public offering of units, which acts on the principle of risk spreading and on request of the unit holders, directly or indirectly, redeems its units at price, based on their net asset value;

2. shares, issued by the central banks of the Member States”.

49. In Art. 149:

a) (In effect from 3 July, 2007 – SG, iss. 52 in 2007) in para 3 the word “offeror” shall be replaced with “tender offeror”;

b) in para 9 the words “Art. 56 para 1” shall be replaced with “Art. 8 para 1 of the Markets in Financial Instruments Act”.

50. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) In Art. 149a:

a) in para 1 sentence two the words “para 3 and 4” shall be replaced with “para 3, 4 and 9”;

b) new para 3 is created”

“(3) If the person under Art. 149 para 1 and 6, within the 14-day period acquires directly, through related persons or indirectly under Art. 149 para 2, more than 90 per cent of the votes

in the public company's general meeting, such person shall fulfill his obligation under Art. 149 para 1 and 6 and may exercise his right under para 1, registering a tender offer.”;

c) the former para 3 and 4 become para 4 and 5 accordingly.

51. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) In Art. 149b para 1 sentence two the words “para 3 and 4” shall be replaced with “para 3, 4 and 9”.

52. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) In Art. 150:

a) in para 1:

aa) in item 1 at the end shall be added: “and protection of the other shareholders upon acquisition of control over the company”;

bb) in item 2 sentence two shall be created: “When presenting a position on the tender offer, the management body of the company – subject of a tender offer, shall state its opinion on the consequences of the tender offer acceptance for the officials, the conditions of the labor contracts and the venue of carrying out activities”;

cc) item 3 shall be amended as follows”

“3. the conduct of the management bodies to be in the interest of the company as a whole and not to prevent shareholders from the possibility to take decision on the tender offer's substance;”

dd) item 5 and 6 are created:

“5. making a tender offer only after ensuring a possibility for full payment, or exchange of the shares of the shareholders who accepted the offer;

6. the company – subject of a tender offer not to be placed in a situation which obstructs the performed by it activity for unreasonably long period of time.”;

b) in para 2:

aa) in item 1 the word “offeror” shall be replaced with “the tender offeror”;

bb) new item 2 is created:

“2. the shares, respectively the class of shares to which the tender offer relates;”

cc) the former item 2 and 3 shall become respectively item 3 and 4;

dd) new item 5 is created:

“5. the indemnification for the shareholders' rights, which may be restricted according Art. 151a para 4, including the procedure and way of its payment and the methods of its fixing;”

ee) the former item 4, 5 and 6 become respectively item 6, 7 and 8;

ff) the former item 7 becomes item 9 and shall be amended as follows:

“9. the intentions of the offeror about the future activity of the company – subject of the tender offer and of the offeror – a legal entity, to the extent it is affected by the tender offer, about retaining the members of the management bodies and officials of the companies, including about material changes in the conditions of the labor contracts, and more especially, about the strategic plans of the offeror for the two companies and the impact which the offer may have on the officials and the venue of the companies' operation;”

gg) the former item 8 and 9 become respectively item 10 and 11;

hh) item 12 shall be established:

“12. the applicable law regarding the contracts between the offeror and the shareholders in case of acceptance of the tender offer and the competent court;”

ii) the former item 10 becomes item 13.

c) in para 3 the words “item 2 and 9 shall be replaced with “item 3 and 11”;

d) in para 6 the words: “Art. 150 para 2 item 3” shall be replaced with “para 2 item 4”;

e) in para 7:

aa) in item 1 at the end of the text the conjunction “and” is deleted;

bb) in item 2 after the words “3 months” the text up to the end shall be deleted;

cc) item 3 shall be established:

“3. the highest price per share, paid by the offeror, by related to him persons or the persons under Art. 149 para 2 in the last 6 months before the registration of the offer; in cases where the shares’ price cannot be fixed according the preceding sentence, it shall be fixed as the higher between the last issue value and the last price paid by the tender offeror.”

f) in para 8 after the words “paid by the offeror” a comma shall be placed and be added: “by related to him persons or the persons under Art. 149 para 2”;

g) new para 9 shall be established:

“(9) in case that until the lapse of the term of the tender offer, the tender offeror acquires directly, through related persons, or indirectly under Art. 149 para 2, voting shares in the general meeting of the company – subject of a tender offer, at price higher than that proposed in the tender offer, it must increase the proposed price up to that higher price. In such case the purchase of shares shall be done at the higher price with regard to all shareholders that have accepted the offer prior to or after the increase.”;

h) the former para 9 becomes para 10;

i) the former para 10 becomes para 11 and therein the words “item 5” shall be replaced with “item 7”, and at the end shall be added “except in the cases of made competitive tender offer, when the term of the tender offer shall be extended until the expiry of the deadline for acceptance of the competitive tender offer.”

53. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) In Art. 151:

a) new para 2 shall be created:

“(2) Paragraph 1 shall not apply to a tender offer for acquisition and/or exchange of voting shares of a company, which is with a head office in a Member State and whose shares have been admitted to trading on a regulated market in the Republic of Bulgaria, which was subject to such approval and was approved by a Member State’s competent authority. In such case the Commission may require from the tender offeror to prepare a translation of the tender offer, as well as to include additional information therein, which is specific for the market in the Republic of Bulgaria and relates to the conditions for the tender offer acceptance, the obtaining of the shares’ price or their exchange value, as well as to the fees due in connection with them.”;

b) the former para 2 becomes para 3 and therein the word “offeror” shall be replaced with “the tender offeror”, and after the words “subject of tender offer” shall be added “to the representatives of its officials or to the officials, when there are no such representatives”;

c) new para 4 is created:

“(4) The management body of the company – subject of a tender offer shall provide the tender offer to the representatives of its officials or to the officials, when there are no such representatives.”;

d) the former para 3 becomes para 5 and shall be amended as follows:

“(5) The company’s management body within 7 days of receiving the offer, shall present in the Commission, to the offeror and to the representatives of the officials or to the officials when there are no such representatives, a reasoned opinion on the offered deal, including about the consequences of the tender offer acceptance on the company and the officials and about the strategic plans of the offeror for the company – subject of the tender offer and their eventual impact on the officials and the venue of operation, as indicated in the tender offer according Art. 150 para 2 item 9. The opinion shall also contain information about the availability of eventual agreements on the exercising of the voting rights attaching to the shares of the company – subject of the tender offer, insofar as the management body is aware of it, as well as data about the number of shares in the company, owned by the members of its management body and whether they intend to accept the proposal. Where the management body of the company – subject of a tender offer receives within the term under sentence one

an opinion of the officials' representatives about the tender offer's impact over the officials, this opinion shall be attached to the management board's opinion.

e) the former para 4 becomes para 6 and shall be amended as follows:

“(6) After receiving the offer under para 3 until the publishing of the results of the tender offer, or its termination, the management body of the company – subject of the tender offer may not carry out activities, with the exception of searching for a competitive tender offer, whose main objective is the frustration of the tender offer acceptance or creation of considerable difficulties or substantial additional expenditures for the offeror, such as issue of shares or entering into transactions, which would result in significant change in the company's property, unless the activities are performed with the preliminary approval of the general meeting of the company – subject of the tender offer.”;

f) para 7 is created:

“(7) The general meeting shall also approve any decision of the management body for taking actions under para 6, made before the tender offer's receiving, which has not been realized in part or in whole, and which is not a part of the normal activities of the company and may frustrate the acceptance of the tender offer.”

54. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) Art. 151a is created:

“Art. 151a. (1) All restrictions on the transfer of voting shares, provided for in the articles of association of the company – subject of a tender offer, in agreements between the company – subject of a tender offer and the shareholders, or in agreements among the shareholders shall not apply in respect to the tender offeror within the term for the tender offer acceptance.

(2) Restrictions on the voting right, envisaged in the articles of association of the company – subject of a tender offer, in agreements between the company – subject of the tender offer and the shareholders or in agreements among the shareholders, shall not apply in decision-making by the general meeting on taking actions under Art. 151 para 6 and 7.

(3) Where as a result of a tender offer, the offeror acquires more than 75 per cent of the votes in the public company's general meeting, the restrictions under para 1 and 2 shall not apply, as well as the shareholders' exclusive rights related to election or removal of management bodies' members, envisaged in the articles of association of the company – subject of a tender offer.

(4) The offeror shall pay compensation to the shareholders for the restriction of their rights under para 1-3. The conditions and procedure for payment of the compensation shall be determined by the offeror and indicated in the tender offer. Disputes in relation to the set amount of compensation shall be settled through the general procedure.

(5) Paragraphs 2 and 3 shall not apply to shares, where the limitations in the voting right are compensated by an additional dividend or other pecuniary payments.

(6) Paragraphs 1-4 shall not apply about the special rights of the state, connected with its participation in the company – subject of a tender offer.”

55. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) In Art. 152 para 1 sentence three shall be created: “The Commission may require any information about the tender offer, which it needs for the realization of its functions, also from the members of the management body of the offeror – a legal entity, the company – subject of the tender offer, the shareholders and the members of the management body of the company – subject of a tender offer, as well as from related to them persons.”

56. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) In Art. 154:

a) in para 1:

aa) new sentence two is created: “Within the term under sentence one the offeror shall provide the tender offer to the representatives of its officials and to the representatives of the officials of the company – subject of the tender offer, or to the officials where there are no such representatives.”;

bb) the former sentence two becomes sentence three.

b) para 3 shall be created:

“(3) In case that the shares of the company – subject of a tender offer have been admitted to trading also on a regulated market in another Member State, the offeror must within the term under para 1 submit the tender offer at the disposal of the shareholders in the states where its shares have been admitted to trading. On request by the competent authority of a Member State, the tender offeror must prepare a translation of the tender offer in the language, accepted by the relevant competent authority, as well as include additional information which is specific for the relevant market and relates to the conditions for the tender offer acceptance, the obtaining of the shares’ price or their exchange value, or to the fees due in connection with them.”

57. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) In Art. 155:

a) in para 1 the words “Art. 151 para 1 and 2” shall be replaced with “Art. 151 para 1 and 3”;

b) in para 4 the words “para 10” shall be replaced with “para 11”;

c) in para 5 sentence two the words “para 2” shall be replaced with “para 3”.

58. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) In Art. 156 para 1 and 2 the words “item 5” shall be replaced with “item 7”.

59. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) In Art. 157 the word “the tender” shall be replaced with “the tender offer”.

60. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) New Art. 157a shall be established:

“Art. 157a. (1) A person who as a result of a tender offer acquires directly, through related persons or indirectly in the cases under Art. 149 para 2, at least 95 per cent of the votes in the public company’s general meeting, shall be entitled within a 3-month period after the deadline of the tender offer to purchase the voting shares of the other shareholders, Article 149 para 3, 4 and 9 shall apply accordingly.

(2) The proposal for purchase shall be approved by the Commission.

(3) The price offered by the person under para 1 must be at least equal to the price:

1. offered under the tender offer, whereby the threshold under para 1 is reached, when the making of the tender offer was obligatory;

2. offered under the tender offer, whereby the threshold under para 1 is reached, when the making of the tender offer was voluntary and provided that the person under para 1 has acquired not less than 90 per cent of the voting shares proposed by this tender offer;

3. fixed according Art. 150 para 6 and 7 - in the other cases.

(4) For the issuing of an approval, the person under para 1 shall file with the Commission a purchase offer, which shall contain the data under Art. 150 para 2 item 1-4, 6, 8, 10, 12 and 13. Article 150 para 4 and 5 shall apply accordingly.

(5) The Commission shall pronounce within 14 days after receiving the application for the issue of an approval. Articles 152 and 153 shall apply accordingly.

(6) Within 3 days after the issue of the approval, the person under para 1 shall present the offer to the company and the regulated market, on which the company’s shares have been admitted to trading and shall publish it according Art. 154.

(7) The shareholders shall sell their shares to the person under para 1 within one month of the offer’s publishing, without their consent to be necessary. The shares which are not sold within this term shall be considered to be ownership of the person under para 1 at the time of the term expiration. Article 156 shall apply accordingly.

61. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) Art. 157b-157d are created:

“Art. 157b. (1) Any shareholder shall have the right to require from the person who has acquired directly, through related persons or indirectly in the cases under Art. 149 para 2, at least 95 per cent of the votes in a public company’s general meeting as a result of a tender offer, to buy his voting shares within 3 months after the deadline of the tender offer. The

request has to be in writing and to contain data about the shareholder and the owned by him shares. In this case Art. 157a para 3 shall apply accordingly.

(2) The person under para 1 shall purchase the shares within 30 days after receiving the request.

Art. 157c. (1) The Commission shall exercise supervision over the tender offers when the company – subject of a tender offer is with a registered office in the Republic of Bulgaria and the issued by it shares are admitted to trading on a regulated market in the Republic of Bulgaria or in a third country.

(2) The Commission shall exercise supervision over the tender offer also in the cases where the shares of the company-subject of a tender offer have been admitted to trading on a regulated market in the Republic of Bulgaria, but have not been admitted to trading on a regulated market in its home Member State.

(3) Where the shares of the company – subject of a tender offer under para 2, have been admitted to trading on a regulated market in the Republic of Bulgaria and in another Member State, the supervision over the tender offer shall be exercised by the Commission if the company's shares have been first admitted to trading on a regulated market in the Republic of Bulgaria.

(4) Where the shares of the company – subject of a tender offer under para 2 have been admitted to trading on a regulated market in the Republic of Bulgaria and in another Member State simultaneously, the supervision over the tender offer shall be exercised by the Commission, if the company has indicated it as a competent authority which is to carry out the supervision over the tender offer. The company shall inform of its decision the Commission and the competent authorities of the other Member States in which the company's shares have been admitted to trading on a regulated market, as well as the relevant regulated markets on the first day of trading.

(5) The Commission shall make public the decision under para 4, whereby it has been assigned to exercise supervision over the tender offer.

(6) In the cases under para 2-4, to issues concerning the price and/or the exchange value of the tender offer, the decision of the offeror to make a tender offer, the contents of the tender offer and its publication shall apply this Act and its implementing instruments, and in respect to issues concerning the information which is provided to the officials of the company-subject of a tender offer, and concerning the company law, including the cases in which an obligation arises to make a tender offer and in which this obligation is not complied with, as well as the circumstances in which the company–subject of a tender offering may take actions which may frustrate the tender offer, shall apply the legislation of the home Member State of the company – subject of tender offer.

Art. 157d. (1) The Commission shall cooperate and exchange information with the competent authorities of the other Member States, especially in the cases under Art. 157c, para 2-4.

(2) Competent authorities of the other Member States are the authorities which exercise supervision over the tender offers, the markets of securities and other financial instruments and the trading on these markets.

(3) The Commission may request from the competent authorities of the other Member States assistance for the handing over of certain document with a view to enforcement of issued by it warrants in relation to a tender offer, as well as some actions with a view to establishment of committed or alleged breaches of this Act and its implementing instruments.

(4) On request of a Member State's competent authority, the Commission shall serve certain documents with a view to enforcement of issued by it acts in relation to a tender offer, as well as other actions with a view to establishment of committed or alleged breaches of the legislation of the relevant Member State concerning tender offers.”

62. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) The former Art. 157a becomes Art. 157e and therein in para 2 at the end shall be added “and the purchase of voting shares under Art. 157a and 157b”.

63. Chapter Twelve with Art. 161a and 162 shall be cancelled.

64. In Art. 164b shall be established para 3:

“(3) Additional requirements to the conditions which must be met by the money market instruments under para 1 and the securities under para 2, as well as in determining the assets under Art. 195 which are considered to be liquid financial assets, shall be laid down in an ordinance.”

65. Article 167 shall be amended as follows:

“Art. 167. (1) A person who has been elected a member of an investment company’s management body must:

1. have a professional qualification and experience necessary to manage the business of an investment company;
2. not have been sentenced for an intentional crime prosecuted on indictment;
3. not have been a member of a management or supervisory body, or unlimited liability partner in a company, for which a bankruptcy procedure has been initiated, or wound up due to bankruptcy, where there are unsatisfied creditors;
4. not have been declared bankrupt or be involved in a pending bankruptcy proceedings;
5. not be the spouse or relative in the direct or collateral line up to the third degree inclusive, or by affinity up to the third degree to another member of the company’s management or supervisory body;
6. not have been deprived of the right to occupy positions involving financial responsibilities.

(2) A person elected as a member of the supervisory body of an investment company must satisfy the requirements of para 1, item 2 - 6.

(3) The requirements under para 1 and 2 shall also apply to the natural persons representing legal persons - members of the management and supervisory bodies of the investment company.

(4) The requirements of para 1 shall also apply to any other persons who may, independently or jointly with another person, enter into transactions for the account of the investment company;

(5) The circumstances under para 1, item 3-6 shall be certified by a written statement.

66. In Art. 168 para 5 the words “Art. 61” shall be replaced with “Art. 12 of the Markets in Financial Instruments Act”.

67. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) In Art, 172 para 1 the words “in securities” shall be replaced with “in financial instruments”.

68. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) In Art. 173:

- a) in para 1 the words “securities” shall be replaced with “financial instruments” and the words “the register of the Central Depository” shall be replaced with “depository institution”;
- b) in para 2 item 2 the words “securities” shall be replaced with “financial instruments”;
- c) in para 7 the words “securities” shall be replaced with “financial instruments”.

69. In Art. 177:

- a) in para 2 sentence three the words “article 69” shall be replaced with “article 23 of the Markets in Financial Instruments Act”;
- b) in para 3 sentence three is deleted;
- c) new para 4 and 5 are created:

“(4) On the basis of the submitted documents the Commission shall establish to what extent the requirements to the issue of the requested authorization have been complied with. If the presented data and documents are incomplete or irregular, or additional information is needed or evidence for the data correctness, the Commission shall send a notification of the



established deficiencies and irregularities or of the required additional information and documents.

(5) If the notification under para 4 is not accepted at the indicated by the applicant address for correspondence, the term for their presentation shall start running from the posting of the notification on a specially designated for the purpose place in the Commission's building. This circumstance shall be verified by a report, drawn up by officials, appointed by order of the Commission's Chairman.”;

d) the former para 4 and 5 become respectively para 6 and 7.

70. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) In Art. 177a para 7 the words “securities” shall be replaced with “financial instruments” and the words “the register of the Central Depository” shall be replaced with “depository institution”.

71. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) In Art. 179 the words “and Chapter Eleven, Division I” and the words “Division II” shall be deleted.

72. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) In the heading of Chapter Fourteen the words “license for contractual fund” shall be replaced with “authorization for organization and management of contractual fund”.

73. In Art. 180:

a) paragraph 4 shall be amended as follows:

“(4) On the basis of the submitted documents the Commission shall establish to what extent the requirements to the issue of a license, or an authorization, have been complied with. If the presented data and documents are incomplete or irregular or additional information is needed or evidence for the data correctness, the Commission shall send a notification and set a term for the removal of the established deficiencies and irregularities or for presentation of additional information and documents, which may not be shorter than 1 month and longer than 2 months.”;

b) para 5, 6 and 7 shall be established:

“(5) If the notification under para 4 is not accepted at the indicated by the applicant address for correspondence, the term for their presentation shall start running from the posting of the notification at a specially designated for the purpose place in the Commission's building. This circumstance shall be verified by a report, drawn up by officials, appointed by order of the Commission's Chairman.”;

(6) The Commission shall pronounce on the application within three months of its receiving, and where additional information and documents have been requested – within three months of their receiving, or the expiration of the term under para 4, sentence two. Simultaneously with the issue of a license to an open-end investment company and an authorization to a management company for organization and management of a contractual fund, the Commission shall approve the prospectus of the investment company and the contractual fund.

(7) The applicant shall be informed in writing about the taken decision within a 7-day period.”

74. In Art. 185 para 3 the words “Art. 68 para 2 and 3 and Art. 69” shall be replaced with “Art. 20 para 3 and 4 and Art. 23 of the Markets in Financial Instruments Act”.

75. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) In Art. 187 para 3 the words “Art. 98a shall apply” shall be replaced with “the deputy chairman shall set sufficient term for their removal under Art. 212”.

76. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) In Art. 191:

a) paragraph 1 shall be amended as follows:

“(1) The investment company and the management company of the contractual fund must file with the Commission:

1. annual and interim financial statement;
2. monthly balance sheet;

3. other information, as laid down in an ordinance.”

b) new para 2, 3 and 4 are created:

“(2) The requirements to the content of the information under para 1, the procedure, terms and manner of its providing to the Commission, as well as of its public dissemination shall be laid down in an ordinance.

(3) The Commission shall make public the received information under para 1 through the kept by it register under Art. 30 para 1 of the Financial Supervision Commission Act.

(4) The persons under para 1 shall publish a notice for the submission of the annual or interim report, as well as for the place, time and the way of getting familiar with it, in one central daily newspaper within 7 days of their filing with the Commission. The notice shall be first published in the Commission’s official bulletin”;

c) the former para 2 and 3 become respectively para 5 and 6;

d) the former para 4 becomes para 7 and shall be amended as follows:

“(7) The auditor of the investment company and the contractual fund shall immediately inform the Commission of any circumstance that has become known to him in the course of the audit and which relates to the operation of the investment company and the contractual fund and constitutes a substantial breach of this Act or its implementing instruments, or may adversely affect the pursuance of their business, or represents a ground for refusal to express an opinion, a ground to express reserves or a ground to express a negative opinion.”;

e) para 8 and 9 are created:

“(8) The auditor of the investment company and the contractual fund shall also inform the Commission of any circumstance under para 7, which has become known to him when conducting an audit of a person related to the collective investment scheme or to its management company or the depository bank.

(9) In the cases under para 7 and 8 any restrictions to disclosure of information, provided for by law, sub-statutory act or contract, shall not apply.”

77. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) In Art. 193 para 8 item 1 the words “of securities” shall be deleted.

78. In Art. 195 para 1 item 1 and 2 the words “Art. 7” shall be replaced with “Art. 73 of the Markets in Financial Instruments Act”.

79. In Art. 196 para 15, sentence two the words “para 3 and 4” shall be replaced with “para 3-6”.

80. In Art. 197 para 2, sentence two the words “para 3 and 4” shall be replaced with “para 3-6”.

81. To Art. 200 shall be made the following amendments:

a) in para 1 and 2 the words “of securities” shall be deleted;

b) in para 3 the words “para 5” shall be replaced with “para 7”.

82. In Art. 201 para 5, sentence three, the words “para 3 and 4” shall be replaced with “para 3-6”.

83. In Art. 202:

a) (In effect from 3 July, 2007 – SG, iss. 52 in 2007) in para 2 everywhere the words “securities” shall be replaced with “financial instruments”;

b) in para 3 the words “the provisions of the law concerning investment intermediaries” shall be replaced with “Art. 4 para 2, Art. 24 para 1-3, 7 and 8, Art. 27 para 4 -7, Art. 28, 29, Art. 32 para 6, Art. 33 and 34 of the Markets in Financial Instruments Act.”;

c) in para 8 the words “Art. 54 para 2 item 2” shall be replaced with “Art. 5 para 3 item 2 of the Markets in Financial Instruments Act”;

d) (In effect from 3 July, 2007 – SG, iss. 52 in 2007) in para 10 the words “and/or securities” shall be replaced with “and/or financial instruments” and the words “in securities” shall be deleted;

d) paragraph 11 shall be amended as follows:

“(11) The Commission may issue a license to pursue the business of a management company on the territory of the Republic of Bulgaria through a branch to a legal entity from a third country provided that the person is entitled under its national legislation to carry out such activity and the authority, supervising the capital market in the state where the entity is registered, exercises supervision over it on a consolidated basis. Where so envisaged in an international treaty to which the Republic of Bulgaria is a party, the Commission may recognize the license for performance of activities and services under para 1 and 2, issued to a legal entity from a third country. The entity from a third country shall have the rights and obligations of a local management company, unless otherwise provided for by law.”

84. In Art. 203 para 8 shall be amended as follows:

“(8) To the members of the management and supervisory bodies of the management company shall apply Art. 167 accordingly. The management company shall be managed jointly by at least two persons, satisfying the requirements of Art. 167 para 1. The persons under sentence one may authorize third person to perform separate actions.”

85. In Art. 204:

a) (In effect from 3 July, 2007 – SG, iss. 52 in 2007) in para 2 item 5 the words “securities” shall be replaced with “financial instruments”;

b) in para 4 the words “Art. 63” shall be replaced with “Art. 180 para 4 -7”.

86. Article 205 para 1 item 2 shall be amended as follows:

“2. any of the persons under Art. 204 para 8 may not occupy the position because of statutory prohibition or for not satisfying the requirements of this Act.”

87. In Article 208 para 1 shall be amended as follows:

“(1) The Commission shall withdraw the issued license if:

1. the management company fails to commence carrying on business under Art. 202 para 1 and 2 within 12 months as from the issuing of the license, has explicitly renounced the license issued, or has suspended the carrying out of its business under Art. 202 para 1 and 2 for more than 6 months;
2. the management company has submitted false particulars which have served as a ground to issue the license;
3. the management company fails to satisfy the conditions under which the license has been issued;
4. the management company fails to satisfy the requirements for capital adequacy and liquidity laid down in an ordinance and does not submit within 5 days after the occurrence of the irregularity a restructuring program for compliance with these requirements, or the restructuring program is not approved by the Commission within fourteen days from its submission, or the company does not implement the restructuring program approved by the Commission;
5. the management company is in a lasting worsened financial situation and it may not execute its obligations;
6. the management company and/or the persons under Art. 203 para 8 committed and/or allowed the commitment of violation under Art. 214 para 2 of this Act, Art. 35 para 1 of the Markets in Financial Instruments Act and under Art. 11 of the Law on Measures Against Market Abuse With Financial Instruments or some other gross offence or systematic offences of the provisions of this Act, of the Markets in Financial Instruments Act, the Law on Measures Against Market Abuse With Financial Instruments or their implementing instruments.”

88. In Art. 209 the words “Art. 69” shall be replaced with “Art. 23 of the Markets in Financial Instruments Act”.

89. In Art. 210 para 5 the words “Art. 70 para 1, Art. 71, Art. 74 para 1 and 2, Art. 74-a – 74c, Art. 76b and Art. 191 para 2 and 3” shall be replaced with “Art. 9, 25, 26, Art. 27 para 2, Art. 35, 39, 40 and 42 of the Markets in Financial Instruments Act”.
90. In Art. 211a para 4, sentence two, the words “para 4” shall be replaced with “para 6”.
91. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) In Art. 211d the words “in compliance with the *acquis communautaire*” shall be replaced with “according Council Directive 85/611/EEC”.
92. In Art. 211f, para 3, the words “Art. 74 para 1 and 2” shall be replaced with “Art. 39 para 1 and 2 of the Markets in Financial Instruments Act”.
93. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) In Art. 211h para 1 the words “satisfying the requirements of the *acquis communautaire*” shall be replaced with “authorized to pursue business according Council Directive 85/611/EEC”.
94. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) In Art. 211j para 1 in the text before item 1 the preposition “in” after the word “or” shall be deleted”.
95. In Art. 212:
- a) in para 1 the words “of the Rules or other approved by the deputy chairman internal acts of the regulated securities markets” shall be deleted;
  - b) in para 4 the words “Art. 65 para 2 of the Law on Banks” shall be replaced with “Art. 103 para 2 of the Law on Credit Institutions”.
  - c) in para 5 the word “the authorization” shall be replaced with “the license”;
  - d) para 6 is canceled.
96. In Art. 216, para 1:
- a) item 1 is canceled;
  - b) in item 2 the words “investment intermediary” are deleted.
97. In Art. 217 para 2 the words “under Art. 60 para 1 item 1, 2, 3 and 6” shall be replaced with “Art. 167 para 1 item 1, 2, 3 and 6”.
98. In Art. 221:
- a) in para 1:
    - aa) (In effect from 3 July, 2007 for sentence two about the replacement – SG, iss. 52 in 2007) in item 1: the words “Article 33 para 4, Art. 51 para 3, Art. 73 para 1 and 2, Art. 74 para 2 and 3, Art. 75 para 4, Art. 76, Art. 76a” shall be deleted, and the words “Art. 96, Art. 98 para 1, Art 98a, Art. 114b para 2” shall be replaced with “Art. 100y para 1 and 2, Art. 114b para 2, Art. 191 para 4, 7 and 8”;
    - bb) (In effect from 3 July, 2007 for sentence two about the replacement – SG, iss. 52 in 2007) in item 2 the words “Article 23 para 4, sentence two, Art. 32, Art. 34 para 3, Art. 40 para 3, Art. 50, Art. 54 para 8, Art. 66 para 1, Art. 71 para 3, Art. 73 para 3, Art. 74 para 1, Art. 74a para 1, Art. 74bpara 1 and 2, Art. 74c para 1 and 2” shall be deleted; the words “Art. 94, Art. 95, Art. 95a, Art. 99 para 1, Art. 103, Art. 104 para 1-5, Art. 109 para 4, Art. 110 para 6 sentence two and para 9, Art. 111 para 6, Art. 112b para 12, Art. 115 para 1 sentence one, para 2,3 and 4, Art. 115b para 2 and 3, Art. 116 para 4, 5, 6 and 10, Art. 117 para 1, Art. 122 para 3, Art. 142, Art. 151 para 3” shall be replaced with “Art. 100j para 3, Art. 100m, Art. 100n, Art. 100o para 2 and 3, Art. 100r, Art. 100s, Art. 100v para 3 and 5, Art. 100w para 1, 2, 3, 5 and 6, Art. 100x para 2 and 3, Art. 110 para 6 sentence two and para 9, Art. 110c, Art. 111 para 6 sentence one and two, Art. 111a para 1-3, Art. 112b para 12, Art. 115 para 1 sentence one, and para 2-5, Art. 115b para 2, Art. 115c para 2 and 3, Art. 116 para 3, 5-7 and 11, Art. 117 para 1, Art. 120a para 1-3, Art. 122 para 3, Art. 142, Art. 151 para 3-6, Art. 151a para 4, Art. 154 para 1 and 3, Art. 155 para 5, Art. 157, Art. 157a para 7 and 8”;
    - cc) (In effect from 3 July, 2007 for sentence two about the replacement – SG, iss. 52 in 2007) in item 3 the words “Article 21 para 1 and 3, Art. 23 para 2, 6 and 7, Art. 33 para 1, Art. 34 para 1, Art. 35 para 4, Art. 38, Art. 44 para 1 and 3, Art. 51 para 1, Art. 52, Art. 53 para 2,

Art. 54 para 7, Art. 57 para 1, Art. 68b para 1 and 4, Art. 69a para 1, 5 and 6, Art. 69b para 1, 4 and 5, Art. 69g para 2, Art. 69h para 1, Art. 70 para 1, 3, 4 and 5, Art. 71 para 1 and 5, Art. 75 para 1, 2, sentence one and para 5” shall be deleted, and the words “Art. 77m para 1, 4 and 11, Art. 77x, Art. 80 para 1 and 3, Art. 85 para 1 and 2, Art. 89 para 1 sentence two and para 2, Art. 92a para 7 sentence two and para 8, Art. 92c para 2 and 5, Art. 100g para 1 and 2, Art. 101 para 2, Art. 102 para 2, Art. 105 para 2, Art. 107, Art. 108 para 1, Art. 111 para 2, Art. 112b para 3 sentence one and para 8, Art. 115b para 5, Art. 116b, Art. 116d para 1 and 5, Art. 119 para 5 sentence two and para 6, Art. 126 para 2, Art. 126f para 4, Art. 126g para 1, Art. 127 para 4, Art. 133 para 1, sentence two, and para 3, Art. 135 para 1, Art. 141 para 1 and 2, Art. 145 para 1 and 4, Art. 146, Art. 148, Art. 164 para 2, Art. 168 para 3, Art. 170 para 1, Art. 173 para 1 sentence one and para 5, Art. 177a para 6 and 8, Art. 187 para 3 sentence one, Art. 190, Art. 191 para 1 sentence two, Art. 193 para 9, Art. 196 para 13” shall be replaced with “Art. 77a para 3 and 4, Art. 77m para 1, 2, 4 and 11, Art. 77x, Art. 80 para 1 and 3, Art. 85 para 1 and 2, Art. 89 para 1 sentence two, para 2 and 4, Art. 92a para 7 sentence two and para 8, Art. 92c para 2 and 5, Art. 100g para 1 and 2, Art. 111 para 2 and 8, Art. 112b para 3 sentence one and para 8, Art. 112e, Art. 115c para 5, Art. 116b, Art. 116d para 1, 3 and 5, Art. 119 para 6 sentence two and para 7, Art. 126 para 2, Art. 126f para 4, Art. 126g para 1, Art. 127 para 3 and 4, Art. 133 para 1 sentence two and para 3, Art. 135 para 1, Art. 141 para 1 and 2, Art. 145 para 1 and 3, Art. 146 para 1, Art. 148 para 1-4 and 6, Art. 148a para 1, Art. 148b, Art. 148c para 1, Art. 164 para 2, Art. 168 para 3, Art. 170 para 1, Art. 173 para 1 sentence one and para 5, Art. 177a para 6 and 8, Art. 187 para 3 sentence one, Art. 190, Art. 191 para 1 and para 4, sentence one, Art. 193 para 9, Art. 197 para 3”;

dd) (In effect from 3 July, 2007 for sentence two about the replacement – SG, iss. 52 in 2007) in item 4 the words “Article 68a para 1 and 2, Art. 68b para 2, Art. 72 para 1 and 3” shall be deleted and the words “Art. 78 para 1, 2 and 3” shall be replaced with “Article 78 para 1, 2 and 3” and the words “Art. 93a para 1 and 2, Art. 100d para 2, 3 and 4, Art. 114 para 2, Art. 114a para 1, Art. 114b para 1, Art. 115 para 5, Art. 116a para 3, Art. 126b para 4, Art. 128 para 3, Art. 134 para 1 and 2, Art. 139 para 2 and 4, Art. 149 para 1, 2, 6 and 8, Art. 149a para 2 and 4, Art. 149b para 2” shall be replaced with “Art. 100l para 1 and 2, Art. 100d para 2, 3 and 4, Art. 114 para 2, Art. 114a para 1, Art. 114b para 1, Art. 115 para 6, Art. 116a para 3, Art. 126b para 4, Art. 128 para 3, Art. 134 para 1 and 2, Art. 139 para 2 and 4, Art. 149 para 1, 2, 6 and 8, Art. 149a para 2, 3 and 5, Art. 149b para 2, Art. 150 para 9, Art. 157b para 2”.

b) in para 5 the words “Art. 26 para 5 and 6, Art. 54 para 5, Art. 69 para 1, Art. 71 para 2 and 4” and the words “Art. 161a” shall be deleted.

99. To §1 of the Additional Provision shall be made the following amendments and supplements:

a) in item 1 letter “b” is cancelled;

b) item 2 is amended as follows:

“2. “Financial instruments” shall be the financial instruments within the meaning of Art. 3 of the Markets in Financial Instruments Act.”;

c) items 5, 6 and 7 are cancelled;

d) (In effect from 3 July, 2007 – SG, iss. 52 in 2007) In item 9 shall be established sentence two: “In the cases of depository receipts for securities, the issuer shall be the person, which issued the underlying securities.”;

e) (In effect from 3 July, 2007 – SG, iss. 52 in 2007) items 16, 18 and 19 are cancelled;

f) Item 41 – 48 shall be created:

“41. “Regulated information” shall be the information which is required to be disclosed by the issuer or the person that has requested without the issuer’s consent admission of the securities to trading on a regulated market, according Chapter Six “a”, Division II, Chapter Eleven,

Division I and under Art. 12 of the Law on Measures Against Market Abuse With Financial Instruments and its implementing instruments.

42. “Electronic means” means devices for electronic processing, including for digital compressing, storage and transfer of data via cable, radio waves and optical or other electromagnetic means.

43. “Shareholder” within the meaning of Chapter Eight and Chapter Eleven, Division I shall be a person, who directly or indirectly owns:

a) issuer’s shares on his behalf and for his account;

b) issuer’s shares on his behalf but for the account of another person;

c) depository receipts, in which case the owners of the depository receipts are considered shareholders of the underlying shares, for which the depository receipts were issued.

44. “Controlled company” within the meaning of Chapter Six “a” and Chapter Eleven, Division I means a company in which one entity:

a) holds, including through a subsidiary, more than a half of the votes at the general meeting;

b) is entitled to appoint more than a half of the members of the governing or the control body and is at the same time a shareholder or a partner in such entity; in the case under sentence one, to the votes of the controlled entity shall be also added the votes of the companies over which it exercises control, as well as the votes of the persons who act on their behalf but for its account or for the account of controlled by it entity;

c) is a shareholder or a partner, and controls independently by virtue of agreement with other shareholders or partners in such legal entity, more than a half of the votes in the general meeting;

d) is entitled to exercise or actually exercises a decisive influence over the company.

45. “Market maker” means a person who holds himself out on the financial markets on a continuous basis as being willing to deal on own account by buying and selling financial instruments against his proprietary capital at prices defined by him;

47. “Tender offer” means a public offering, made by the tender offeror at his discretion, or by virtue of the law, for the purchase and/or exchange of all or a part of the voting shares in the general meeting of a public company, the result of which or the objective of which is acquisition of voting shares at the general meeting of the company – subject of a tender offer, over the envisaged in the law thresholds for making a tender offer.

48. “Company – subject of a tender offer” means a company whose shares are subject of a tender offer.

49. “Tender offeror” means a natural person or a legal entity, making a tender offer.”

100. Paragraph 1b of the Additional Provisions shall be amended as follows:

“§ 1b. The provisions of Title Three, Chapter Nine shall apply accordingly also to financial instruments”

101. In § 1c of the Additional Provisions the following amendments and supplements shall be made:

a) items 2 and 5 are cancelled;

b) (In effect from 3 July, 2007 – SG, iss. 52 in 2007) item 6 and 7 are created:

“6. Directive 2004/109/EC of the European Parliament and of the Council on harmonization of transparency requirements in relation to information about the issuers, whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC;

7. Directive 2004/25/EC of the European Parliament and of the Council on takeover bids”.

102. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) In the Transitional and Final Provisions § 10b is established:

“§ 10b. (1) Where on the day of coming into effect of Art. 157c, the voting shares of the company – subject of a tender offer according Art. 157c para 1 item 2 have been admitted to

trading simultaneously on a regulated market in the Republic of Bulgaria and in another Member State, the Commission and the competent authorities of such Member States shall determine jointly which of them shall exercise the supervision over the tender offer, within 4 weeks of its coming into effect. If the competent authorities of the Member States fail to determine which of them shall exercise supervision on the tender offer, the company – subject of a tender offer shall assign that authority in the first day of trading, following the expiration of the term under sentence one.

(2) The Commission shall make public the decision under para 1 whereby it has been assigned to exercise supervision over the tender offer.

**§ 8.** (In effect from 3 July, 2007 – SG, iss. 52 in 2007) To the Law on Measures Against Market Abuse With Financial Instruments (prom., SG, iss. 84 in 2006) shall be made the following amendments and supplements:

1. In Art. 3 para 3 the words “conditions and under procedure, laid down in an ordinance” shall be replaced with “the conditions and under the procedure of Regulation (EC) No. 2272/2003 of the Commission as regards exemptions for buy-back programmes and stabilization of financial instruments”;

2. In Art. 6 para 4 the words “approved” shall be replaced with the “recognized”.

3. In Art. 12:

a) in para 1 the words “in the Republic of Bulgaria” shall be deleted, and the words “notify the Commission of” shall be replaced with “disclose publicly under the procedure of Art. 100s of the Law on Public Offering of Securities”;

b) in Art. 3 the words “notification” shall be replaced with “disclosure”;

c) paragraph 4 is canceled;

d) in para 6 in sentence one the words “inform the Commission about” shall be replaced with “disclose under the procedure of para 1”, and sentence two is deleted.

4. In Art. 13:

a) in para 1 the word “providing” shall be replaced with “disclosure”, and the words “and its public disclosure” shall be deleted;

b) in para 4 the words “provide to the Commission the inside information” shall be replaced with “disclose the inside information according Art. 12 para 1”;

5. Art. 15a shall be established:

“Art. 15a. The provisions of Art. 12 – 15 shall not apply to issuers who have not applied for or approved the admission of the issued by them financial instruments to trading on a regulated market.”

6. In Art. 16:

a) In para 1, sentence one, the words “when for a period of one year the amount of these transactions exceeds BGN 5000 within one calendar year” shall be replaced with “within 5 working days of the transaction’s conclusion”, and sentence two is deleted.

b) New para 3 is established:

“(3) The obligation of notification shall not apply when the total amount of the transactions concluded by a person performing managerial functions in the issuer and in the persons closely related to it, does not exceed BGN 5 000 within one calendar year. The value of the transaction shall be the market value of the financial instruments on the day of entering into the transaction, and with transactions with derivative instruments – the market value of the underlying asset.”

c) the former para 3 becomes para 4 and in it after the word “according” shall be added “Art. 77y para 6 of”.

7. In Art. 20 para 5 item 3 after the words “legal person” shall be added “is a market-maker or”.

6. In Art. 40 para 1 item 1 the words “Art. 12 para 1, 4, 5 and 7” shall be replaced with “Art. 12 para 1, 3, 5 – 8”.

§ 9. To the Financial Supervision Commission Act (prom., SG, iss. 8 in 2003; amended iss. 31, 67 and 112 in 2003, iss. 85 in 2004, iss. 39, 103 and 105 in 2005, iss. 30, 56, 59 and 84 in 2006) shall be made the following amendments and supplements:

1. In Art. 1 para 2 item 1 at the end shall be added “and the Markets in Financial Instruments Act”.

2. In Art. 12 item 2 at the end shall be added “and the Markets in Financial Instruments Act”.

3. In Art. 15

a) in para 1:

aa) in item 2 and 3 after the words “the Public Offering of Securities Act” shall be added “and the Markets in Financial Instruments Act”;

bb) in item 4 after the words “the Public Offering of Securities Act” shall be added “and Title Four, Division I of the Markets in Financial Instruments Act”;

cc) item 5 shall be amended as follows:

“5. in the cases under Art. 212, paragraph 4 of the Public Offering of Securities Act and Art. 118 para 2 of the Markets in Financial Instruments Act, make proposal to the BNB to enforce the actions under Art. 103, paragraph 2 of the Credit Institutions Act or apply the measures under Art. 212, para 1 item 1 of the Public Offering of Securities Act and Art. 118 para 1 item 1 of the Markets in Financial Instruments Act against a bank acting as an investment intermediary and/or depository; “

cc) in item 6 and item 7 after the words “the Public Offering of Securities Act” a comma shall be placed and shall be added “and the Markets in Financial Instruments Act”;

dd) in item 15 after the words “the Public Offering of Securities Act” shall be added “and the Markets in Financial Instruments Act”;

b) in para 2. letter “a” and “b” after the words “the Public Offering of Securities Act” shall be added “and the Markets in Financial Instruments Act”.

4. In Art. 24 para 5:

a) (In effect from 3 July, 2007 – SG, iss. 52 in 2007) in the text before item 1 the words “The information constituting professional secret” shall be replaced with “With the exception of the cases, where the person that has provided information constituting professional secret, has given his express assent it to be used for other purposes as well, the information”;

b) in item 1 after the words “the Public Offering of Securities Act” shall be added “and the Markets in Financial Instruments Act”.

5. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) In Art. 25:

a) in para 1:

aa) in item 1 the words “under a procedure provided by law” shall be replaced with “in case of initiated criminal procedure, and before the court, the liquidator and the receiver in civil and commercial proceedings in the cases of liquidation or bankruptcy of a regulated entity, if the information does not harm the interests of third persons.”;

bb) in item 3 the words “in securities” shall be deleted and the words “National Guarantee Bureau” shall be replaced with “Guarantee Fund”;

cc) new item 4 is created:

“4. to clearing houses or other entities which according the law carry out clearing or settlement of the markets in financial instruments in the Republic of Bulgaria, insofar as needed for the exercising of their functions in case of default or possible default by the market participants;”

dd) the former item 4 and 5 become respectively item 5 and 6.



b) in para 3 at the end shall be added “and to use it for the purposes for which it has been provided to them, save for the cases when the Commission has given an express assent it to be used for other purposes as well.”;

c) new para 5 is established:

“(5) The Commission may provide information constituting professional secret, on condition that that the same level of confidentiality for the provided information is ensured of:

1. the Member State’s authorities which exercise supervision on the operation of credit institutions, in relation to the fulfilment of their supervisory functions;
2. the Member State’s authorities which participate in procedures of liquidation, insolvency or other similar procedures of investment intermediaries, insurers, collective investment undertakings and their management companies and depositaries, in relation to the fulfilment of their supervisory functions;
3. persons from a Member State who are responsible for envisaged by law audits of the reports of investment intermediaries, credit institutions, insurers and other financial institutions, in relation to fulfilment of their supervisory functions;
4. the Member State’s authorities which administrate investor compensation schemes or funds for securing insurance receivables in relation to the fulfilment of their functions.”;

d) the former para 5 becomes para 6 accordingly;

e) the former para 6 becomes para 7 and therein the words “under para 5” shall be replaced with “under para 1 item 1 in the cases of liquidation or bankruptcy, item 2 and 3 and para 6”.

6. In Art. 13 para 1 item 4, 5, 6, 10 and 11 and para 2, Art. 18 para 1 item 1 and 6 and para 3, Art. 19 para 2 item 1 and Art. 27 para 1 item 1 after the words “the Public Offering of Securities Act” shall be added “and the Markets in Financial Instruments Act”.

7. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) To the Appendix to Art. 27 para 2 shall be made the following amendments:

a) in item 1.4, letter “a” the figure “200” shall be replaced with “300”;

b) item 2.3 shall be amended as follows:

“2.3. For insurance broker:

- a) for examination BGN 300;
- b) for the issue of a certificate BGN 60
- c) for entry into the register BGN 5 000.”

**§ 9.** To the Law on the Bulgarian National Bank (prom. SG iss. 46 in 1997, am. iss. 49 and 153 in 1998, iss. 20 and 54 in 1999, iss. 109 in 2001, iss. 45 in 2002, iss. 10 and 39 in 2005, iss. 37, 59 and 108 in 2006) in Art. 39 para 3 the words “investment intermediaries in the sense of the Law on Public Offering of Securities, which have obtained an authorization for investment intermediation with government securities” shall be replaced with “primary government securities dealers, of entities, sub-depositories of government securities and of other entities, determined by the Minister of Finance and the Governor of the Bulgarian National Bank under Art. 36 para of the Law on the Government Debt”.

**§ 10.** To the Value Added Tax Act (prom. SG iss. 63 in 2006; am. iss. 86, 105 and 108 in 2006, iss. 37 in 2007 – Ruling No. 7 of the Constitutional Court in 2007, am. iss. 41 in 2007) in Art. 46 para 1 item 6 the words “about securities” are deleted and after the words “the Law on Public Offering of Securities” a comma shall be placed and added “and the Markets in Financial Instruments Act”.

**§ 12.** To the Law on Supplementary Supervision of Financial Conglomerates (SG iss. 59 in 2004) in § 1 of the Additional Provisions the following amendments and supplements shall be made:

1. In item 3 the words “under Art. 54 para 2 and 3 of the Law on Public Offering of Securities” shall be replaced with “under Art. 5 para 2 and 3 of the Markets in Financial Instruments Act”.

2. In item 19 letter “c” the words “Art. 56 para 6” shall be replaced with “Art. 8 para 6 of the Markets in Financial Instruments Act”.

3. In item 20 letter “c” after the words “Law on Public Offering of Securities” shall be added “the Markets in Financial Instruments Act”, and the words “its application” shall be replaced with “their application”.

**§ 13.** To the Special Purpose Vehicles Act (prom. SG, iss. 46 in 2003; am. iss. 109 in 2003, iss. 107 in 2004, am. iss. 34 and 105 in 2006) shall be made the following amendments:

1. In Art. 13:

a) in para 1 sentence two is deleted;

b) in para 3 in sentence one the words “Art. 56 para 1 of the Law on Public Offering of Securities” shall be replaced with “Art. 8 para 1 of the Markets in Financial Instruments Act”, and in sentence two the word “underwrite” shall be replaced with “offer”, and the words “and it shall be offered” are deleted.

2. In Art. 28, sentence four, the words “Articles 68a and 69 of the Law on Public Offering of Securities” shall be replaced with “Articles 21 and 23 of the Markets in Financial Instruments Act”.

3. In Art. 29 para 1, sentence three the words “Article 28 para 2 and 3” shall be replaced with “Article 177 para 4 and 5”.

**§ 14.** To the Law on Credit Institutions (prom. SG iss. 59 in 2006; am. iss. 105 in 2006) shall be made the following amendments and supplements:

1. (In effect from 3 July, 2007 – SG, iss. 52 in 2007) In Art. 2 para 3:

a) after the word “Acquisition” shall be added “the registration, settlement”;

b) sentence two is created: “The trade in government securities realized on regulated markets of financial instruments and on multilateral trading facilities shall be carried out under the Markets in Financial Instruments Act”.

2. In Art. 89:

a) the former text becomes para 1;

b) para 2 is created:

“(2) The scope of the supervision on a consolidated basis according this Law shall also cover the management companies in the way and to the extent the financial institutions are covered.”

3. In the Transitional and Final Provisions shall be established § 9a:

“§ 9a Everywhere in the Law the words “Art. 54 para 2 and 3 of the Law on Public Offering of Securities” shall be replaced with “Art. 5 para 2 and 3 of the Markets in Financial Instruments Act”.

**§ 15.** To the Law on Alienation in Favor of the State of Property Acquired from Criminal Activity (prom. SG iss. 19 in 2005; am. iss. 86 and 105 in 2005, iss. 33 and 75 in 2006) in Art. 19 the words “Art. 71” shall be replaced with “Art. 35 para 1 of the Markets in Financial Instruments Act”.

**§ 16.** To the Transactions with Compensatory Instruments Act (prom. SG iss. 47 in 2002, am. iss. 71 in 2003) in Art. 8 para 1 the words “the Law on Public Offering of Securities” shall be replaced with “the Markets in Financial Instruments Act”.

**§ 17.** To the Social Insurance Code (prom. SG iss. 110 in 1999, iss. 55 in 2000 – Ruling No. 5 of the Constitutional Court of the Republic of Bulgaria in 2000, am. iss. 64 in 2000, iss. 1, 35 and 45 in 2001, iss. 1, 10, 45, 74, 112, 119 and 120 in 2002, iss. 8, 42, 67, 95, 112 and 114 in 2003, iss. 12, 38, 52, 53, 69, 70, 112 and 115 in 2004, iss. 38, 39, 76, 102, 103, 104 and 105 in 2005, iss. 17, 30, 34, 56, 57, 59, 68, 82, 95, 102 and 105 in 2006; iss. 41 in 2007) in Art.

123c para 4 the words “securities with a person that meets the requirements of Art. 61” shall be replaced with “financial instruments with a person that meets the requirements of Art. 12 of the Markets in Financial Instruments Act”.

**§ 18.** In the Tax and Social Security Procedure Code (prom. SG iss. 105 in 2005, am. iss. 30, 33, 34, 59, 63, 73, 82, 86, 95 and 105 in 2006) in Art. 143 para 4 the words “Art. 71i” shall be replaced with “Art. 35 para 1 of the Markets in Financial Instruments Act and Art.”.

**§ 19.** (In effect from 3 July, 2007 – SG, iss. 52 in 2007) In the Law on Mortgage-backed Bonds (prom. SG, iss. 83 in 2000, am. iss. 59 in 2006) in Art. 13 the words “Bulgarian National Securities Commission” shall be replaced with “Financial Supervision Commission”.

**§ 20.** In the Corporate Income Tax Act (SG iss. 105 in 2006) in §1 of the Additional Provisions shall be made the following amendments and supplements:

a) in item 21 everywhere the words “Law on Public Offering of Securities” shall be replaced with “Markets in Financial Instruments Act”;

b) in item 26, letter “c”, after the word “intermediaries” shall be added “under the Markets in Financial Instruments Act”.

**§ 21.** In the Natural Persons Income Tax Act (SG iss. 95 in 2006) in §1 item 11 letter “a” of the Additional Provisions, the words “Law on Public Offering of Securities” shall be replaced with “Markets in Financial Instruments Act”;

**§ 22.** In the 2007 State Budget Act (prom. SG iss. 108 in 2006) in §25 para 7 of the Transitional and Final Provisions, the words “Art. 54 para 2 and 3 of the Law on Public Offering of Securities” shall be replaced with “Art. 5 para 2 and 3 of the Markets in Financial Instruments Act”.

**§ 23.** To the Law on Government Debt (prom. SG iss. 93 in 2002; am. iss. 34 in 2005) shall be made the following amendments and supplements

1. In Art. 35:

a) the former text becomes para 1 and therein:

aa) item 1 is amended as follows:

“1. establishes and organizes a system for conduction of auctions and subscriptions for sale of government securities, the participants in which shall be determined by the ordinance under Art. 36 para 1”;

bb) new item 3 is created:

“establishes and organizes a system for settlement of government securities, in which three or more members participate, who may be primary dealers, sub-depositories of government securities and other persons, determined by the Minister of Finance and the Governor of the Bulgarian National Bank under the provision of Art. 36 para 1, with general rules guaranteeing the fulfillment of the obligations related to the participation in the system on the basis of an agreement, such as:

a) an order for registration of a transfer, sent to the system in compliance with its rules, may not be canceled after the time indicated in the rules of the settlement system. Actions, performed by a participant in the system or a third person after that time, which aim at withdrawal or cancellation of this order for transfer, shall be invalid;

b) the withdrawal of a license of a bank or of a branch of a foreign bank to pursue bank activities in the country, as well as the initiation of a bankruptcy procedure in regard to another participant in the settlement system shall not affect the duty of the system to process and carry out the settlement of the given by such participant orders for registration of a transfer, as well as the validity and the counter matching with regard to third persons of such orders, if they have been accepted by the system in compliance with its rules”.

cc) the former item 3 becomes item 4 and shall be changed as follows:

“4. jointly with the Ministry of Finance can make a selection of primary dealers and other participants on the government securities markets, as well as undertake measures for impact over them in case of violations – on the grounds of criteria and rules, approved by the Minister of Finance and the Governor of the Bulgarian National Bank;

dd) the former item 4 and 5 become accordingly 5 and 6;

b) para 2 is created:

“(2) Sub-depositories of government securities issued on the domestic market may be only credit institutions under Art. 2 para 2 item 4 of the Law on Credit Institutions, whose license covers the activity under Art. 2 para 2 item 4 of the Law on Credit Institutions.”.

In Art. 36:

a) in para 1 after the word “acquisition” shall be placed a comma and added “registration”, and at the end a comma shall be placed and added “with the exception of those, executed on regulated markets of financial instruments and on multilateral trading facilities”.

b) in para 2 at the end shall be placed a comma and added “with the exception of those, executed on regulated markets of financial instruments and on multilateral trading facilities”.

c) new para 3 is created:

“(3) The Bulgarian National Bank shall issue an ordinance on settlement of government securities, which shall govern the keeping of accounts for government securities in the Bulgarian National Bank and in the entities under Art. 35 para 2”.

d) the former paragraph 3 becomes 4 and shall be amended as follows:

“(4) The ordinances under para 1, 2 and 3 shall be promulgated in State Gazette.”

§ 24. In the Measures Against Money Laundering Act (prom. SG, iss. 85 in 1998, am. iss. 1 in 2001, iss. 31 in 2003, iss. 103 and 105 in 2005, iss. 30, 54, 59, 82 and 108 in 2006), Art. 3 para 2 item 12 shall be amended as follows:

“12. market operator and/or regulated market;”.

§ 25. The Financial Supervision Commission shall adopt the ordinances of the Act’s implementation.

§ 26. The sub-statutory acts of the implementation of the Law on Public Offering of Securities, adopted until the coming into effect of this Act, shall apply insofar as they do not contradict it.

§ 27. (1) This Act shall come into effect as of 1 November, 2007, with the exception of § 7, item 6, 7, 8, 18, 19, 22-24, 26-28, 30-40 item 44 letter “b”, item 47, 48, item 49 letter “a”, item 50-62, 67, 68, 70, 71, 72, 75, 76, 77 item 83 letters “a” and “d”, item 85 letter “a”, item 91, 93, 94 item 98 letter “a”, sub-letter “aa” sentence two about the replacement, sub-letter “bb” sentence two about replacement, sub-letter “cc” sentence two about the replacement, and sub-letter “dd” sentence two about the replacement, item 99 letters “d” and “e”, item 101 letter “b” and item 102 § 8, § 9 item 4, letter “a” item 5 and 7, § 14 item 1 and § 19 which come into force 3 days after the Act’s promulgation in State Gazette”.

(2) Paragraph 7 items 6, 7 and 8 shall apply till 1<sup>st</sup> November, 2007.

The Act has been adopted by the 40tieth National Assembly on 14 June, 2007 and the official seal of the National Assembly was affixed to it.

*Annex  
to Art. 36*

## **Professional Clients**

### **Division I**

#### **Clients who are regarded as professional in relation to all investment services, investment activities and financial instruments**

1. Entities which are required to be authorized to operate on the financial markets or whose operation on those markets is otherwise regulated by the national legislation of a Member State, irrespective of whether it is in consistence with Directive 2004/39/EC of the European Parliament and of the Council, as well as entities that have been authorized to pursue such activities or are otherwise regulated by a third country legislation, as follows:

- a) credit institutions;
- b) investment intermediaries;
- c) other authorized or otherwise regulated financial institutions;
- d) insurance companies;
- e) undertakings for collective investment and their management companies;
- f) pension funds and pension insurance companies;
- g) commodity and commodity derivatives dealers;
- h) legal entities which provide investment services or perform investment activities consisting exclusively in dealing on own account on markets in financial futures or options or other derivative financial instruments on the money market for the sole purpose of hedging positions on the markets of derivative financial instruments, or which deal for the accounts of other members of those markets or make prices for them and which are guaranteed by clearing members of the same markets, where responsibility for ensuring the performance of contracts entered by such entities is assumed by clearing members of the same markets;
- i) other institutional investors.

2. Large undertakings meeting at least two of the following requirements:

- a) balance sheet total – at least the BGN equivalence of EUR 20 000 000;
- b) net turnover - at least the BGN equivalence of EUR 40 000 000;
- c) own funds – at least the BGN equivalence of EUR 2 000 000;

3. National and regional governments, public bodies that manage public debt, Central Banks, international and supranational institutions such as the World Bank, the International Monetary Fund, the European Central Bank, the European Investment Bank and other similar international organizations.

4. Other institutional investors whose main activity is to invest in financial instruments, including entities performing securitization of assets or other financing transactions.

## Division II

### **Clients who may be treated as professional on their request**

1. Identification criteria:

The clients under Art. 37 para 1 must satisfy as a minimum two of the following criteria:

- a) the person has executed transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous year;
- b) the size of the client's investment portfolio, including financial instruments and cash deposits exceeds the BGN equivalence of EUR 500 000;
- c) the person works or has worked in the financial sector for at least one year in a position, which requires knowledge of the relevant transactions or services.

3. Procedure

The clients under Art. 37 may request to be treated as professional clients, only where the following procedure is followed:

- a) the clients must state in writing to the investment intermediary that they wish to be treated as professional clients, either generally or in respect of particular investment services or transactions, or type of transaction or product;

- b) the investment intermediary must give a written warning to the client that he shall not have the relevant protection in the provision of services and performance of activities by the investment intermediary, as well as the right to be compensated from the fund for compensation of investors in financial instruments;
- c) the client must state that he is aware of the consequences under letter “b”;
- d) before deciding the client under Art. 37 to be treated as a professional client, the investment intermediary must take all reasonable actions to ensure that the client meets the requirements stated in item 1.