LAW
ON PUBLIC OFFERING OF SECURITIES
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Title One
GENERAL PROVISIONS

Chapter One
SECURITIES

Art. 1. (Am. – SG, iss. 61 in 2002) (1) This law shall govern:
1. the public offering and trading in securities, the issue and disposal of dematerialized securities including cases where
there is no public offering, as well as restrictions on the disposal of securities issued outside of a public offering;
2. the activities of the regulated markets of financial instruments, the Central Depository, investment intermediaries,
investment and management companies, natural persons who directly give investment advice and effect securities
transactions and the conditions for carrying out such activities;
3. requirements for public companies and other issuers of securities;
4. (Am. – SG, iss. 39 in 2005) requirements for persons that manage and control persons under item 2 and 3, as well as
    towards persons holding 10 or more than 10 per cent of the votes in the general assembly of persons under item 2 and 3;
and
5. (Am. – SG, iss. 86 in 2006) the State supervision for ensuring compliance with this law.”
(2) The goal of this law is to:
1. (Am. – SG, iss. 86 in 2006) provide protection of investors in securities including ensuring that they have
    greater knowledge about the capital market;
2. (Am. – SG, iss. 86 in 2006) create prerequisites for development of a fair, transparent and efficient capital market;
3. (Am. – SG, iss. 86 in 2006) maintain the integrity and the public confidence in the capital market.
(3) (New – SG, iss. 86 in 2006) This Law shall not apply for the issue, acquisition, payment, trading and
transactions with government securities, the registration systems and settlement thereof, the regulation of
the government securities and the control over trades with them, as well as for the other financial
transactions, executed with the purpose of the national debt’s management.

Art. 2. (1) (Am. – SG, iss. 61 in 2002; iss. 39 in 2005; iss. 86 in 2006) Securities are transferable rights registered on
accounts with the Central Depository or a foreign institution, pursuing such business (dematerialized securities) or
documents evidencing transferable rights (materialized securities) which may be dealt in on the capital market, excluding
instruments of payment, such as:
1. equity shares in companies and other securities, equivalent to equity shares in equity companies, personal companies
and other legal entities, as well as depository receipts for equity shares;
2. bonds and other debt securities, including depository receipts for such securities;
3. other securities, giving the right to acquire or dispose of any such securities or which result in cash settlement,
determined by means of securities, exchange rates, interest rates or profitability, commodities or other indexes or
indicators.
(2) For the purposes of this law debt securities express transferable claims against the issuer of the securities stemming
from funds or other property rights lent to that issuer for an income fixed in advance or to be determined in the future. Debt
securities may also express other rights where this is not contrary to the law.
(3) (Am. – SG, iss. 86 in 2006) For the purposes of this law equity securities means:
1. shares in companies;
2. other securities equivalent to shares in companies;
3. other type of securities, giving the right to acquire shares and equivalent to them securities as a consequence of their being converted or the rights conferred by them being exercised, provided that the securities of the latter type are issued by the issuer of the underlying securities or by a legal entity belonging to the group of the said issuer;

(4) (New – SG, iss. 86 in 2006) Non-equity securities means all securities that are not equity securities within the meaning of para 3.

Art. 3. Public offering shall be forbidden:
1. of materialised securities except for cases specially stipulated by law;
2. of dematerialised securities whose transfer is subject to restrictions or special conditions

Art. 4 (1) (Am. – SG, iss. 61 in 2002; iss. 86 in 2006) Public offering of securities is the providing of information for offering of securities addressed to 100 and more persons, or to an indefinite circle of persons in any form and by any means, containing sufficient data about the terms of the offer and the securities to be offered, so as to enable the investor to decide to purchase or subscribe to these securities. The offering of securities through an investment intermediary shall also be considered a public offering, provided that if satisfies the conditions under the preceding sentence.

(2) Public offering also exists where the offering of securities involves a person who is neither an investment intermediary, nor holder of the securities.

(3) (Am. – SG, iss. 61 in 2002; iss. 86 in 2006) Public offering is not in place where securities are offered in cases of liquidation, execution court procedures or bankruptcy procedures in accordance with proceedings laid down in law;

Art. 5. (1) (Prev. Art. 5 – SG, iss. 61 in 2002) Initial public offering is an offering under the provisions of Art. 4:
1. securities to be subscribed by their issuer or authorized by it investment intermediary (subscription), or
2. securities for initial sale by an investment intermediary according concluded with their issuer underwriting agreement.

(2) (New – SG, iss. 61 in 2002, cancelled iss. 86 in 2006)

Art. 6. (Am. – SG, iss. 86 in 2006) Securities and financial instruments trading is:
1. public offering of issued securities, excluding the case under Art. 5, item 2 (secondary public offering);
2. entering into securities transactions as a result of secondary public offering;
3. entering into or offering to enter into transactions for buying and/or selling of securities under conditions different from the requirements for public offering, when:
   a) securities are issued by public companies or other issuers under this Law; and
   b) offering party or party in the transaction is a legal person or sole trader.
4. (Am. – SG, iss. 61 in 2002) Public offering in return for consideration or an invitation to make an offer for the transfer in return for consideration of securities under the terms of Art. 4. outside of:
   a) cases of tender offering;
   b) cases where securities have not been issued by public companies or other issuers of securities.

Art. 7. (Am. – SG, iss. 86 in 2006) Regulated market is a multilateral system, having obtained a license and operating according to Chapter Three or according the legislation of another member-state through which transactions for the purchase and sale of financial instruments, admitted to trading in compliance with its rules and/or systems are regularly entered into and offers and invitations to enter into such transactions are made and which ensures equal access to the market information and equal conditions for participation in the trade;
Chapter Two

FINANCIAL SUPERVISION COMMISSION

Art. 8. (Am. – SG, iss. 61 in 2002) (1) The regulation of and the supervision over the persons, activities and transactions provided in Art. 1, para. 1 shall be performed by the Financial Supervision Commission, hereinafter referred to as “the Commission”, as well as by the deputy chairman in charge of Investment Activity Supervision Division, hereinafter referred to as the “deputy chairman”.

(2) In performing its functions the Commission must adopt clear and consistent decisions, be transparent and responsible for its actions, as well as estimate the burden of the restrictions and the expected benefit from them and promote fair competition.


Art. 11. (Canceled – SG, iss.8 in 2003).


Art. 16a. (New – SG, iss. 61 in 2002, Am – SG iss.71 in 2003) The stock exchange may organize separate market segments for privatization, initial public offering, tender offering of securities, etc or carries out technical execution of tenders or auctions, in cases envisaged by law.


Title Two

REGULATED SECURITIES MARKETS

Chapter Three

STOCK EXCHANGE

Division I

Formation and management

Art. 20. (1) The stock exchange is a joint stock company that organizes an official securities market and ensures to its members and their clients equal access to the market information and equal conditions for participation in trading.

(2) The official securities market concentrates the demand for and supply of securities that meet the minimum requirements set by the rules of the stock exchange.

(3) The stock exchange may also organise an unofficial securities market.

(4) The stock exchange may organize separate market segments for privatization, initial public offering, tender offering of securities, etc or carries out technical execution of tenders or auctions, in cases envisaged by law.

(5) Trading on the stock exchange shall be carried on the floor or as remote trading.

(6) In order for the business of a stock exchange to be pursued, it is required that license be obtained under the conditions and the procedure of this law, and in order to wind up a stock exchange, a license is required.

(7) No bankruptcy proceedings may be initiated against the Stock Exchange.
Art. 21. (1) A stock exchange may not carry out commercial transactions unless this is necessary for the pursuit of the business under Art. 20, para. (1) and (3).

(2) Cancelled – SG, iss. 86 in 2006 in effect from 28 Oct., 2006

(3) A stock exchange may not:
1. grant loans or secure claims of third parties;
2. issue debentures;
3. receive loans under conditions which are less favourable than the market conditions in the country.

(4) Chapter Eight of this law shall not apply to the stock exchange.

Art. 22. (1) (Am. – SG, iss. 39 in 2005) In order to be granted a license to pursue the business of a stock exchange, the applicant shall be required to have paid-in capital of at least 100 thousand Leva.

(2) (Am. – SG, iss. 39 in 2005) At least 25 per cent of the capital under para. (1) must be paid in as at the moment of filing the application to issue a license, and the remaining part – within a 14-day period of receiving the written notification under Art. 28, para. (5).

Art. 23. (1) At least 2/3 of the capital of a stock exchange must be held by investment intermediaries and institutional investors.

(2) A shareholder in the stock exchange may not hold, directly or through related persons, more than 5 per cent of its shares.

(3) The restrictions under para. (1) and (2) shall not apply to the participation of the State where such participation is in the form of contributions in kind on foreign regulated markets, as well as on their alliances.

(4) The Central Depository shall not enter transactions with shares issued by the stock exchange that lead to violation of the restrictions under para. (1) and (2). Those who have acquired shares in the Stock Exchange shall declare to the Central Depository that they are persons under para. (1) and whether they meet the requirements of para. (2) upon registration of the transaction.

(5) In case of increase in the capital of the stock exchange its shareholders shall not avail themselves of the rights under Art. 194 of the Commercial Code. The investment intermediaries and institutional investors registered in accordance with para. (7) shall participate in the increase of the capital under Art. 195 of the Commercial Code with priority.

(6) A stock exchange shall mandatorily increase its capital where there are candidates to subscribe for more than 20 per cent of the already authorised capital.

(7) The board of directors of the stock exchange, the Management Board respectively, shall lay down the procedure for registration and participation of the applicants in the increase in the capital of the exchange.

Art. 24. A stock exchange shall only issue dematerialized shares giving the right to one vote. Section 185, para. (2), second sentence of the Commercial Code shall not apply to the shares of the stock exchange.

Art. 25. (1) The stock exchange shall develop, participate in the development of or join a system for clearing, settlement and guaranteeing of the transactions entered into thereon.

(2) A stock exchange must have the qualified personnel, the technical, hardware and software capacity necessary to pursue its business.

(3) No court execution can be imposed on the technical equipment, hardware and software under para. (2).

Art. 26. (1) The board of directors of a stock exchange, its Management Board respectively, shall:
1. adopt the stock exchange rules and the rules of the arbitration panel;
2. ensure compliance with the law, the Articles of Association and the stock exchange rules by the participants in stock exchange trading;
3. (Am. – SG, iss. 86 in 2006) admit securities to trading and suspend temporarily or definitively the trading in certain securities under the conditions and procedure laid down in the stock exchange rules;
4. admit members to the stock exchange and suspend them temporarily or definitively from stock exchange trading under the
conditions and the procedure laid down in the stock exchange rules;
5. impose sanctions on the members and the stockbrokers in case of breach of this law, its implementing instruments, the stock exchange rules, as well as of the orders and resolutions passed in relation to the exercise of its powers;
6. exercise any other rights entrusted thereto by virtue of the law, the Articles of Association and the rules.

(2) The board of directors, the Management Board respectively, shall co-ordinate its resolutions under para. (1), items 3, 4 and 5 with a commission consisting of representatives of the shareholders, the members of the stock exchange and the stockbrokers.

(3) The members of the board of directors, the Management and Supervisory Board respectively, must:
1. permanently reside in the country, when they are authorized to represent the stock exchange;
2. have higher university education and qualification, and professional experience in the field of economics, law, finance, banking or computer sciences;
3. not have been sentenced for an intentional crime prosecuted on indictment;
4. 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;
5. not have been declared bankrupt and not be parties to pending bankruptcy proceedings;
6. not be related parties under this Law;
7. not have been deprived of the right to occupy positions involving financial responsibilities.

(4) The requirements of para. (3) shall also apply to natural persons representing legal persons who are members of the board of directors and of the controlling body of the stock exchange, as well as to other persons authorized to manage and represent the stock exchange.

(5) The persons under para.s (1) and (4) as well as stock exchange officers shall keep the business secrets of which they have become aware in the course of their work.

(6) The provision under para. (5) also refers to cases where the persons mentioned are not in office or their work was discontinued.

Art. 27. (1) The stock exchange rules shall contain:
1. (Am. – SG, iss. 61 in 2002) the types of market segments and the conditions and procedure to carry out transactions on any of them;
2. (Am. – SG, iss. 39 in 2005) the conditions and procedures for election of the Commission under Art. 26, para. (2) and for co-ordination under Art. 26, para. (2);
3. the conditions and procedure for the admission of members and for their temporary or final suspension from stock exchange trading;
4. the conditions and procedure for the admission of stockbrokers to stock exchange trading and the control over their activities;
5. (Am. – SG, iss. 86 in 2006) the conditions and procedure for the admission of securities and for a temporary or final termination of trading therein;
6. the principles and methods of trading;
7. the services provided and their prices;
8. the procedure for carrying out the transactions and the conditions for clearing and settlement thereof;
9. the organisation of the internal control over the stock exchange trading and the terms and conditions and the rights of the stock exchange to inspect its members and the stock brokers;
10. the conditions and procedure for imposing sanctions on the stock exchange members and stockbrokers.
11. the conditions and procedure for disclosing insider trading and prevention of trading misconduct and stock market manipulation
12. the contents, conditions and procedures for publishing information about:
   a) (Am. – SG, iss. 86 in 2006) securities admitted to trading and respectively their temporary or permanent suspension from trading;
b) (Am. – SG, iss. 86 in 2006) data about the issuers whose securities have been admitted to trading on the stock exchange;
c) executed transactions;
d) admission of new members and respectively their temporary or permanent suspension from stock exchange trading, as well as information about sanctions imposed on them;
e) stock brokers admitted to stock exchange trading and information about sanctions imposed on them.

(2) The Stock Exchange Rules may not provide any of the Stock Exchange members with an advantage with regard to stock exchange trading

(3) The Stock Exchange Rules may not prevent stock exchange members from carrying out securities transactions on other regulated markets.

Division II
Issuing and withdrawal of license

Art. 28. (1) (Am. – SG, iss. 61 in 2002, iss. 39 in 2005) The following documents shall be enclosed with the application for issuing a license under Art. 20, para. (6):
1. the Articles of Association adopted by the founders;
2. particulars about the capital paid in and its structure, in accordance with Art. 23;
3. particulars about the persons under Art. 26, para.s (3) and (4) and information about their professional qualification and experience;
4. the stock exchange rules and the rules of the arbitration panel;
5. data about the premises and the technical equipment of the stock exchange;
6. other documents, as laid down in an ordinance.

(2) (Am. – SG, iss. 39 in 2005) 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 regarding the discovered incompleteness and discrepancies or regarding the requested additional information and documents respectively.

(3) (Am. – SG, iss. 39 in 2005) Where the notice under para. (2) is not accepted at the mailing address indicated by the applicant, the time limit for their submission shall run as from the placing of the notice at a specially designated board in the building of the Commission. That fact shall be certified with a protocol drawn up by officials appointed by an order of the chairman of the Commission.

(4) (Am. – SG, iss. 39 in 2005) The Commission shall pronounce on the request within three months as from its receipt, and where additional information and documents have been requested – as from their receipt.

(5) (New – SG, iss. 39 in 2005) Within the time-limit under para 4, the Commission shall notify in writing the applicant that it shall issue a license to pursue the activity of a stock exchange if within a 14-day period of receiving the notification, the applicant verifies that the required capital under Art. 22, para 1 was fully paid in.

(6) (Prev. para 5, iss. 39 in 2005) The applicant shall be notified in writing of the decision made within seven days.

Art. 29. (1) (Am. – SG, iss. 39 in 2005) The Commission shall refuse to issue a license where:
1. the persons authorised to represent and manage the stock exchange fail to satisfy the requirements of the law or the Articles of Association;
2. the stock exchange rules or the rules of the arbitration panel do not satisfy the requirements of the law;
3. the principles and methods of trading do not ensure to the members of the stock exchange equal conditions for participation in trading;
4. the applicant has provided false particulars or documents with false content.
5. other requirements of this law are not complied with.
In the cases under para. (1) the Commission may refuse to issue a license only where the applicant has failed to remove the inconsistencies and to submit the documents required within the time limit set by the Commission which may not be shorter than one month.

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

Art. 30. In case of a refusal under Art. 29 the applicant may file a new request for a license to be issued at least six months after the decision to refuse has come into effect.

Art. 31. The Registry Agency shall enter the stock exchange in the commercial register after it has been provided with the license issued by the Commission, and shall publish the entry.

Art. 32. Persons who do not possess a license to pursue the business of a stock exchange, may not use in their names and in their advertising or other activities the words “stock exchange” or a derivative thereof in Bulgarian or in a foreign language, or any other word denoting the carrying on of such business.

Art. 33. Any amendments and supplements to the stock exchange rules, and any license of persons outside the Board of Directors (Management Board) to manage and represent the stock exchange shall be allowed only subject to a prior approval by the deputy chairman.

The deputy chairman shall pronounce on the application to issue a license within 7 days as from its receipt and where additional information and documents have been requested – as from their receipt. The applicant shall be notified in writing of the decision made, within 3 days.

The deputy chairman shall refuse to issue a license under para. (1) where the corresponding grounds under Art. 29, para. (1) exist.

The stock exchange shall notify the Commission within 7 days of any amendments and supplements to the other documents which have served as a ground to issue the license, and of the procedure under Art. 23, para. (7). The term under the preceding sentence starts at the moment the decision was taken, the amendment or supplement was introduced or made known and in case the amendment is to be registered by court – at the moment of the court registration.

Art. 34. The stock exchange must submit to the Commission an annual report by 31 March of the next year, as well as a 6-month report by 31 August of the current year.

The reports under para. (1) shall contain data about the business of the stock exchange, the composition of shareholders and the members of the stock exchange, accounting report in compliance with Art. 26, para. (1) of the Accountancy Act, certified by a registered auditor. The results from the audit of the annual accounts carried out by the auditor shall be reflected in a separate report in a model form, approved by the deputy chairman, which shall be included in the annual report.

Upon request, the stock exchange must also submit to the Commission any other information and documents relating to its business.

The stock exchange must keep for 50 years particulars for the stock exchange transactions in securities and any other information relating to its activities, as determined by the Commission.

The Commission shall withdraw the license issued:

1. where false particulars have been given which have served as a ground to issue the license;
2. in case where systematic offenses are committed under this law or of its implementing instruments;
3. if the stock exchange ceases to satisfy the requirements of this law or of its implementing instruments relating to the pursuit of the business of a stock exchange.

If after one year from its formation the stock exchange has less than 20 members, the Commission shall give a time limit of six months in order to reach this number. If after the expiration of that time limit the number of members has not been reached, the Commission shall withdraw the license.

By its decision to withdraw the license the Commission shall appoint one or more
quaestors.

(4) (Am. – SG, iss. 39 in 2005) From the moment when the decision to withdraw the license comes into effect no new transactions may be entered into on the stock exchange, unless this is necessary for the execution of transactions already entered into or for the protection of investors.

Art. 36. (Am. – SG, iss. 39 in 2005, iss. 34 in 2006) After the decision to withdraw the license under Art. 35 comes into effect, the Commission shall forthwith forward a copy thereof to the Registry Agency in view of instituting proceedings for liquidation of the stock exchange, and shall publish the decision in two major daily newspapers. In such cases the Commission shall appoint a liquidator, shall set the term for carrying out the liquidation and the remuneration to the liquidator.

Division III

Membership and Stock Exchange Arbitration

Art. 37. Members of the stock exchange shall be investment intermediaries admitted under the conditions and procedure laid down in the stock exchange rules to carry out transactions on that exchange. The refusal to admit a person as member of the stock exchange may be appealed before the arbitration panel.

Art. 38. (Am. – SG, iss. 39 in 2005) The stock exchange must terminate the membership of the persons under Art. 37 where their licenses to carry out services and activities under Art. 54, para. (2) and (3) have been withdrawn.

Art. 39. Claims against members of the stock exchange in relation to the entering into and execution of stock exchange transactions may be heard by a stock exchange arbitration panel.

Art. 40. (1) The president of the arbitration panel shall be elected by the general meeting of the stock exchange for a term of three years.

(2) Under the conditions of para. (1) two deputies of the president shall be elected for the cases where the president is prevented from carrying out his duties.

(3) (Am. – SG, iss. 39 in 2005) The president of the arbitration panel and his deputies shall be registered by the Commission.

Art. 41. The hearing of an arbitration case shall be governed by the rules of the arbitration panel.

Art. 42. (1) The arbitration panel shall resolve the disputes on the basis of the law, the stock exchange rules and the generally accepted standards applicable in stock exchange trading.

(2) The arbitration award shall be given by a majority.

(3) The arbitration award shall be final.

Art. 43. The Law on International Commercial Arbitration shall apply accordingly to the issues that are not explicitly covered by the present division.

Chapter Four

UNOFFICIAL SECURITIES MARKET

Art. 44. (1) (Am. – SG, iss. 86 in 2006) The unofficial securities market operates on the basis of rules for the admission of securities to trading and disclosure of information. An unofficial securities market may be organized only by a person authorized under the conditions and rules of this law.

(2) (Am. – SG, iss. 39 in 2005; iss. 86 in 2006) The Commission shall give an authorization under para. (1) to a stock exchange or a joint stock company, whose shareholders are investment intermediaries only and no single shareholder holds directly or through related persons more than 5 per cent of the voting shares. Art. 21 para.s (1) and (3), Art. 22, Art. 25 and Art. 26, para.s (3) and (4) apply to the company under the previous sentence.

(3) (Am. – SG, iss. 86 in 2006) On the unofficial market transactions shall be made in securities for which no application was filed for admission to trading on the official market of the stock exchange or were denied such admission. The
transactions under the previous sentence shall only be carried out by or through investment intermediaries.

(4) Transactions under para. (3) shall be carried out through a single system of remote trading and in accordance with rules and procedures established by the Rules for trading. The person under para. (2) must coordinate the Rules for trading with the associations of investment intermediaries.

(5) The system under the previous para. (4) must guarantee:
1. equal access to market information and equal conditions for participation in trading of all investment intermediaries;
2. automated entering into transactions in securities;
3. irrevocability of the transactions in securities entered into through the system;
4. an electronic link with the clearing and settlement systems;
5. immediate reporting of the transactions in securities entered into through the system;
6. immediate disclosure of the orders or quotations entered and the transactions in securities concluded through the system;
7. efficient control and analysis of transactions carried out and the orders or quotations entered;
8. modern protection of the electronic system;
9. observance of any other requirements of the law.

(6) The rules for trading shall contain:
1. the requirements which the investment intermediaries should satisfy in order to enter into transactions on the unofficial securities market;
2. conditions, procedure and time limits for registration of the investment intermediaries as participants in the unofficial securities market;
3. conditions, procedure and time limits for a temporary or final suspension of investment intermediaries from participation in trading;
4. specific procedures and requirements for trading through the system under para. (4) as well as the conditions for clearing and settlement;
5. the organization of control over trading on the unofficial securities markets;
6. conditions, procedure and time limits for the persons not participating in trading to receive direct access to the quotations, the transactions in securities entered into and other market information in the system under para. (4);
7. procedure for hearing the disputes relating to the entering into transactions through the system under para. (4) and their performance;
8. the conditions and procedures for imposing of sanctions on the investment intermediaries and the persons under Art. 61;
9. the fees for the provided services.

(7) The transactions under para. (3) shall be entered into in accordance with the requirements of Chapter Seven, Division III.

Art. 45. The following documents shall be attached to the application for authorization to organize an unofficial securities market:
1. Articles of Association of the person under Art. 44, para. (2);
2. particulars for the paid-up capital and its structure, in accordance with the requirements under Art. 44, para. (2);
3. particulars for the members of the management and supervisory bodies under Art. 44, para. (2), respectively the natural persons, who represent legal persons, members of its board or for other persons authorized to manage and represent it, as well as information about their professional qualification and experience;
4. the technical documentation of the system for remote trading;
5. the Rules for trading and the opinion of the representative associations of the investment intermediaries on it;
6. other documents, as laid down in an ordinance.

**Art. 46. (1)** (Am. – SG, iss. 39 in 2005) The Commission shall decide whether to give a license under Art. 44, para. (1) within three months as from receipt of the application, and where additional particulars and documents have been requested – as from their receipt. Art. 28, para.s (2), (3), and (6) shall apply accordingly.

(2) (Am. – SG, iss. 39 in 2005) During the period under para. (1) the Commission shall notify the person under Art. 44, para. (2), that the requested license will be given, if the condition under para. (3) is satisfied, or that it refuses to give a license.

(3) (Am. – SG, iss. 39 in 2005) A license to organize an unofficial securities market is given in six months from the receipt of the notification under para. (2), if the test of the system under Art. 44, para. (4) proves that it meets the requirements of the law.

**Art. 47. (1)** (Am. – SG, iss. 39 in 2005) The Commission shall refuse to give an approval under Art. 46, if:

1. it discovers, in the technical documentation, that the system does not satisfy any one of the requirements of Art. 44, para. (5);
2. the contents of the Rules do not satisfy the requirements of Art. 44, para. (6);
3. the person under Art. 44, para. (2) fails to satisfy any of the requirements of this law;
4. the interests of investors or the safety of the securities market are not guaranteed.
5. the requirement under Art. 46, para. (3) is not satisfied.

(2) (Am. – SG, iss. 39 in 2005) In the cases under para. (1), items 1, 2 and 3 the deputy chairman in charge of Investment Activity Supervision Division may refuse to give an approval only where the applicant has failed to remove the inconsistencies and to submit the documents requested within the time limit set by the Commission, which may not be shorter than one month.

(3) (Am. – SG, iss. 39 in 2005) The refusal of the deputy chairman in charge of Investment Activity Supervision Division to issue a license shall be reasoned in writing.

**Art. 48.** In the case of refusal under Art. 47 the applicant may file a new request for an approval to be given at least six months after the refusal has come into effect.

**Art. 49.** (Am. – SG, iss. 39 in 2005; iss. 34 in 2006) After it has been provided with the license issued by the Commission the Registry Agency shall enter in the Commercial register scope of activity - setting up an unofficial securities market of the person under Art. 44, para. (2).

**Art. 50.** Persons without license to set up an unofficial securities market, may not use in their names and in their advertising or other activities the words “regulated securities market”, or a derivative thereof in Bulgarian, or in a foreign language, or any other word denoting the carrying of such business. This restriction does not apply to the stock exchange.

**Art. 51. (1)** (Am. – SG, iss. 39 in 2005) Any amendments and additions to the Rules for trading, as well as any authorization of persons outside of the Board of Directors, or the Management board, respectively, to manage and represent the person under Art. 44, para. (2), are allowed only after prior approval from the deputy chairman.

(2) (Am. – SG, iss. 39 in 2005) The deputy chairman shall not give an approval under the previous para. if the relevant grounds therefor pursuant to Art. 47, para. (1) are in existence. Art. 33, para. (2) shall be apply accordingly.

(3) (Am. – SG, iss. 39 in 2005) The person under Art. 44, para. (2) shall notify the Commission in a seven day period about any amendments and additions in the other documents used as grounds to give authorization. The term under the first sentence starts from the date of the decision, the introduction or validation of the amendment or the addition, and in the cases where the circumstances are subject to entry in the Commercial register, as of the date of entry.

**Art. 52.** (Am. – SG, iss. 39 in 2005) The person under Art. 44, para. (2) shall submit to the Commission an annual report by 31 March of the following year, as well as a 6-month report by 31 August of the current year. Art. 34, para.s (2), (3) and (4) shall apply accordingly.
Art. 53. (1) (Am. – SG, iss. 39 in 2005) The Commission shall withdraw the license given:

1. (Am. – SG, iss. 39 in 2005) where false particulars have been provided which have served as a ground to give the license;

2. in case of committed systematic offense of this law or of its implementing instruments.

3. the trading system ceases to satisfy the requirements of this law, or its rules for implementation, for more than six months.

(2) (Am. – SG, iss. 39 in 2005) As from the validation of the decision to withdraw the license, no new transactions may be entered into on the unofficial market, unless this is necessary for the performance of transactions already entered into or for the protection of investors.

(3) (Am. – SG, iss. 39 in 2005) The decision to withdraw the license is published by the Commission in two central daily newspapers. Art. 36 shall apply accordingly.

Title Three
TRANSACTIONS IN SECURITIES

Chapter Five
INVESTMENT INTERMEDIARIES

Division I
General Provisions

Art. 54. (1) (Am. – SG, iss. 61 in 2002, am. – iss. 39 in 2005 in effect as of 1 Jan., 2006) An investment intermediary is a person who by way of occupation provides one or more investment services and/or carries out one or more investment activities.

(2) Investment services and activities shall be:

1. acceptance and transfer of orders in relation to securities, including intermediation for entering into transactions in relation to securities;

2. execution of orders for the purchase or sale of securities for the clients’ account;

3. transactions in securities for their own account;

4. management, in consistence with a contract concluded with a client, of an individual portfolio, consisting of securities at its own discretion, without any special instructions by the client;

5. providing of individual investment advise to a client, at its own initiative or on the client's request, in relation to one or more transactions, related to securities;

6. underwriting issues of securities and/or offering securities for initial sale under the conditions of unconditional and irrevocable obligation to subscribe/acquire the securities for its own account;

7. offering for initial sale securities without unconditional and irrevocable obligation for acquirement of the securities for its own account.

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

1. safekeeping and administration of securities for clients account, including custodian activity (holding of securities and moneys of clients at a depository institution) and related to it services, such as management of the received money resources/the provided security;

2. granting of loans for the execution of transactions in securities, provided that the person giving the loan participates in the transaction according to conditions and procedure, specified by an ordinance;

3. consultations to companies concerning the capital structure, industrial strategy and related issues, as well as consultations and services, concerning acquiring and purchase of enterprises;

4. transactions in foreign means of payment, insofar as they are related to the provided investment services;
5. investment research and financial analysis or some other forms of general recommendations, related to transactions in securities;
6. services, related to the activity under para 2, item (6) and (7).

(4) A depository institution is:
1. (Am. – SG, iss. 59 in 2006) in respect of moneys – a person under Art. 2, para. (1) of the Law on Credit Institutions;
2. (Am. – SG, iss. 86 in 2006) in respect of securities – the Central Depository or a foreign institution pursuing such activity.

(5) The providing of investment services and carrying out of investment activities by occupation may be executed only by a joint stock company or a limited liability company, that has obtained a license to pursue the business of an investment intermediary by the Commission, under conditions and procedure of this law and its implementing instruments.

(6) An investment intermediary is also a bank which by way of occupation provides one or more investment services and/or carries out one or more investment activities, which has obtained a license to carry out such services and activities by the Bulgarian National Bank.

(7) The investment intermediaries, except for the banks, may not pursue by occupation any other commercial transactions.

(8) The investment intermediaries, which carry out investment services and activities under para 2, item (3) and item (6), may also execute transactions in foreign means of payment, if they have obtained a license under the provisions and the procedure of the acting legislation.

(9) When carrying on the investment services under para 2, item (4) and custodian activity, investment intermediaries may only accept clients’ moneys for the purpose of carrying out transactions in securities or transactions in foreign means of payment. The moneys accepted shall be kept at a bank on a separate account of the investment intermediary. A bank - investment intermediary shall record separately clients’ moneys for securities transactions.

(10) The execution of transactions in securities for own account through an investment intermediary, as its client, shall not be considered to be execution of activity under para 2, item (3) by way of occupation.

Art. 55. (1) The Commission shall issue a license to provide investment services and carry on investment activities by way of occupation only if it decides that the applicant satisfies the requirements of this law and its implementing instruments.

(2) The Commission might not issue a license for a part of the applied for services and activities under Art. 54, para.s (2) and (3), for which it has decided that the applicant does not satisfy the requirements of this law and its implementing instruments.

(3) The license under para (1) shall specify exhaustively the investment services and activities, which the person has the right to carry out. The license may cover the right to carry out one or more services under Art. 54, para (3). The license may not be issued only for the providing of the services under Art. 54, para (3).

(4) The license under para. (1) shall give the right to carry on the services and activities under Art. 54, para.s (2) and (3) specified therein within the European Union and the European Economic Area, unless the Commission has expressly authorised that they can be carried out in third countries as well.

(5) The Commission may give authorization for execution of services and activities under Art. 54, para.s (2) and (3) on the territory of the Republic of Bulgaria through a branch of a legal person from a third country, on the condition that:
1. the person is authorized under his national law to execute these services and activities and
2. (Am. – SG, iss. 86 in 2006) the institution that controls the capital market in the state, where the person is registered, exercises control over it on a consolidated basis.

(6) Whenever this is provided for in an international contract, to which the Republic of Bulgaria is a party, the Commission may recognize the authorization to carry services and activities under Art. 54, para.s (2) and
Art. 56. (1) An investment intermediary, which holds cash and/or securities of clients and provides one or more of the investment services under Art. 54, para (2), item 1, 2 and 4 must at any time own capital not less than BGN 250,000 provided that it does not carry out the investment services and activities under Art. 54, para (2), item 3 and 6.

(2) An investment intermediary which carries out the investment services and activities under Art. 54, para (2), item 3 and 6 must at any time own capital not less than BGN 1 500 000.

(3) An investment intermediary, which does not hold cash and securities of clients and does not carry out the investment services and activities under Art. 54, para (2), item 3 and 6 must at any time own a capital not less than BGN 100 000.

(4) Less stringent requirements for the capital may be set out than those, provided for under para 3 for an investment intermediary which carries out the investment services under Art. 54, para (2), item 1 and/or 5 and does not hold cash and securities of clients and for which due to it, no obligations to customers may arise.

(5) At least 25 per cent of the capital under para.s (1) – (4) must be paid-up as at the moment of filing the application to issue a license, and the remaining part must be paid-up within a 14-day period after receiving a written notification under Art. 63, para (2).

(6) The structure and the ratio of the investment intermediary's capital to its balance sheet assets and liabilities must at any time comply with the requirements set out by an ordinance.

(7) An investment intermediary must maintain minimum liquid funds as laid down in an ordinance.

(8) An investment intermediary shall remed[y any incompleteness as well as any other failure to comply with the requirements of the law, including the International Financial Reporting Standards, reported by the deputy chairman to exist 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.

(9) The deputy chairman shall make any decision under para. 8 under the terms of Art. 212.

Art. 57. (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 the profit after taxation and before the 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 his 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. 58. (Am. – SG, iss. 39 in 2005) The requirements under Art. 56, para.s (1) - (4), (6) and (7) and Art. 57, para. (3) for the banks in their capacity as investment intermediaries shall be laid down in an ordinance, adopted by the Management Board of the Bulgarian National Bank.

Art. 59. (Am. – SG, iss. 39 in 2005) Investment intermediaries shall only issue dematerialized shares giving the right to one vote. Where the investment intermediary is a limited liability company, each partner shall have voting power corresponding to his participating interest in the capital.

Art. 60. (1) A person elected member of the company’s management body must:
1. (Am. – SG, iss. 39 in 2005) have a professional qualification and experience necessary to manage the business of an investment intermediary in conformity with the services and activities applied for under Art. 54, para.s (2) and (3);
2. not have been sentenced for an intentional crime prosecuted on indictment;
3. not have been member of a management or supervisory body, or unlimited liability partner in a company wound up due to bankruptcy, where there are unsatisfied creditors;
4. not have been declared bankrupt or be involved in a pending insolvency 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) (Am. – SG, iss. 39 in 2005) The members of the investment intermediary’s management body, who pursuant to the articles of association and the decisions of its bodies are empowered to represent it, must have a permanent address or a permission for a long-term residence in the Republic of Bulgaria;

(3) A person elected member of the supervisory body of an investment intermediary must satisfy the requirements of para (1) item 2, 3, 4, 5 and 6.

(4) The requirements of para. (1) through (3) shall also apply to natural persons representing legal persons who are members of the management or supervisory bodies of an investment intermediary.

(6) The requirements under para.s (1) – (5) shall not apply to banks acting as investment intermediaries.

(7) (New – SG, iss. 39 in 2005) The circumstances under para (1), item 3-6 shall be certified by a declaration.

Art. 61. The requirements to be satisfied by natural persons who, under a contract with an investment intermediary, immediately carry out the transactions in securities, and provide investment advice in relation to securities, 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
Issuing and withdrawal of license

Art. 62. (1) (Am. – SG, iss. 39 in 2005) In order for one or more services and activities under Art. 54 para.s (2) and (3) to be carried out by persons which are not banks, a license shall be required from the Commission.

(2) (Am. – SG, iss. 39 in 2005) Together with the application to issue a license under para. (1) shall be enclosed:
1. (Am. – SG, iss. 39 in 2005) the Articles or the Memorandum of Association;
2. particulars for the capital under Art. 56;
3. (New – SG, iss. 39 in 2005 ) program for the company's operations, including particulars for the activity which the company envisages to pursue, as well as for its internal organization;
4. (Prev. item 3, am. – SG, iss. 39 in 2005) particulars for the persons under Art. 60 and about their professional qualification and experience in carrying out of the services and activities under Art. 54, para.s (2) and (3);
5. (Prev. item 4 – SG, iss. 39 in 2005) the general conditions applicable to contracts with clients;
6. (New – SG, iss. 39 in 2005) the rules for the personal transactions in securities of the members of the management and
supervisory bodies of the investment intermediary, the officials of the investment intermediary and their related persons.

7. (Prev. item 5, am. – SG, iss. 39 in 2005; iss. 86 in 2006) particulars for the persons who hold, directly or through related persons 10 or more than 10 per cent of the capital or of the votes in the general meeting of the applicant company determined according Art.148, or may otherwise control the latter, as well as for their share from capital of the company and for the number of the votes owned by them. The persons shall submit written declarations, following a model form set by the deputy chairman, about the origin of the funds from which the contributions have been made for the shares subscribed, including whether these are loan funds, and about the taxes paid by those persons over the preceding five years;

8. (Prev. item 6, am. – SG, iss. 39 in 2005; iss. 86 in 2006) particulars about the companies in which the applicant holds, directly or through related persons 10 or more than 10 per cent of the votes in the general meeting, determined according Art. 148 or which it can control otherwise;

9. (Prev. item 7 - SG, iss. 39 in 2005) other documents and information, as laid down in an ordinance.

Art. 63. (1) (Am. – SG, iss. 39 in 2005) The Commission shall decide on the application within three months as from its receipt, and where additional information and documents have been requested – within one month as from their receipt. Art. 28, para.s (2), (3) and (6) shall apply accordingly.

(2) (New – SG, iss. 39 in 2005) Within the term under para (1) the Commission shall inform in writing the applicant that it will issue a license to pursue the business of an investment intermediary if within a 14-day period of receiving the notification the applicant verifies that:

1. an initial contribution has been paid under Art. 77m, para 1 in the Fund for Compensation of Investors in Securities, unless the conditions under Art. 77a, para (4) exist;

2. the required capital under Art. 56 was fully paid in.

Art. 64. (1) (Am. – SG, iss. 39 in 2005) The Commission shall refuse to issue a license if:

1. the capital of the applicant does not satisfy the requirements of Art. 56;

2. (Am. – SG, iss. 39 in 2005) some of the members of the company’s governing or supervisory body, or of the persons under Art. 60, para.s (4) and (5) may not take the position due to a statutory prohibition or fails to satisfy the requirements of this law;

3. (Am. – SG, iss. 39 in 2005; iss. 86 in 2006) a person who holds, directly or through related persons 10 or more than 10 per cent of the capital or of the votes in the general meeting, determined according Art. 148 or may control the applicant, through his activities or influence on decision making, might jeopardize the safety of the company or its operations;

4. (Am. – SG, iss. 39 in 2005) the general conditions under Art. 62, 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 a false content;

6. (Am. – SG, iss. 39 in 2005) the persons who hold, directly or indirectly 10 or more than 10 per cent of the capital or of the votes in the general meeting of the applicant company determined under Art. 148, have made contributions with loan funds;

7. (New – SG, iss. 39 in 2005) the initial contribution under Art. 63, para (2) is not made;

8. the applicant is a related person with one or more natural persons or legal entities and such relatedness creates obstacles for the efficient exercising of the supervisory functions of the Commission or the deputy chairman;

9. obstacles exist for the efficient exercising of the supervisory functions of the Commission or the deputy chairman, arising from or in relation to the applying of a third country’s statutory or administrative act, regulating the activities of one or more persons, with which the applicant is a related person;

10. (Prev. item 7 – SG, iss. 39 in 2005) the applicant does not satisfy the other requirements, provided for under the law and its implementing instruments.

(2) (Am. – SG, iss. 39 in 2005) In the cases under para. (1), items 1, 2, 4, 6 and 10 the Commission may refuse to issue a license only where the applicant has failed to remove the inconsistencies and to submit the documents required within the
time limit set by the Commission, which may not be shorter than one month.

(3) (New – SG, iss. 39 in 2005) Beside in the cases under para (1), the Commission may refuse to issue a license to a foreign investment intermediary to execute services and activities under Art. 54, para.s (2) and (3) on the territory of the country through a branch, if it decides that the exercised over the foreign investment intermediary supervision on a consolidated basis by the relevant competent authority in its home member state does not comply with the requirements laid down in this law.

(4) (Pre. Item 3, am. – SG, iss. 39 in 2005) The Commission’s refusal to issue a license shall be reasoned in writing.

Art. 65. (Am. – SG, iss. 39 in 2005) In case of a refusal the applicant may file a new application to obtain license to pursue the services and activities under Art. 54 para.s (2) and (3) at least six months after the refusal has come into effect.

Art. 66. (1) (Prev. Art. 66, am. – SG, iss. 39 in 2005) A person who does not posses an authorization to carry on services and activities under Art. 54, para.s (2) and (3) in conformity with the requirements of this law may not use in his business name, advertising or any other activities words in Bulgarian or in a foreign language denoting the carrying on of such activities.

(2) (New – SG, iss. 39 in 2005) A license to pursue the business of an investment intermediary shall not be issued to an applicant with a business name, which resembles the business name of an existing in Bulgaria investment intermediary.

Art. 67. (Am. – SG, iss. 39 in 2005; iss. 34 in 2006) After it has been provided with the license issued by the Commission, the Registry Agency shall enter in the commercial register the company, respectively the right to pursue the services and activities under Art. 54, para.s (2) and (3) in its scope of activity.

Art. 68. (1) (Am. – SG, iss. 39 in 2005) The Commission shall withdraw the license issued where:

1. (Am. – SG, iss. 39 in 2005) the investment intermediary fails to commence carrying on the authorised services and activities under Art. 54, para (2) within 12 months as from the issuing of the license or has explicitly renounced the license issued, or has not carried out the authorised services and activities under Art. 54, para (2) for more than 6 months;

2. (Am. – SG, iss. 39 in 2005) the investment intermediary has submitted false particulars which have served as a ground to issue the license;

3. (Am. – SG, iss. 39 in 2005) the investment intermediary ceases to satisfy the conditions under which the license has been issued;

4. (Am. – SG, iss. 39 in 2005) the investment intermediary fails to satisfy the requirements for capital adequacy and liquidity laid down in an ordinance, and does not submit within a 5-day period of the inconsistency’s occurrence, 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 does not implement the restructuring program approved by the Commission;

5. (New – SG, iss. 39 in 2005) the investment intermediary is in lasting worsened financial situation and cannot execute its duties;

6. (Prev. item 5, am. – SG, iss. 39 in 2005; iss. 84 in 2006) the investment intermediary and/or persons under Art. 60 have perpetrated and/or admitted the perpetration of breach of Art. 71, para.(1), Art. 161a, Art. 214 para (2) of this Law and of Art. 11 para 1 of the Law on Measures Against Market Abuse With Financial Instruments or some other gross infringement or systematic infringements of the provisions of this law, of the Law on Measures Against Market Abuse With Financial Instruments or its implementing instruments.

(2) (Am. – SG, iss. 39 in 2005) The Commission shall notify the company in writing, within seven days, after a decision is made to withdraw the license.

(3) (Am. – SG, iss. 39 in 2005) After the decision to withdraw the license comes into effect, the Commission shall immediately file a demand to 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 corresponding part of its activities, or to initiate bankruptcy proceedings in the cases under para (1), item 5, and shall take the measures necessary to inform the public.

Art. 68a. (New – SG, iss. 61 in 2002) (1) (Am. – SG, iss. 39 in 2005) The investment intermediary must within seven days after the decision of the general meeting to wind up or give up its 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 Articles of Association or charter, ask the Commission to revoke the license issued under Art. 68, para. (1), item 1.

(2) Together with the request under Art. 1 the investment intermediary shall present a plan for settling the relationships with clients. The plan shall include transferring the clients' securities, funds and other assets to an investment intermediary chosen by the clients and who has agreed to take up their assets.

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

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

(5) (Am. – SG, iss. 39 in 2005) The Commission shall revoke the license of the investment intermediary after it has settled the relationships with its clients.

(6) (Am. – SG, iss. 39 in 2005) The District Court shall initiate liquidation proceedings, or shall delete from the company's scope of activity the carrying out of the services and activities under Art. 54, para.s (2) and (3), after the license for pursuing the business of an investment intermediary has been withdrawn and the demand under Art. 68, para (3) has been received.

Art. 68b (New – SG, iss. 61 in 2002) (1) (Am. – SG, iss. 39 in 2005) Outside the case of Art. 68a, within three working days after coming to the knowledge of the taking of a decision for withdrawal of the license, the investment intermediary shall notify its clients about this decision and about the option to choose another investment intermediary where they could transfer their securities, 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 securities, funds and other assets under the terms of Art. 68a, para. (2), second sentence, para. (3). and (4).

(3) (Am. – SG, iss. 39 in 2005) When taking the decision for withdrawal of the license, the Commission may obligate the investment intermediary to carry out the activities under para. 2 in a shorter term. The Commission, the deputy chairman respectively, may oblige the investment intermediary under the terms of Art. 212-215 to take other specific measures to protect the interests of its clients.

(4) The investment intermediaries shall notify about the performed activities under para. 2 and 3:
1. its clients, within three days after performing them;
2. (Am. – SG, iss. 39 in 2005) the Commission, within three days after the expiration of the term under para. 2 or the expiration of the term given by the decision under para. 3

Art. 69. (1) (Am. – SG, iss. 61 in 2002, iss. 39 in 2005) The investment intermediary may not carry out the services and activities under Art. 54, para. 2 and 3 after the license issued to it has been withdrawn, and after the court decision for initiation of insolvency proceedings.

(2) (Am. – SG, iss. 61 in 2002; iss. 8 in 2003, iss. 39 in 2005) The deputy chairman may order the carrying out of inspections and may impose obligatory administrative measures under Art. 212 until the company is deleted from the Company Register, and where it performs another type of activity - until the final settlement of its relationships with its clients.

(3) (Canceled – SG, iss. 61 in 2002).

(4) (Canceled – SG, iss. 61 in 2002).

(5) (Am. – SG, iss. 39 in 2005) All documents and other information related to the services and activities carried out by the investment intermediary under Art. 54, para.s (2), (3) and (8) shall be saved in the Commission for a period of 5 years from the date he has been removed from the Company Register.
Division IIa
(New – SG, iss. 39 in 2005 in effect as of the date of coming into force of the Treaty of Accession of the Republic of Bulgaria to the European Union)

Pursuing of business by investment intermediaries in a member state
(heading – am. SG, iss. 86 in 2006)

Art. 69a. (1) (Am. – SG, iss. 86 in 2006) An investment intermediary which has a license to pursue services and activities under Art. 54, para.s (2) and (3) and intends to establish a branch in a member state, hereinafter referred to as the "host member state", must preliminarily notify so the Commission. 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. 54, para.s (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 subsidiary’s 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 investor-compensation schemes, 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 (3) to the relevant competent authority in the host member state with a reasoned decision, if the investment intermediary’s administrative structure or financial situation do not guarantee the investors interests, of which it will immediately inform the investment intermediary.

(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, if it has not received notification within this term.

(6) An investment intermediary which has established a branch on the territory of the 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 securities, in which the investment intermediary participates.

Art. 69b. (1) An investment intermediary which intends to carry out the authorised services and activities under Art. 54, para.s (2) and (3) in a host member state under the fredom to provide services, without opening a branch on its territory, must 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. 54, para.s (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 about it the investment intermediary, as well.

(4) The investment intermediary may start to pursue business on the host member state’s territory after it is 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. 69c. (Am. – SG, iss. 86 in 2006) (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 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.

Ar. 69d. (Prev. Art. 69c - SG, iss. 86 in 2006) The Commission shall inform without any delay the relevant competent authority in the host Member State about the withdrawal of the issued to the investment intermediary license to pursue business.

Ar. 69e. (Am. – SG, iss. 86 in 2006) The requirements under this division shall not apply for the investment intermediaries – banks, with the exception of Art. 69c, para 1 and 2.

Division I I b

(Heading am. – SG, iss. 39 in 2005 in effect as of the date of coming into force of the Treaty of Accession of the Republic of Bulgaria to the European Union)

Pursuing of business in the Republic of Bulgaria by investment intermediaries with registered office in a member state

(Heading am. – SG, iss. 86 in 2006)

Art.69f. (Prev. Art. 69d, am. – SG, iss. 86 in 2006) 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. All branches, established by the investment intermediary in the Republic of Bulgaria shall be considered to be one branch.

Art.69g. (Prev. Art. 69e – SG, iss. 86 in 2006) (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. In this case Article 55, para (5) shall not apply.

(3) (Canceled – SG, iss. 86 in 2006).

Art.69h. (Prev. Art. 69f – SG, iss. 86 in 2006) (1) An investment intermediary from a member state, which intends to provide the authorized services and activities under Art. 54, 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 country and the investor-compensation scheme in which the intermediary participates.
(2) (Canceled – SG, iss. 86 in 2006).

**Art. 69i** (Prev. Art. 69g am. – SG, iss. 86 in 2006) (1) An investment intermediary from a member-state must comply with the provisions of the law and its implementing instruments, which apply to its activity.

(2) The investment intermediary from a member state must submit to the Commission and publish in the Bulgarian language in the Republic of Bulgaria all documents and information according the requirements of this law 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.

**Art. 69j.** (Am. – SG, iss. 86 in 2006) (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. 70-73, Art. 74 para 3, Art. 75 and Art. 76 as well as their implementing instruments.

(2) The competent authority of the member-state, in which the investment intermediary under Art. 69f has obtained a license, in exercising its supervisory functions, may conduct on-site inspections in the investment intermediary’s branch, after notifying of it the Commission preliminarily.

(3) Whenever an investment intermediary from a member-state, carrying on business in the Republic of Bulgaria through a branch, violates the laid down in para 1 provisions of the law and its implementing instruments, the deputy chairman shall impose a coercive administrative measure under Art. 212, para 1, item 1, requiring from the investment intermediary to discontinue the violation. If the investment intermediary fails to fulfil the requirement under sentence one, the deputy chairman may impose another coercive administrative measure under Art. 212 para 1 item 1, 3 or 6, informing of it the competent authority under para 2.

(4) In case that despite the measures under para 3 the investment intermediary does not discontinue the offence, the deputy chairman may, after notifying the relevant competent authority, impose another coercive administrative measure according Art. 222 para 1 item 1, 3 or 6, beyond those already imposed, or to impose and administrative sanction according Art. 221, as well as to prohibit the investment intermediary from concluding transactions on the territory of the Republic of Bulgaria. The deputy chairman shall notify forthwith the European Commission about the measures under sentence one.

(5) Where an investment intermediary violates the provisions of this Law and its implementing instruments in cases other than under para 1, Art. 69k shall apply accordingly.

**Art. 69k.** (New – SG, iss. 86 in 2006) (1) Whenever on the basis of the received according the provisions of this Law and its implementing instruments information, the deputy chairman establishes that an investment intermediary from a member-state, pursuing business under the freedom to provide services, violates this law and its implementing instruments, he shall inform the relevant competent authority of the member-state, in which the investment intermediary according Art. 69f obtained a licence, to take the appropriate measures.

(2) If, despite the measures taken by the competent authority under para 1, the investment intermediary persists in violating the provisions of this law and its implementing instruments in a way, which jeopardizes the interests of investors and the capital market, the deputy chairman after informing the relevant competent authority, may impose a coercive measure under Art. 212 para 1 item 1, 3 or 6, as well as to prohibit the investment intermediary from concluding transactions on the territory of the Republic of Bulgaria. The deputy chairman shall immediately inform the European Commission about the measures under sentence one.

**Art. 69l.** (New – SG, iss. 86 in 2006) The provisions of this Division shall not apply to the investment intermediaries-banks, with the exception of Art. 69i, Art. 69j, para 1, 3, 4 and 5 and Art. 60k.

Division III
Requirements for the business of investment intermediaries

Art. 70. (1) (Am. – SG, iss. 39 in 2005) When carrying out the services and activities under Art. 54, para (2) and (3), an investment intermediary must act in a fair and equitable manner, as a professional, with due diligence in respect of the interests of his clients, and to prefer their interest to his own and inform them of the risks inherent in the transactions in securities.

(2) "Client" of the investment intermediary is any investor who avails himself or is interested in availing himself of the services provided by the investment intermediary as part of its business, including concluding transactions in securities for the account of the investment intermediary.

(3) An investment intermediary shall inform his clients whether he sells or buys securities for his own account or for the account of another party;

(4) (New – SG, iss. 39 in 2005) The investment intermediary shall inform his clients about the existing scheme for compensation of investors in securities, including its scope and the guaranteed amount of the clients' assets, and on request shall provide particulars about the conditions and the procedures of compensation.

(5) (Prev. para 4 - SG, iss. 39 in 2005) An investment intermediary may not offer advice to his non-professional investor clients who have not requested so, or advice on questions which have not been raised by them.

Art. 71. (1) In the pursuit of his business the investment intermediary must preserve the trade secrets of his clients, as well as their business reputation

(2) (Am. – SG, iss. 39 in 2005) The members of the management and supervisory bodies of the investment intermediary, its employees, and all other persons working for the investment intermediary, may not disclose, unless authorized, and use for personal or other persons favour facts and information related to the balances and transactions on the accounts for securities and for moneys owned by clients of the investment intermediary, as well as other facts and information representing trade secret, that have been made known to them when performing office and professional responsibilities.

(3) All persons under para. (2) shall sign a confidentiality declaration under para. (2), upon entering in their position or starting of activities as an investment intermediary.

(4) The requirement under para. (2) is also applied in the cases when the described persons are not employed or their activity is terminated.

(5) (Am. – SG, iss. 39 in 2005) Besides giving information to the Commission, the deputy chairman and empowered officials from the Commission's administration or the Stock Exchange, where he is a member, for the purpose of their supervisory activities, and by the requirements of an inspection order, the investment intermediary may provide information under para. (2) only:
   1. with the consent of its client; or
   2. by decision of the court, issued in accordance with the rules and conditions of para.s (6) and (7).

(6) The court may order disclosure of information under para. (5) also upon the request of:
   1. the prosecutor - when there is information for a committed crime;
   2. (New – SG, iss. 63 in 2006) the Minister of Finance or an authorized by him person – in the cases ubder Art. 143 para 1 of the Tax Procedure Code;
   3. (Am. – SG, iss. 105 in 2005, prev. item 2, iss. 63 in 2006) the director of the district directorate of the National Revenue Agency, when
      a) (Am. – SG, iss. 105 in 2005) evidence is submitted that the inspected person frustrated an audit or inspection or does not keep the required reports, as well as when the reports are substantially incomplete;
      b) the occurrence of an accidental event, certified with an act of a competent competent state institution, led to the destruction of the reporting documentation of the inspected person.
   5. (Am. – SG, iss. 92 in 2000; iss. 33 in 2006, prev. item 3, iss. 63 in 2006) the director of the State Financial Control Agency,
when with an act of an act of a body of the State Financial Control Agency it is discovered that:

a) (Am. – SG, iss. 101 in 2002; iss. 33 in 2006) the management of the inspected party or person frustrates the conducting of financial inspection;

b) (Am. – SG, iss. 101 in 2002; iss. 33 in 2006) there is no accounting reporting kept at the inspected party or person, or it is incomplete or incorrect;

c) there is information about shortages or crimes;

d) (Am. – SG, iss. 101 in 2002; issue 33 in 2006) it is necessary to restrain bank accounts to secure liabilities discovered by the financial inspection;

e) (Am. – SG, iss. 101 in 2002; issue 33 in 2006) the occurrence of an accidental event, that led to the destruction of reporting documentation of the inspected person, is discovered with an act of a state institution;

4. (Am. – SG, iss. 63 in 2000, prev. item 4, iss. 63 in 2006) the directors of Central Department of the Customs Office and the directors of the regional customs offices, when:

a) it is discovered with an act of the customs offices that the inspected person frustrated a customs inspection or does not keep the required reports, as well as when the reports are incomplete or incorrect;

b) customs violations are discovered with an act of the customs offices

c) it is necessary to restrain bank accounts to secure liabilities discovered by the customs offices that they need to collect, as well as for securing the payment of fines, statutory interests and other;

d) the occurrence of an accidental event, that led to the destruction of reporting documentation of the person inspected by the customs offices, which is discovered with an act of a state institution;

(7) The district judge shall rule on the petition with a reasoned decision on a closed session, not later than 24 hours of its receipt, and determine the time period to disclose the evidence under para. (4). The decision of the court may not be appealed.

Art. 71a. (1) The investment intermediary shall execute the client orders for purchase or sale of financial instruments, admitted to trading on a regulated market in the Republic of Bulgaria, only on the regulated markets.

(2) The conditions and procedure for making purchases and sales with financial instruments, admitted to trading on a regulated market in the Republic of Bulgaria, outside of regulated markets, as well as for provision of information about those transactions on the regulated markets, shall be laid down in an ordinance:

Art. 72. (1) An investment intermediary shall enter in a special daily register, following the sequence of their receipt, all orders of his clients, including the identical orders, and shall execute them while observing that sequence.

(2) Identical shall be considered the orders which are uniform in terms of the type and way of execution, the time limit for execution and the parameters of the price.

(3) The investment intermediary shall execute the orders of his clients with priority over the transactions for his own account.

(4) The daily register shall be kept on a paper and electronic media.

Art. 73. (1) An investment intermediary must enter in the daily register under Art. 72, following the sequence in which they are carried out, the transactions in securities entered into, not later than the end of the working day.

(2) For each transaction the name or business name of the parties thereto and the time of entering into the transaction shall be noted, as well as other particulars, as laid down in an ordinance.

(3) The investment intermediary must keep the daily register for a period of five years after its closing.

Art. 74. (1) (Am. – SG, iss. 39 in 2005) The investment intermediary shall notify the Commission of:

1. the opening or closing of a branch;

2. (Am. – SG, iss. 39 in 2005) any modification of the business name entered in the license issued, as well as any change of the registered office or the address of management;

3. (Am. – SG, iss. 39 in 2005) any amendments and supplements to Articles of Association or charter and the documents
which have served as a ground to issue a license to the investment intermediary;
4. changes in the organization of the persons under Art. 60, para. (1) and (5), as well as the persons that directly execute
the trading in securities;
5. other circumstances laid down in an ordinance.

(2) The obligation under para. (1) shall be fulfilled by the investment intermediary within 7 days after passing the resolution,
introducing or learning of the amendment or the supplement, and in cases where the relevant fact is subject to entering in the
commercial register after such an entry has been made;

(3) (Am. – SG, iss. 39 in 2005) The investment intermediary shall notify the Commission within 3 business days of the
volume, the minimum and maximum price and the weighted average price of the transactions in securities entered into
during the preceding week.

(4) (Canceled – SG, iss. 39 in 2005).
(9) (Canceled – SG, iss. 39 in 2005).
(10) (Canceled – SG, iss. 39 in 2005).

Art. 74a. (New – SG, iss. 39 in 2005) (1) (Am. – SG, iss. 86 in 2006) The following actions may be carried out only after
the preliminary approval by the Commission, and in the cases under item 3 - by the deputy chairman:
1. transformation of an investment intermediary;
2. amendment to the general conditions under Art. 62 para 2 item 5.

(2) In order an approval under para 1 to be issued, an application shall be filed with the Commission, to which documents and
particulars as set out in an ordinance shall be attached.

(3) The Commission, respectively the deputy chairman, shall issue or refuse to issue an approval under para. (1) within one month
as from receipt of the application, and where additional information and documents have been requested – as from their receipt. Art.
28, para.s (2), (3) and (6) shall apply accordingly.

(4) The Commission, respectively the deputy chairman shall refuse to give an approval where the action under para. (1)
does not satisfy the requirements of the law, the applicant has submitted false particulars or documents with incorrect
contents or the interests of the investment intermediary's clients are not guaranteed.

(5) Para (1) Item 3, para (3) and Art. 74 shall apply to banks - investment intermediaries.

(6) (Am. – SG, iss. 34 in 2006; iss. 86 in 2006) After it has been provided with the approval given by the Commission, respectively the
deputy chairman, the Registry Agency shall enter the amendments and changes under para. (1), items 1 in the commercial register.

Art. 74b. (New – SG, iss. 86 in 2006) (1) A person, intending to acquire directly or through related persons 10 or more than 10 per cent
of the capital or the votes in an investment intermediary's general meeting, determined according Art. 148, as well as a holding allowing
such person to exercise control over the investment intermediary, must preliminarily inform the Commission so.

(2) A person, intending to dispose of, directly or through related persons 10 or more than 10 per cent of the capital or the votes in an
investment intermediary's general meeting, determined according to Art. 148, or in some other way ceases to exercise control on the
investment intermediary, must preliminarily inform the Commission so.

(3) The requirement under para 1 and 2 shall also apply in case of acquisition or disposal of a holding which results in reaching or exceeding
the thresholds of 20, 33 or 50 per cent from the capital or the votes at an investment intermediary's general meeting, determined according
Art.148.

(4) The persons under para 1-3 shall submit a notification to the Commission, in which they shall indicate the holding in the capital,
respectively in the votes of the general meeting, which they intend to acquire or dispose of. To the notification under sentence one the
persons will also attach other data and documents, determined in an ordinance.

(5) The deputy chairman within 1 month after the notification under para 4 may issue a ban on execution of the acquisition or disposal under para 1-3 if he/she has established that the provisions of the law were not complied with, the applicant filed false data or documents with wrong contents, the stable management and integrity of the investment intermediary is jeopardized or the interests of the investment intermediary’s clients have not been secured in some other way. If he/she fails to issue a ban within the term under sentene one, the deputy chairman may set a term within which the acquisition or disposal to be done. Art. 28, para 2, 3 and 6 shall apply accordingly.

(6) If within the period under para 5 the deputy chairman fails to issue a ban, the persons under para 1-3 may acquire or dispose of the stated holding in the investment intermediary

(7) A person, who has acquired a shareholding in spite of the prohibition under para 5 shall not be entitled to exercise his/her voting right at the general meeting of the investment intermediary.

Art. 74c (New – SG, iss. 86 in 2006) (1) The investment intermediary shall inform the Commission about any acquisition or disposal of a holding according Art. 74 b, para 1-3 within 1 day from coming to know of it.

(2) The investment intermediary shall present to the deputy chairman at least once yearly by 31 March, a list according a form determined by the deputy chairman, of the persons owning directly or indirectly 10 or more than 10 per cent from the capital and from the votes in the company’s general meeting, determined according Art. 148 or who may control it, as well as data about the owned by them share from the capital and/or from the votes in the general meeting.

(3) Whenever establishing that a person, owning a holding in an investment intermediary according Art. 74 b para 1 with its activity or with its influence on the decision-taking, may adversely affect the security of the company or its operations, the deputy chairman may issue a ban on the person to exercise his voting right in the investment intermediary’s general meeting.

(4) Paragraph 1 – 3 and Art. 74 b shall not apply to the investment intermediaries – banks.

Art.74.d (New – SG, iss. 39 in 2005, prev. Art. 74b, iss. 86 in 2006) (1) Foreign persons, having the right under their national legislation to execute the services and activities under Art. 54, para. (2), who under the conditions of Art. 55, para.s (5) and (6), or as clients of a local investment intermediary have acquired securities in their name, but for the account of other foreign persons, are obliged to identify their clients and the executed trades for their account in front of the Commission within 3 working days of the written demand.

(2) The obligations for periodical notification of the Commission by foreign persons under para (1) having acquired securities in their name, but for the account of other foreign persons, as well as by local investment intermediaries, executing trading and activities in securities abroad, are laid down in an ordinance.

Art. 75. (1) (Am. – SG, iss. 61 in 2002) An investment intermediary must keep his securities and moneys separately from those of his clients. The investment intermediary shall not be liable before his creditors with the securities used as basic asset in relation to any Bulgarian depository receipts issued by him.

(2) (Am. – SG, iss. 61 in 2002) The bank where the moneys of the investment intermediary’s clients are kept may be a person related to the investment intermediary only if the clients have given a written consent to that effect. A bank investment intermediary may also keep the moneys of its clients with it. The moneys of the investment intermediary’s clients may not be destrained for any liabilities of the investment intermediary.

(3) (New – SG, iss. 61 in 2002) Any securities issued by the investment intermediary and held by its clients may be registered in client subaccounts to the investment intermediary’s account with the Central Depository.

(4) (New – SG, iss. 61 in 2002, iss. 39 in 2005) An investment intermediary shall regularly inform its clients of the balance and operations under the money and the securities accounts which it keeps for their account and of the terms and conditions of the safekeeping agreements.

(5) (Prev. para. (3) – SG, iss. 61 in 2002) Except for the cases, laid down in an ordinance, an investment intermediary shall not have the right:

1. to use the moneys and securities of his clients for his own account;
2. to use for the account of one of his clients moneys or securities of other clients;
3. to use his own moneys or securities for the account of one of his clients.

Art. 76. (Am. – SG, iss. 39 in 2005) The investment intermediaries shall notify the Commission in a 7 day period about the executed trades in securities under Art. 2, para (1), Item 3, which were not admitted to trading on a regulated market.

Art. 76a. (New – SG, iss. 39 in 2005; am. issue 86 in 2006) An investment intermediary that pursues services and activities under Art. 54, para.s (2) and (3) in a third country shall notify the Commission within a period of 3 working days about the concluded during the past week trades in securities in a third country for his account and for account of his clients.

Art. 76b (New – SG, iss. 39 in 2005) (1) The investment intermediary’s auditor shall inform the Commission forthwith of any circumstance, which has become known to him in the course of the audit and which relates to the investment intermediary and constitutes a substantial breach of this law or its implementing instruments and which may unfavorably affect the carrying out of the investment intermediary’s activity, or represents grounds for denial to express an opinion, grounds to express reserves or grounds to express a negative opinion.

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

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

Art. 77. (Am. – SG, iss. 86 in 2006) Other requirements towards the business of investment intermediaries aimed at protecting the interests of the clients and the stability of the capital market, including requirements for the internal organisation and the prevention of conflicts of interests, reporting, processing and storing of information, entering into and performance of contracts with clients and their contents, disclosure of information to clients, shall be laid down in an ordinance.

Division IV
(New – SG, iss. 39 in 2005)

Investors Compensation

Art. 77a. (New – SG, iss. 39 in 2005) (1) A Fund for compensation of investors in securities is established, hereinafter referred to as "the Fund", as a legal entity with its head office in Sofia.

(2) The Fund shall guarantee the payment of compensation to the clients of an investment intermediary and to its subsidiaries in the host member states under the conditions and procedure of this law, by the raised in the fund money in the cases where the investment intermediary is not able to pay its liabilities to the clients due to reasons directly linked to its financial situation.

(3) (Am. – SG, iss. 86 in 2006) Any investment intermediary, which holds administers or manages clients’ moneys and/or securities and for which, due to it, liabilities to clients may arise, is obligated to contribute pecuniary premiums in the fund under Art. 77m, para s (1) and (2).

(4) The obligation under para (3) shall also apply to the branches of foreign investment intermediaries in the Republic of Bulgaria, in the cases where:
   1. in the foreign investment intermediary’s home member state there is no acting scheme for compensation of investors in securities or it does not cover the investment intermediary's branches abroad;
   2. the rate or scope of the compensation, provided by the existing in the foreign investment intermediary’s home member state scheme for compensation of investors in securities is smaller than the rate and scope of the envisaged in this law compensation; in such case the compensation, provided by the fund shall be for the difference, exceeding the compensation, provided by the investor compensation scheme in the foreign investment intermediary' home member state.

(5) When the rate or scope, including the percentage of compensation, envisaged herein, exceeds the rate or scope of the compensation, provided in the home member state of an investment intermediary, which carries on activity in the Republic
of Bulgaria through a branch, the investment intermediary may participate in the fund with the purpose of ensuring additional compensation to the clients of its branch. In such case the fund shall provide compensation for the difference, exceeding the compensation, provided by the scheme for compensation of investors in securities in the home Member State of the investment intermediary.

(6) All branches, set up in one and same host member-state by an investment intermediary with headquarters in another member-state shall be regarded as a single branch.

(7) The investment intermediary under Art. 6 must contribute premiums only under Art. 77m, para (2), whose rate shall be allocated proportionately to the additional compensation, provided by the fund.

(8) The failure to pay the premiums due by the investment intermediaries under this law shall not deprive the entitled clients of the investment intermediary of compensation up to the amounts, envisaged under Art. 77d.

Art. 77b. (1) (New – SG, iss. 39 in 2005) The Fund shall pay compensations to the investment intermediary’s clients up to the amounts, envisaged in Art. 77d in the cases where:

1. by a decision of the respective district court bankruptcy proceedings have been instituted for the investment intermediary, including also when the bankruptcy proceedings have been terminated on the grounds of Art. 632 of the Commercial Code;
2. (Am. – SG, iss. 59 in 2006) the license, or the authorization has been withdrawn for pursuing the business of an investment intermediary, by a decision of the competent authorities in the cases under Art. 68, para (1), Item 5, and in respect to the investment intermediaries, which are banks – in the cases under Art. 36 para (2) of the Law on Credit Institutions.

(2) The authority under para (1), item 1 and 2 must latest by the end of the day, following the pronouncement of the decision, to send a transcript of it to the Fund.

(3) Within 7 days of receiving the notification under para (2) the Fund shall publish at least in two central daily newspapers and on its Internet site announcement of the pronounced decision under para (1) and of the term under Art. 77u, para (2), within which the applicants for investment intermediary may raise claim for payment of compensation from the Fund, as well as the bank through which the payment of the compensation shall be made.

Art. 77c. (New – SG, iss. 39 in 2005) (1) Compensation shall be paid for the receivables, that have arisen as a result of the inability of the investment intermediary to return the client’s assets in compliance with the legal and contractual provisions.

(2) (Am. – SG, iss. 86 in 2006) Client assets within the meaning of this division are the cash, securities and the other assets of an investment intermediary's clients, which it holds administers or manages for their account in connection with the services provided by it under Art. 54, para 2 and 3, including interests, dividends and other such payments. The client assets of investment intermediaries – banks shall not include the deposits within the meaning of § 1, item 1 of the Additional Provision of the Bank Deposits Guarantee Act.

(3) (Am. – SG, iss. 86 in 2006) The amount of the receivable under para (1) shall be determined as of the date of pronouncement of the decision under Art. 77b, para (1) in consistence with the legal and contractual provisions, the evaluation of the client assets being done under conditions and procedure, laid down in an ordinance.

Art. 77d. (New – SG, iss. 86 in 2006) (1) The Fund shall pay compensation to every client of an investment intermediary at the rate of 90 per cent of the amount of the receivable, but not more than BGN 40 000.

(2) No compensation is paid to:
1. members of the management and supervisory body of the investment intermediary, as well as of its procurators;
2. persons who own directly or indirectly 5 or over 5 per cent of the votes in the general meeting of the investment intermediary or may control it, as well as persons, belonging to the same group to which the investment intermediary also belongs, for which consolidated reports are prepared;
3. the registered auditor, which has audited the investment intermediary’s annual financial statement;
4. the spouses, relatives in the direct line without limitations, in the collateral line up to the second degree inclusive and by affinity up to the second degree inclusive of the persons under item 1, 2 and 3;
5. investment intermediaries;
6. (Am. – SG, iss. 86 in 2006) credit institutions;
7. insurers;
8. pension and social insurance funds;
9. (Am. – SG, iss. 86 in 2006) closed-end investment companies, collective investment schemes and special purpose vehicles;
10. the government and government institutions;
11. the municipalities;
12. (amended SG, iss. 103 in 2005) the Fund for Compensation of Investors in Securities, the Deposit Insurance Fund and the Guarantee Fund under art.287 of the Insurance Code;
13. (Am. – SG, iss. 86 in 2006) investors, who have availed themselves of circumstances, related to the investment intermediary and that led to worsening of its financial situation as well as to investors, who contributed to that situation;

(3) The Fund does not pay compensation for receivables, arisen out of or related to transactions and actions, constituting "money laundering" within the meaning of Art. 2 of the Law on Measures against Money Laundering, if the offender has been convicted and the sentence is effective.

(4) The Circumstances, justifying the exceptions under para (2) and (3) shall be established as at the date of the resolution under Art. 77b, para (1).

Art. 77e (New – SG, iss. 39 in 2005) (1) The Fund shall be transformed, cease its activities or be liquidated by a law.

(2) In the event of liquidation of the Fund after repaying its obligations, the remainder of its property shall be distributed among the investment intermediaries in proportion to the premiums paid by them, except for these investment intermediaries whose obligations to the clients are paid by the Fund.

(3) The Commission shall adopt Rules for the Organization and Operation of the Fund, which shall be promulgated in State Gazette.

(4) The National Audit Office shall exercise control over the Fund's activities.

Art. 77f. (New – SG, iss. 39 in 2005) (1) The Fund's Management Board shall be appointed by the Commission and shall consist of five members: Chairperson, Deputy Chairperson and three members.

(2) The Chairperson and the Deputy Chairperson of the Fund's Management Board are nominated by the deputy chairman of the Commission.

(3) The other three members of the Fund’s Management Board are nominated as follows:
1. a person, nominated by an association or associations, representing the persons, who have obtained a license to carry out services and activities under Art. 54, para.s (2) and (3), except for banks, and which are obligated to contribute pecuniary premiums to the fund under the conditions and procedure hereof;
2. a person, nominated by an association or associations, representing the investment intermediaries – banks, that have obtained authorization to carry out services and activities under Art. 54, para.s (2) and (3) and which must contribute pecuniary premiums to the Fund under the conditions and procedure hereof;
3. a person, nominated jointly by the associations under item 1 and 2.

(4) In cases where within the period of Art. 77g, para (2) the deputy chairman, as well as the association or the associations under para (3) do not nominate a person, who is to be elected as a member of the Fund’s Management Board, the Commission’s Chairman shall nominate the person at his discretion.

(5) The Management Board members shall have a degree in economics or law and professional experience for no less than 5 years in the area of law, finance, accounting, trade in securities or banking.
As members of the Fund’s Management Board shall be elected persons:

1. who have not been members of executive or controlling bodies, or unlimited liability partners in a company for which insolvency proceedings have been initiated, or a wound up due to insolvency company, with any creditors having been left unsatisfied;
2. who have not been declared insolvent and who are not in a process of insolvency proceedings as sole proprietors;
3. who are not spouses or relatives of direct or collateral line up to third degree inclusive or by affinity up to the third degree inclusive of another member of the Fund's Management Board;
4. who have not been convicted of premeditated crime of a public nature;
5. who have not been deprived of the right to hold a position of financial responsibility

The Chairperson and the Deputy Chairperson of the Fund’s Management Board may not engage in other remunerative activity other than research and teaching.

The remunerations of the Chairperson, Deputy Chairperson and members of the Fund’s Management Board shall be at amount, not bigger than 90 per cent of the amount of the remuneration of the Commission’s deputy chairman.

Art. 77g (New – SG, iss. 39 in 2005) (1) The mandate of the Management Board shall be 5 years. The members of the Fund’s Management Board will continue to exercise their powers and to perform their functions after the expiry of their mandate, until the coming into office of the new members. The members of the Management Board may be reappointed without any restriction.

(2) Within a three-month period before the expiry of the mandate of the members of the Fund’s Management Board, the chairman, the association or associations under Art. 77f, para (3) shall present their nominations for persons, who are to be elected as members of the Fund’s Management Board.

(3) The mandate of a member of the Management Board shall be terminated before its expiry by decision of the Commission:
1. upon submission of resignation;
2. if such person no longer satisfies the requirements of Art. 77f, para (6);
3. he has been physically unable to carry out his responsibilities for more than 6 months;
4. in case of breach of Art. 77f., para (7);
5. he has been absent from three or more successive meetings of the Management Board without reasonable ground;

(4) In case of a pre-term termination of a mandate of a Management Board member, another person shall be appointed in his/her place for the remainder of the mandate. Paragraph 2 shall apply accordingly.

Art. 77h (New – SG, iss. 39 in 2005) (1) The Fund's Management Board shall:

1. set and collect in accordance the rules laid down in this law and its implementing instruments the entry and annual premium contributions from investment intermediaries;
2. ascertain, upon collection of relevant evidence, which foreign investment intermediaries’ branches in Bulgaria meet the prerequisites under Art.77a., para (4);
3. invest the Fund's resources in accordance with the requirements of this Law;
4. organize the payment of compensations up to the amounts, provided for under Art. 77d under the conditions and the procedure of this Law and its implementing instruments;
5. approve the annual report of the Fund's activities and the annual financial statement and present them to the Commission and to the National Audit Office by 30 May of next year;
6. approve the annual budget for the Fund's administrative expenses and a report on its performance and present them for approval by the Commission. The approved budget and report on its performance shall be presented to the National Audit Office;
7. prepare draft regulations for implementation of this Division and present them to the Commission for discussion and approval;
8. adopts the staff number of the Fund and rules for the remuneration of its officials and present them for approval by the Commission;
9. consider and decide any other issues, concerning the Fund's activity.
(2) The Fund may require from the investment intermediaries any documents, necessary to make an unbiased evaluation on the existence and size of the client assets, for which a compensation is paid.
(3) On the Fund's request, the deputy chairman of the Commission, or the Deputy Governor, heading the Banking Supervision Department at the Bulgarian National Bank, where the investment intermediary is a bank, may conduct target examinations of investment intermediaries and present the results to the Fund.
(4) The Fund publishes information about its activities on its Internet site or in some other appropriate manner;

Art. 77i (New – SG, iss. 39 in 2005) (1) The Fund's Management Board shall consider and solve all issues within its competence at meetings, which shall be held at least once in three months.
(2) The meetings are convened by the Chairperson or on the request from three of the members of the Fund's Management Board.
(3) The meetings shall be held if more than a half of the Management Board members attend.
(3) The decisions of the Fund's Management Board shall be taken with a simple majority of its members.

Art. 77j (New – SG, iss. 39 in 2005) (1) The Chairperson of the Fund's Management Board shall:
1. represent the Fund at home and abroad;
2. organize and manage the operating activity of the Fund;
3. convene and preside over the Management Board's meetings;
4. conclude and terminate the contracts with the Fund's administrative staff;
5. organize and exercise current control of the performance of the approved by the Commission budget;
(2) The Chairperson may assign some of his powers to another member of the Management Board.

Art. 77k (New – SG, iss. 39 in 2005) (1) The Fund's activity shall be supported by an administrative staff, whose number, structure, rights and obligations shall be determined in accordance with the Rules under Art. 77e. para (3).
(2) The legal relations with the officials from the administration shall be settled under the Labour Code.

Art. 77l (New – SG, iss. 39 in 2005) (1) Sources for raising the Fund's resources shall be:
1. initial (entry) premiums under Art. 77m, para (1);
2. annual premiums under Art. 77m, para (2);
3. proceeds from investment of the resources raised by the Fund;
4. proceeds received by the Fund from the investment intermediaries' property in the cases under Art.77u, para (6);
5. other sources, such as loans, donations, foreign assistance.
(2) The Bulgarian National Bank shall be the depository of the Fund's resources.

Art. 77m (New – SG, iss. 39 in 2005) (1) The entry contribution shall be deposited as a single payment and shall be the amount of one percent of the minimal required capital for an investment intermediary, in compliance with the authorised services and activities under Art. 54.
(2) The investment intermediary shall make an annual premium contribution at the rate of:
1. up to 0.5 per cent of the total amount of the cash; and
2. up to 0.1 per cent of the total amount of the other client assets for the preceding year, fixed on average monthly basis.
(3) The percents under para (2) for the relevant year shall be determined by the Fund’s Management Board within a period by 31 December of the preceding year and are equal for all investment intermediary.
(4) The annual premium shall be contributed in four equal parts within a 30-day period after the end of each quarter.
(5) When calculating the amount of the due annual contribution, the cash in foreign currency shall be recalculated at the exchange rate of the Bulgarian National Bank at the last day of the month, and the securities and other assets shall be...
evaluated at the last day of the month, if possible at their market value, in accordance with rules laid down by an ordinance.

(6) The total amount of the client assets under para (2) shall not include the assets of the persons under para 77d, para (2).

(7) The amount of the annual premium contribution to be paid by an investment intermediary, which has obtained a license to pursue business in the relevant year, shall be calculated proportionately to the time period following the investment intermediary's entry, or of the change of its scope of activity, in the Commercial Register until the end of the year on the basis of the client assets as at the end of the same year, whereas the days of the year shall be 360. In this case, the contribution shall be paid by 31 January in the year following the year of the investment intermediary's licensing to pursue business.

(8) In the event of failure to pay the relevant part of the annual premium contribution within the term under Art. 4, for the term of delay an interest shall be charged and owed on the amount due equal to the interest rate as provided for by Law.

(9) The entry and annual premium contributions shall be accounted for as accounting expenses for the current year.

(10) The contributions made by the investment intermediaries are not subject to refunding, except for the contributions made in excess or wrongly made.

(11) The investment intermediary must file in the Commission and the Fund by 10th of every month a check-up about the client assets at the last day of the preceding month in a model form, approved by the Commission's deputy chairman.


Art.77 (New – SG, iss. 39 in 2005) n. (1) (Am. – SG, iss. 59 in 2006; iss. 86 in 2006 in effect from 28 Oct., 2006) In case that an investment intermediary shall not pay a required amount of the annual premium, the Fund shall inform the Commission, respectively the deputy chairman, to take the actions under Art. 68, para (1), item 5 or under Art. 212, para (1), and in the cases where the investment intermediary is a bank - the Bulgarian National Bank, respectively the Deputy Governor, in charge of Banking Supervision Department, to take the actions under the Law on Credit Institutions.

(2) (Am. – SG, iss. 86 in 2006, in effect from 28 Oct., 2006) In case that an investment intermediary under Art. 77a, para (5) shall not pay a required amount of the annual premium the Fund shall inform the competent authority, which has issued the license to the investment intermediary to pursue business, to take the necessary actions for payment of the amount due by the intermediary. If, in spite of the taken actions, the investment intermediary does not pay the amount due, the Fund may, with the consent of the competent authority under sentence one, terminate with a 12-months prior notification, the providing of additional compensation. The Fund shall publish at least in two central daily newspapers announcement of the date, from which it terminates the provision of additional compensation.

(3) (Am. – SG, iss. 86 in 2006, in effect from 28 Oct., 2006) The Fund shall provide payment of compensation after the withdrawal of the license for pursuing the business of investment intermediary, or after termination of the providing of additional compensation under para (2), for receivables, related to services, provided by the investment intermediary until the withdrawal of the license, or termination of the providing of additional compensation.

Art. 77o (New – SG, iss. 39 in 2005) (1) Upon request by the Fund, the Commission and the BNB shall provide all the information available to them on the amount of client assets in the investment intermediaries, required for calculation of the contributions to be paid by the investment intermediaries.

(2) The Fund may use the received by it information only for the execution of the entrusted to it functions.

(3) Members of the Fund's Management Board and the officials from its administration are not allowed to disclose personally or through other persons any information which represents a banking, professional or other secret, protected by law, which has become known to them in the course of performance of their duties.

Art. 77p (New – SG, iss. 39 in 2005) (1) The Fund's resources may be used only for payment of compensations up to the amounts laid down in Art. 77d in the envisaged by this law cases, for repayment of the principal and interest on loans
received by the Fund, as well as in the cases of covering the operating expenses incurred by the Fund.

(2) The Fund's resources shall be invested in:
1. securities, issued or guaranteed by the government;
2. short-term deposits with banks;
3. deposits with the Bulgarian National Bank.

Art. 77r (New – SG, iss. 39 in 2005) (1) In the event the resources in the Fund are insufficient to cover its liabilities under this Law, by a decision of the Management Board, the shortfall may be covered in one of the following ways:
1. by requiring from the investment intermediaries to pay outright the whole annual premium;
2. by requiring from the investment intermediaries to pay in advance the annual premium for the next year, using as basis for its determination the total amount of the client assets as of the last day of the preceding month;
3. by increasing the annual premium;
4. by drawing loans on terms that are not more favorable than the market ones.

(2) The decisions of the Management Board under para (1) shall be approved by the Commission.

(3) The amount paid in advance under para (1), item 2 shall be deducted from the annual premium contribution due by the investment intermediary for the next year, the amount that has been overcharged shall be subject to refund.

(4) The maximum amount of the increased annual premium contribution under para (1), item 3 may not exceed more than twice the amount under Art. 77m, para.s (2) and (6).

(5) The loans used by the Fund may be secured with assets of the Fund, including also with future receivables of the Fund.

Art. 77s (New – SG, iss. 39 in 2005) (1) Where the resources accumulated in the Fund exceed 5 per cent of the total amount of the client assets with all investment intermediaries, the Management Board may take a decision the payment of the annual premiums to be temporarily suspended. The decision of the Management Board shall be approved by the Commission.

(2) Payment of annual premiums shall be resumed as soon as the resources in the Fund fall below the specified in para 1 amount.

Art. 77t (New – SG, iss. 39 in 2005) (1) (Am. – SG, iss. 86 in 2006, in effect from 28 Oct., 2006) The amount of the receivable under Art. 77d, para (1) shall be determined by adding up all receivables of the relevant client from the investment intermediary, regardless of the number of accounts and the place where they have been opened.

(2) In the event when the client assets are in foreign currency or in securities, the client shall be paid the BGN equivalence of his receivables in the amount under Art. 77d, para 1, determined on the date of the decision under Art. 77b., para (1) shall be paid to the client.

(3) In the cases where the client assets belong to more than one person, each person's portion shall be taken into account in establishing the total amount of his receivables from the investment intermediary. Unless otherwise provided for, it shall be assumed that the clients' portions are equal.

(4) In the cases where the investment intermediary's client has acted for someone else's account, the compensation shall be paid to the person, for whose account the client has acted, provided that this person is or may be identified before the date of the decision under Art. 77b, para 1. If the investment intermediary's client has acted for the account of two or more persons, para 3 shall apply.

(5) Client assets that are encumbered or serve as collateral shall be included in determining the amount of the compensation according to para 1, and the relevant due on the client assets compensation shall not be paid to the titleholder until such encumbrance or security has been lifted. Where a judicial document issued by a judicial authority in respects of the client assets referred to in the first sentence is effective, the Fund shall pay the compensation due in relation to the client assets to the person, indicated in the act as having the right to receive compensation on the client assets.
In cases where the client has a liability to the investment intermediary, when the amount of the receivable under Art. 77d para 1 is determined, the sum of liabilities shall be deducted.

Art. 77u (New – SG, iss. 39 in 2005) (1) Within 30 days from the date of the decision under Art. 77b, para (1), the appointed quaestor, liquidator or receiver shall present to the Fund written information about the client assets.

(2) (New – SG, iss. 86 in 2006, in effect from 28 Oct., 2006) The claim for payment of compensation shall be raised in writing to the Fund within a period of one year after the publishing of the announcement under Art. 77b, para 3, unless the failure to observe the time-limit is due to any special, unforeseen circumstances. The entitlement to compensation will lapse with the expiry of the term under sentence one above.

(3) (New – SG, iss. 86 in 2006, in effect from 28 Oct., 2006) The Fund shall consider the claim lodged and shall pay the compensation not later than three months after the establishment of the grounds and the amount of the receivable of the investment intermediary’s client.

(4) In special cases the term for payment of compensation to the clients of the investment intermediary may be extended with no more than three months with an approval by the Commission.

(5) (New – SG, iss. 86 in 2006, in effect from 28 Oct., 2006) In case of a dispute on the right to compensation, the client may lodge a claim against the Fund under the Civil Procedure Code within three years after the day of receiving the notification of the decision on the request for compensation payment.


(7) (Prev. para 6 – SG, iss. 86 in 2006, in effect from 28 Oct., 2006) The Fund shall periodically inform the quaestor, liquidator or receiver of the amount of compensation paid to each client.

(8) (Prev. para 7 – SG, iss. 86 in 2006, in effect from 28 Oct., 2006) For their receivables exceeding the amount of the compensation paid from the Fund, the clients shall satisfy themselves from the investment intermediary’s property in compliance with the acting legislation.

(9) (Prev. para 8, am. - SG, iss. 86 in 2006, in effect from 28 Oct., 2006) The procedure and manner for the request consideration and the payment of compensation by the Fund shall be regulated by an ordinance.


Art. 77w. (New – SG, iss. 39 in 2005) Regardless of the term, set under Art. 77u, para (3) or (4), when a client of the investment intermediary or some other person, entitled to compensation, has been charged with the perpetration of a crime, arising from or related to money laundering, the Fund may suspend the payment of compensation until the court’s decision.

Art. 77x. (New – SG, iss. 39 in 2005) The investment intermediaries may not advertise payment of compensation in amounts exceeding those set by this law.

Chapter Six
PUBLIC OFFERING OF SECURITIES AND ADMISSION OF SECURITIES TO TRADING ON A REGULATED MARKET
(Heading, am. – SG, iss. 86 in 2006)
Division I
General provision
Art. 77y. (New – SG, iss. 86 in 2006) (1) For the purposes of this Chapter:

1. “Qualified investors” means:
   a) legal entities which have license to pursue business on the financial markets or are subject to regulation for pursuing such business, including banks, investment intermediaries, other licensed or regulated financial institutions, insurance companies, collective investment schemes and their management companies, pension
funds and pension insurance companies, commodity dealers, as well as legal entities not authorized or regulated for carrying out such business and whose sole subject of activity is investment in securities;

b) national and regional governments, central banks, international and supranational institutions such as the International Monetary Fund, the European Central Bank, the European Investment Bank and other similar international organizations;

c) other legal entities, which are not small and medium-size enterprises within the meaning of item 2;

d) natural persons who are with permanent residence in the Republic of Bulgaria and are registered as qualified investors under conditions and procedure determined in an ordinance, as well as natural persons who are with permanent residence in other member-states and have been registered as qualified investors in those states;

e) small and medium-size enterprises with a registered office in the Republic of Bulgaria, which have been registered as qualified investors under conditions and procedure determined in an ordinance, as well as small and medium-size enterprises with a registered office in other member-states, which have been registered as qualified investors in those states.

2. “Small and medium-size enterprises” means companies, which, according to their last annual or consolidated accounts, meet at least two of the following three criteria:

   a) an average number of payroll employees during the financial year of less than 250;
   b) a total amount of the balance sheet assets not exceeding the BGN equivalence of 43 000 000 euro;
   c) an annual net turnover not exceeding 50 000 000 euro.

3. “Offering program” means a plan for the issuance in a continuous or repeated manner during a specified issuing period of non-equity securities, including warrants in any form, having a similar type and/or class.

4. “Securities issued in a continuous or repeated manner” means issues of securities, issued regularly depending on the investor interest or at least two separate issues of securities of a similar type and/or class over a period of one year.

5. “Approval of prospectus” means the positive standpoint of the Commission or the home member-state relevant competent authority at the outcome of the scrutiny carried out of the completeness of the prospectus, including consistency and the comprehensibility of the information given in it;

6. “Home member-state” means:

   a) the member-state where the issuer has its registered office or where the securities were or are to be admitted to trading on a regulated market, or where the securities are offered to the public, at the choice of the issuer, the offeror or the person asking for admission to trading on a regulated market – for any issues of non-equity securities whose denomination per unit amounts to at least the BGN equivalence of 1 000 euro or an equivalent amount in another currency, in which the securities are denominated, and for any issues of non-equity securities giving the right to acquire securities or to receive a cash amount as a consequence of their being converted or the rights conferred by them being exercised, provided that the issuer of the non-equity securities is not the issuer of the underlying securities or an entity belonging to the group of the latter issuer;
   b) the member-state where the issuer has its registered office – for all issuers from the member states which are not mentioned under letter “a”;
   c) the member-state where the securities are to be offered to the public for the first time after 31 December, 2003 or where the first application for admission to trading on a regulated market is filed, at the choice of the issuer, the offeror or the person asking for admission of the securities to trading on a regulated market – for all issuers with a registered office in third countries, which are not mentioned under letter “a”. The choice of the preceding sentence may be subject to subsequent election by issuers incorporated in third countries if the home member-state was not determined by their choice.

7. “Host member-state” means the member state where an offer to the public is made or admission of securities to
trading on a regulated market is sought, when different from the home member state.

(2) This chapter shall also apply for money market instruments, which have a period until maturity longer than 12 months.

Art. 78. (1) (Am. – SG, iss. 86 in 2006) Carrying out of public offering of securities and admission of securities to trading on a regulated market shall not be allowed before the issuer, offeror or the person asking for admission of the securities to trading on a regulated market publishes a prospectus in the manner and with the contents laid down in this law and in its implementing instruments.

(2) (Am. – SG, iss. 39 in 2005; iss. 86 in 2006) The prospectus for public offering or for admission to trading on a regulated market may only be published if the Commission has given a written approval for the prospectus.

(3) (Am. – SG, iss. 86 in 2006) The subscription for or sale of, and the offer to subscribe for or sell, as well as the admission to trading on a regulated market of securities in contravention of the requirements of para.s (1) and (2) are prohibited.

(4) (Am. – SG, iss. 61 in 2002) In cases of subscription for or sale of securities in contravention of the prohibition under para. 3, and in cases where material information in the prospectus is false or material information has been concealed in the prospectus, the investor may request, within three months from the discovery of the relevant fact, but not later than one year after the end of the subscription or the sale, that such acquisition of securities be declared invalid, unless he has acted in bad faith.

Art. 78a. (New – SG, iss. 86 in 2006) (1) The provisions of this chapter shall not apply to:

1. units of collective investment schemes;

2. non-equity securities issued by Republic of Bulgaria or another member-state, by their regional or local authorities, by international bodies of which the Republic of Bulgaria or another member-state is a member, by the European Central Bank, by the Bulgarian National Bank or by the central banks of the other member-states;

3. shares in the capital of the central banks of the other member-states;

4. securities unconditionally and irrevocably guaranteed by the Republic of Bulgaria or another member-state or by their regional or local authorities;

5. securities issued by associations with legal status of non-profit-making bodies, recognized by a member-state, with a view to their obtaining of the means necessary to achieve their objectives;

6. non-equity securities issued in a continuous or repeated manner by banks provided that these securities:
   a) are not subordinated, convertible or exchangeable;
   b) do not give a right to subscribe to or acquire other types of securities and that they are not linked to a derivative financial instrument;
   c) materialize reception of repayable deposits;
   d) are covered by the Deposit Guarantee Fund or an analogous deposit guarantee scheme in another state.

7. non-fungible shares of capital whose main purpose is to provide the holder with a right to occupy an apartment, or other form of immovable property or a part thereof and where the shares cannot be sold on without this right being given up;

8. non-equity securities, issued in a continuous or repeated manner by banks where the total consideration of the offer is less than the BGN equivalence of 50 000 000 euro, which limit shall be calculated for a period of 1 year, provided that these securities:
   a) are not subordinated, convertible or exchangeable;
   b) do not give a right to subscribe or acquire other types of securities and that they are not linked to a derivative financial instrument.

(2) In the cases under para 1, item 2, 4, and 8 the issuer, the offeror or the person asking for admission to trading on a regulated market shall be entitled to draw up a prospectus in accordance with the provisions of this law and its implementing instruments where securities are offered to the public or admitted to trading on a regulated market.
Art. 79. (Am. – SG, iss. 61 in 2002; iss. 86 in 2006) (1) The obligation to publish a prospectus shall not apply to the following types of offer:
1. an offer of securities only to qualified investors
2. an offer of securities addressed to fewer than 100 natural or legal persons in the Republic of Bulgaria or in any other member-state;
3. the minimum amount at which the offered securities may be acquired is the BGN equivalence of 50 000 euro per investor, for each separate offer;
4. an offer of securities whose denomination per unit amounts to at least the BGN equivalence of 50 000;
5. an offer of securities with a total consideration of less than BGN equivalence of 100 000 euro, which limit shall be calculated over a period of 1 year.

(2) (New – SG, iss. 61 in 2002; am. iss. 86 in 2006) Any subsequent resale of securities which were previously the subject of one or more of the types of offer mentioned in paragraph 1 shall be regarded as a separate offer for the purposes of Art. 4 para 1. The offering of securities through an investment intermediary shall be subject to publication of prospectus, unless some of the conditions under para 1 exists.

(3) (Prev. para 2, am. – SG, iss. 61 in 2002; iss. 86 in 2006) The obligation to publish a prospectus shall not apply to the public offering of the following types of securities:
1. shares issued in substitution for shares of the same class already issued without any increase in the capital;
2. securities offered in connection with a takeover by means of an exchange offer, provided that a document is submitted to the persons containing information which is regarded by the Commission as being equivalent to the information in the prospectus;
3. securities offered, allotted or to be allotted in connection with a merger or acquisition, provided that a document is provided to the persons containing information which is regarded by the Commission as being equivalent to the information in the prospectus;
4. shares offered, allotted or to be allotted free of charge to existing shareholders, and dividends paid out in the form of shares of the same class as the shares in respect to which such dividends are paid, provided that a document is made available to the persons containing information on the reason for the offer of the shares, their number and nature, on the rights attached to them and the way of their exercising, on the conditions and procedure for acquisition of the shares as well as other details of the offer.
5. securities offered, allotted or to be allotted to existing and former members of the management or supervisory bodies and/or employees by their employer, which already has securities admitted to trading on a regulated market or by an affiliated undertaking, provided that a document is made available to the persons containing information on the reason for the offer of the securities, their number and nature, on the rights attached to them and the way of their exercising, on the conditions and procedure for acquisition of the shares as well as other details of the offer.

(4) (New – SG, iss. 86 in 2006) The obligation to publish a prospectus shall not apply to the admission to trading on a regulated market of the following types of securities:
1. shares representing less than 10 per cent of the number of shares of the same class already admitted to trading on the same regulated market, which limit shall be calculated for a period of 1 year;
2. shares issued in substitution for shares of the same class already admitted to trading on the same regulated market, if the issuing of such shares does not involve any increase in the issued capital;
3. securities offered in connection with a takeover by means of an exchange offer, provided that a document is made available to the persons, containing information which is regarded by the Commission as being equivalent to that of the prospectus;
4. securities offered, allotted or to be allotted in connection with a merger or acquisition, provided that a document is made available to the persons, containing information which is regarded by the Commission as being equivalent to that of the
5. shares offered, allotted or to be allotted free of charge to existing shareholders, and dividends paid out in the form of shares of the same class as the shares in respect of which such dividends are paid, provided that the shares are of the same class as the already admitted to trading on the same regulated market shares and provided that a document is made available to the persons, containing information on the reasons for the offering of the shares, on their number and nature, on the rights attached to them and the way of their exercising, on the conditions and procedure for the shares acquisition, as well as other details of the offer.

6. securities offered, allotted or to be allotted to existing and former members of the management and supervisory bodies and/or workers and employees by their employer, or by affiliated undertaking, provided that the securities are of the same class as the already admitted to trading on the same regulated market securities and provided that a document is made available to the persons containing information on the reasons for the offering of securities, on their number and nature, on the rights attached to them and the way of their exercising, on the conditions and procedure of the shares acquisition, as well as other details of the offer.

7. shares resulting from the conversion or exchange of other securities or from the exercise of the rights conferred by other securities, provided that the said shares are of the same class as the shares already admitted to trading on the same regulated market.

8. securities, already admitted to trading on another regulated market, provided that:
   a) these securities, or securities of the same class, have been admitted to trading on that other regulated market for more than 18 months;
   b) for securities first admitted to trading on a regulated market after 31 December, 2003, the admission to trading on that other regulated market was preceded by an approval of a prospectus and its publication according Art. 92a para 5;
   c) except for the cases under letter "b", for securities first admitted to trading after 30 June 1983, a prospectus was approved for admission to trading;
   d) the ongoing obligations for trading on that other regulated market have been fulfilled;
   e) the person seeking the admission of securities to trading on a regulated market in the Republic of Bulgaria, availing of this exemption, publishes a summary document prepared in a language accepted by the Commission and that the summary document is published according Art. 92a, para 5 in the Republic of Bulgaria and the contents of the summary document shall comply with the provisions of the law and its implementing instruments and it shall state the places where the most recently drawn up prospectus can be obtained and where the financial information published by the issuer pursuant to his ongoing disclosure obligations is available.

(5) (New – SG, iss. 61 in 2002, prev. para 4, am. iss. 86 in 2006) Where no prospectus has been issued, investors shall enjoy the right under Art. 78, para. 4, if the other information about a public offering or the admission of securities to trading on a regulated market, disseminated by the issuer, the offeror or the persons seeking admission of securities to trading on a regulated market, is false or if material information has been concealed.

Art. 79a. (New – SG, iss. 61 in 2002) (1) (Am. – SG, iss. 86 in 2006) If more than one issue of securities of one class has been issued in the calendar year concerned, each one offered to less than 100 persons but the total number of addressees being more than 100 persons, Art. 78 shall apply to any issues that cross this threshold.

(2) (Am. – SG, iss. 39 in 2005) The Commission shall confirm a prospectus under para. 1 if the securities of issues launched for the year by that time meet the requirements of Art. 3. Any securities issue under para. 1 shall be registered with the Commission as public under terms and conditions as laid down in an ordinance.

Art. 80. (New – SG, iss. 86 in 2006) (1) A subscription may also be carried out on a regulated market, provided that its conditions envisage the issue price of the securities to be paid off in whole.

(2) (Cancelled – SG issue 86 in 2006)

(3) (Am. – SG, iss. 39 in 2005, iss. 86 in 2006) Subscription of shares in the cases under para. (1) is possible only if the
term under Art. 194, para. (3) of the Commercial Code, has expired.

Art. 80a. (New – SG, iss. 61 in 2002) To any matter concerning the issuance of securities in an initial public offering, which is not regulated by this Law, the Commercial Code shall apply.

Division II
Prospectus

Art. 81. (1) (Am. – SG, iss. 86 in 2006) The prospectus shall contain all information which, according to the particular nature of the issuer and of the securities offered to the public or admitted to trading on a regulated market, is necessary for the investors to make an accurate assessment of the economic and financial status, of the assets and liabilities, financial results and prospects of the issuer and of any guarantor of the securities, and of rights attaching to such securities. The prospectus may not contain false, misleading or incomplete particulars.

(2) (New – SG, iss. 86 in 2006) The prospectus shall be signed by the issuer, offeror or the person asking for the admission of the securities to trading on a regulated market, as well the person guaranteeing the securities, who shall declare that the prospectus satisfies the requirements of the law;

(3) (Am. – SG, iss. 61 in 2002; iss. 86 in 2006) Members of the management body of an issuer, and its procurator, as well as the offeror, the person asking for the admission of the securities to trading on a regulated market, and the guarantor shall be jointly and severally liable for any damage caused by false, misleading or incomplete information in the prospectus. The persons under Art. 34, para. 1 and 2 of the Accountancy Act shall be jointly and severally liable with the persons in sentence one for any damage caused by false, misleading or incomplete information in the issuer’s financial statements and the registered auditor – for any damage caused by the financial statements certified by them.

(4) (New – SG, iss. 86 in 2006) Liability under para 3 may not arise only on the basis of the summary of the prospectus, including any translation thereof, unless the information it contains is misleading, inaccurate or inconsistent with the other parts of the prospectus.

(5) (New – SG, iss. 86 in 2006) The prospectus shall clearly state the names and functions, respectively the names and registered office of the persons under para 3, as well as declarations by them that, to the best of their knowledge, the information contained in the prospectus is correct and complete.

(6) (New – SG, iss. 61 in 2002, prev. para 4, am. iss. 86 in 2006) In case no prospectus has been issued, para. 3 shall apply accordingly to the other information disseminated by the issuer, offeror or the person asking for admission of the securities to trading on a regulated market in relation to the public offering or the admission to trading on a regulated market.

Art. 82. (Am. – SG, iss. 86 in 2006) (1) The prospectus shall contain information concerning the issuer and the securities to be offered to the public or to be admitted to trading on a regulated market.

(2) (New – SG, iss. 86 in 2006) There shall be no requirement to provide a summary of the prospectus where the prospectus relates to the admission to trading on a regulated market of non-equity securities having a denomination per unit of at least BGN equivalence of 50 000 euro, except when Commission or the relevant competent authority of a member-state require its submission.

(3) (New – SG, iss. 86 in 2006) The issuer, offeror or the person asking for the admission of the securities to trading on a regulated market may draw up the prospectus as a single document or as separate documents. The Prospectus, that is drawn up as separate documents, shall contain the required by the law and its implementing instruments information, divided in three documents:

1. a registration document, containing information relating to the issuer;
2. securities note, containing information concerning the securities offered to the public or to be admitted to trading on a regulated market; and
3. summary of the prospectus.
(4) (New – SG, iss. 86 in 2006) The information, which the prospectus must contain shall be determined by an ordinance.

(5) (New – SG, issu. 86 in 2006) It shall be considered that the prospectus contains the relevant information under para 1 also when it makes reference to one or more documents that have been approved by or filed with the Commission, provided that the information in these documents is the latest available and a detailed cross-reference list is drawn up in order to enable investors to identify easily specific information by reference. Sentence one shall not apply in respect to the summary of the prospectus.

(6) (Prev. para 2, am. – SG, iss. 86 in 2006) Where some particulars of the required contents of the prospectus prove to be inapplicable to a particular issuer, due to its subject of activity or its legal form, or to the securities for which the prospectus relates, they shall be replaced with the relevant information. In case that there is no available relevant information, the requirement for replacement of the data under sentence one shall not apply.

(7) (Prev. para 3, am. – SG, issu. 86 in 2006) The information contained in the prospectus must be presented in a way easy for analyzing and accessible for the investors and giving a possibility to reach the objectives of Art. 81, para. (1).

Art. 82a. (New – SG, issu. 86 in 2006) (1) Where the issuer already has a registration document approved by the Commission, when securities are offered to the public or admitted to trading on a regulated market, only the securities note and the summary may be drawn up.

(2) In the cases under para 1, the securities note shall also contain updated information from the registration document, if since the latest update or supplement under Art. 85 para 2 of the registration document, there has been a material change in the data contained therein or recent developments which could affect investors’ assessments.

(3) The Commission shall pronounce on the securities note and the summary document under the procedure of Art. 91. Where an issuer has only filed a registration document in the Commission without approval, the Commission shall pronounce on the entire prospectus, including the updated information.

Art. 82b. (New – SG, issu. 86 in 2006) (1) Issuers whose securities are admitted to trading on a regulated market in the Republic of Bulgaria shall at least annually provide a document that contains or refers to all information that they have published or made available to the public in another way over the preceding 12 months in the Republic of Bulgaria, in another member-state. Where the document under sentence one refers to certain information, it shall be stated where the information can be obtained.

(2) The document under para 1 shall be filed with the Commission within a period not later than 1 month after the publication of issuer’s annual financial statement.

(3) Paragraph 1 shall not apply to issuers of non-equity securities whose denomination per unit amounts to at least the BGN equivalence of 50 000 euro.


Art. 84. (1) (Am. – SG, issu. 39 in 2005; issu. 86 in 2006) If the issuer or the offeror carries out a subscription for a public offering of securities, he may extend its period once for up to 60 days, while introducing the corresponding amendments to the prospectus and notifying the Commission. In that case the last day of the extended period shall be considered a closing date for the subscription.

(2) (Am. – SG, issu. 39 in 2005; issu. 86 in 2006) The issuer or the offeror shall immediately announce the extension of the period under para. (1) to the Commission, at the places where the subscription is carried out, and in the mass media.

(3) (Am. – SG, issu. 39 in 2005; issu. 86 in 2006) The issuer or the offeror shall notify the Commission of the result of the subscription within seven days after its closing date.

(4) No subscription for securities shall be allowed before the initial date and after the closing date of the subscription.

Art. 85. (1) (Am. – SG, issu. 39 in 2005; issu. 86 in 2006) During the period from date on which the application for confirmation of the prospectus is filed until the date of the decision of the Commission, the issuer, offeror or the person asking for admission of the securities to trading on a regulated market must within 3 working days from the occurrence, or from coming to know of changes which make it
necessary, amend the prospectus, notify the Commission of those changes and introduce the corresponding amendments to the prospectus.

(2) (Am. – SG, iss. 39 in 2005; iss. 86 in 2006) During the period between the issuance of the confirmation for the prospectus and the deadline for the public offering or the beginning of trading on a regulated market, the issuer, offeror or the person asking for admission of the securities to trading on a regulated market are obliged latest by the expiry of the next business day after any significant new factor, material mistake or inaccuracy relating to the information included in the prospectus, which is capable of affecting the assessment of the offered securities occur, or become known of, to draw up a supplement to the prospectus and to present it at the Commission. The summary and the translations thereof shall also be supplemented, if necessary to take into account the new information included in the supplement.

(3) (New – SG, iss. 86 in 2006) The Commission shall pronounce on the supplement to the prospectus within 7 business days after its receiving, and where any additional information and documents have been demanded – from their receiving. Article 91 shall apply accordingly.

(4) (New – SG, iss. 86 in 2006) The Commission shall refuse to approve the supplement to the prospectus if the provisions of this law and its implementing instruments were not complied with. In such case the Commission may terminate definitely the public offering or the trade in the securities under the procedure of Art. 212.

(5) (New – SG, iss. 86 in 2006) The issuer, offeror or the person asking for admission of the securities to trading on a regulated market must within a 7-days period after the decision of the Commission for approval of the supplement to the prospectus, publish an announcement for the supplement and make the supplement available to the public according to Art. 92a.

(6) (Prev. para 3, am. – SG, iss. 86 in 2006) In the cases under para. (2), the person who has subscribed for or purchased securities before the publication of the supplement to the prospectus, may renounce those securities within two business days, or another longer time-limit envisaged in the prospectus, from the publication of the announcement about the supplement and shall not be liable, unless he has acted in bad faith. The renouncement under the previous sentence is made by a written declaration at the place, where the shares have been subscribed or purchased, respectively.

(7) The issuer, offeror or the person asking for admission of the securities to trading on a regulated market, shall be jointly and severally liable for any damage caused by failure to fulfill the obligations under para.s (1), (2) and (5).

Art. 86. (Am. – SG, iss. 86 in 2006) (1) The issuer, offeror or the person asking for admission of the securities to trading on a regulated market can draw up the prospectus as a base prospectus in case of public offering or admission to trading of:
1. non-equity securities, including warrants in any form, issued under an offering programme;
2. non-equity securities issued in a continuous or repeated manner by banks, where:
   a) the sums deriving from the issue of the said securities are placed in assets which provide sufficient coverage deriving from securities until their maturity date;
   b) in the event of insolvency of the bank-issuer, the sums under letter “a” are paid with a priority for coverage of the capital and interest falling due.

(2) The base prospectus contains the relevant information on the issuer and on the securities to be offered to the public or to be admitted to trading on a regulated market, as well as in the issuer’s judgement the final terms of the offer. If necessary this information shall be supplemented in accordance with Art. 85 with updated information on the issuer and on the securities to be offered to the public or to be admitted to trading on a regulated market.

(3) In case that the base prospectus or the supplements thereto do not include information on the final terms of the offer, the issuer, offeror or the person asking for admission of securities to trading on a regulated market shall file this information with the Commission and shall make it available to the public in accordance with Art. 92a para 5 with each public offer as soon as possible, but not later than the starting date of the offer. In the cases under sentence one, Art. 87a para 1 sentence one shall apply.

Art. 87. (Am. – SG, iss. 39 in 2005; iss. 86 in 2006) The Commission may authorise that certain information, which is
required under this law and its implementing instruments be excluded from the prospectus if it considers that:
1. disclosure of such information would be contrary to the public interest;
2. disclosure of such information might inflict serious damages on the issuer and its exclusion shall not result in misleading investors in respect of the facts and circumstances which are material for achieving the goal of Art. 81, para. (1).
3. such information is of minor importance only for a specific offer or admission to trading on a regulated market and could not influence the assessment of the financial position and prospects of the issuer, offeror or garantor of the securities.

Art. 87a. (1) (Am. – SG, iss. 86 in 2006) Whenever information about the final issue or sale price and the final amount of the offered securities cannot be included in the prospectus, it shall indicate the maximum price or the criteria and/or conditions with which the final price and the final number of the offered securities will be determined. If the information under sentence one is not indicated in the prospectus, the persons who have subscribed, or purchased securities may renounce them within a period of 2 working days or another longer period envisaged in the prospectus as from the filing with the Commission of the information about the final price and the final amount of the offered securities by a written declaration at the places where the securities were subscribed to, respectively purchased. The person shall not be liable for his renouncement under sentence second, unless he acted in bad faith.

(2) The issuer, offeror or the person asking for admission of the securities to trading on a regulated market must immediately inform the Commission about the final price and the final number of the offered securities and to publish this information in accordance with Art. 92a para 5.

Art. 88. (Am. – SG, iss. 39 in 2005; canceled iss. 86 in 2006).

Art. 89. (1) (Am. – SG, iss. 61 in 2002) The persons who have subscribed for securities shall pay up the sums into a special account at a bank determined by the issuer. Where an issuer is a bank, this account shall be opened with another bank.

(2) (New – SG, iss. 61 in 2002, iss. 34 in 2006) Any amount in this account may not be used prior to the end of the subscription and the entry of the capital increase in the commercial register.

(3) (Prev. para. (2) – SG, iss. 61 in 2002) Where the subscription is closed without success and without fulfilling the conditions provided for in the prospectus, the sums raised shall be returned to the persons who have subscribed for securities in one month from the announcement under Art. 84, para. (3), together with the interest calculated by the bank under para. (1).

(4) (Prev. para. (3) – SG, iss. 61 in 2002; iss. 86 in 2006) In the cases under para. (3) the issuer or the offeror are obliged, in the day of the announcement under Art. 84, para. (3), to notify the bank about the results from the subscription, as well as to publish invitations in two central daily newspapers to the persons, who have subscribed securities, and also to announce at the subscription places the conditions and procedure for refunding the collected sums.

Division III
Issuing and refusal to give confirmation

Art. 90. (Am. – SG, iss. 39 in 2005; iss.86 in 2006) The issuer, offeror or the persom asking for admission of the securities to trading on a regulated market shall file with the Commission an application for approval of prospectus for public offering or admission to trading on a regulated market while enclosing:
1. the prospectus;
2. the issuer's Articles of Association;
3. the issuer's last year-end financial statement, certified by a registered auditor;
4. other documents, as laid down in an ordinance.

Art. 91. (1) (Prev. Art. 91 – SG, iss. 61 in 2002, am. iss. 39 in 2005; iss.86 in 2006) The Commission shall decide on the application and inform the applicant of its decision within 10 working days as from the receipt of the application, and where additional information and documents have been requested – as from their receipt. Art. 28, para (2) shall apply accordingly, and the notification of the required additional information and documents shall be sent to the applicant within 10 working days after
the receipt of the application.

(2) (New – SG, iss. 86 in 2006) In the cases where subject of public offering are securities issued by an issuer, which does not have any securities admitted to trading on a regulated market and which has not previously offered securities to the public, the time limit referred to in para 1 shall be 20 working days.

(3) (New – SG, iss. 61 in 2002, am. iss. 39 in 2005, prev. Art. 2, am. iss. 86 in 2006) In the cases under para 1 and 2, Art. 7 of the Restriction of the Administrative Regulations and Administrative Control Over the Economic Activity Act shall not apply.

(4) (New – SG, iss. 86 in 2006) Where the Republic of Bulgaria is a home member-state, the Commission may, due to the nature of the issuer and the offered securities or the specifics of the public offering, with the consent of the relevant competent authority of another member-state, transfer to it the approval of a prospectus. In such case the Commission shall inform the issuer, the offeror or the person asking for admission of the securities to trading on a regulated market within 3 working days from the date of its decision for transfer of the approval. The time limit for pronouncing of the relevant competent authority under para 1, respectively para 2 shall start running from the date of the decision under the preceding sentence.

(5) (New – SG, iss. 86 in 2006) When the Republic of Bulgaria is not a home member-state, the Commission may under the conditions of para 4 undertake the approval of a prospectus from the competent authority of another member-state. Paragraph 4 shall apply accordingly.

Art. 92. (1) (Am. – SG, iss. 39 in 2005) The Commission shall refuse to give the confirmation under Art. 78, para. (2) by means of a written reasoned decision, where:

1. the prospectus does not satisfy the requirements of the law;
2. the issue price of the shares is lower than the balance-sheet value of one share before the increase in capital calculated as at the moment of passing the resolution on increase in capital, thus damaging the interests of the shareholders;
3. the interests of investors are not guaranteed due to the special rights attaching to the shares or for any other reason.

(2) (Am. – SG, iss. 39 in 2005) The Commission may refuse to give a confirmation only where the applicant has failed to remove the inconsistencies and to submit the documents required within the time limit set by the Commission, which may not be shorter than one month.

(3) (Am. – SG, iss. 39 in 2005) The Commission shall not be liable for the truthfulness of the particulars contained in the prospectus.

(4) (Am. – SG, iss. 39 in 2005; iss. 34 in 2006; iss. 86 in 2006) Except in the cases when no prospectus is required, the increase in the capital done on the conditions of Art. 5 para 1 shall be entered in the commercial register after the provision also of the confirmation given by the Commission.

Art. 92a. (New – SG, iss. 86 in 2006) (1) (Am. – SG, iss. 39 in 2005) The issuer or the offeror shall publish a notice of the public offering, the initial and the closing date of the subscription or the initial and the closing date of the sale, respectively, the registration number of the approval given by the Commission, the place, time and way of inspecting the prospectus, as well as other particulars laid down in an ordinance.

(2) The notice under para. (1) shall be promulgated in the "State Gazette" and be published in one national daily newspaper at least 7 days before the initial date of the subscription or the commencement of the sale.

(3) The date on which the notice under para. (1) is published shall be considered commencement of the public offering.

(4) The date indicated in the notice under para. (1) on which, at the earliest, securities of the issuer may be subscribed or purchased, respectively, shall be considered commencement of the subscription or the sale, respectively.

(5) The issuer, the offeror or the person asking for admission of securities to trading on a regulated market must place the prospectus at the disposal of the public through its publication in the press, in the form of a leaflet or in another appropriate manner not later than the initial date of the public offering or the admission of the securities to trading on a regulated market.
In the cases of an initial public offer of a class of shares not already admitted to trading on a regulated market and for which subsequently admission to trading for the first time shall be asked, the prospectus shall be available to the public at least 6 working days before the date of the offer.

The advertisements and publications relating to the public offering of securities or admission of securities to trading on a regulated market shall indicate that the prospectus is or will be made available to the public, as well as the way in which investors may acquaint themselves with it. The advertisements and publications may not contain false or misleading information, or such that contradicts the information contained in the prospectus submitted to the Commission. The Commission shall exercise control over the consistence of the advertisements and the publications with the requirements of the law and its implementing instruments.

The issuer, the offeror and the person asking for admission of securities to trading on a regulated market may not make statements about the public offering applied for or admission to trading on a regulated market which contradict the information contained in the prospectus submitted to the Commission, or contain important information that is not included in that prospectus.

The requirements for the availability of a prospectus and other information, related to public offering or admission to trading on a regulated market to the public, the advertisements and publications under para. 7, the terms, methods and distribution places, the publication of a summary of the prospectus in the press or the dissemination of information through a news agency shall be laid down in an ordinance.

Art. 92b. (New – SG, iss. 86 in 2006) (1) A prospectus shall be valid for 12 months after its publication in accordance with Art. 92a para 5, provided that the requirements of Art. 85 para 2 have been met.

(2) A registration document, as referred to in Art. 82 para 3 item 1 shall be valid for a period of 12 months, provided that it has been updated in accordance with Art. 82b. In such cases the registration document accompanied by the securities note, updated in accordance with Article 82a, if necessary, and the summary note, shall be considered to constitute a valid prospectus.

(3) In the case of an offering program, the base prospectus shall be valid for a period of 12 months.

(4) In the cases under Art. 86 para 1 item 2 the prospectus shall be valid until no more of the securities concerned are issued on a continuous or repeated manner.

Art. 92c. (New – SG, iss. 86 in 2006) (1) Where the Republic of Bulgaria is a home member-state, a public offering of securities can be made, or admission of securities to trading on a regulated market on the territory of one or more host member-states requested, on the grounds of an approved by the Commission prospectus, after the competent authorities of the host member-states are notified in advance of it in accordance with para 4.

(2) If an offer of securities is made to the public or admission to trading on a regulated market on the territory of one or more host member-states, the issuer or the person responsible for the drawing up of the prospectus must preliminarily inform of it the Commission.

(3) The notification under para 2 shall contain indication of the host member-state, the host member-states, respectively. Attached to the notification shall be the prospectus, if it has not been approved by the Commission.

(4) Within 3 working days following the receipt of the notification under para 2, or within 1 working day after the approval of the prospectus, if the prospectus has been submitted for approval together with the notification, the Commission shall provide the competent authority of the host member-state with a certificate, attesting that the prospectus has been drawn up in accordance with the requirements of Directive 2003/71/EC of the European Parliament and of the Council and amending Directive 2001/34/EC, and with a copy of the prospectus under para 3. The Commission shall inform forthwith the issuer, respectively the person responsible for the drawing up of the prospectus, about the sending of the documents under sentence one.

(5) To the supplements to the prospectus under Art. 85 para 2, Paragraph 2-4 shall apply accordingly.

(6) When the Commission has allowed the exclusion of some data from the prospectus in accordance with Art. 87 or
Art. 82 para 5 has been applied, this shall be stated in the certificate under para 4 along with the reasons for applying these provisions.

(7) Where the Commission is informed by the competent authority of the host member-state of breaches committed of the acting legislation of such state by the issuer or the persons authorized to carry out the public offering or of breaches of the obligations attaching to the issuer by reason of the fact that the securities are admitted to trading on a regulated market, the Commission shall apply the appropriate measures under Art. 212 and shall inform the host member-state of the measures taken.

Art. 92d (New – SG, iss. 86 in 2006) (1) Where the Republic of Bulgaria is a host members-state the securities may be offered to the public or admitted to trading on a regulated market on its territory, after the Commission receives from the relevant competent authority of the home member-state:

1. a certificate attesting that there is an approved prospectus for the securities, which has been drawn up in compliance with the requirements of Directive 2003/71/EC of the European Parliament and of the Council and amending Directive 2001/34/EC, as well as information on whether some data from the prospectus have been excluded or replaced, the data that have been excluded or replaced, as well as reasons for their exclusion or replacement;
2. a copy of the approved prospectus
3. The Commission shall inform forthwith the issuer, respectively the person responsible for the drawing up of the prospectus of the receiving of the documents under para 1.

(3) The issuer, offeror or the person asking for admission of the securities to trading on a regulated market shall make available the prospectus to the public in accordance with Art. 92a. When the prospectus has not been drawn up in the Bulgarian language, the issuer, offeror or the person asking for admission of the securities to trading on a regulated market must along with the prospectus make available to the public the summary document in the Bulgarian language.

(4) To the supplements to the prospectus shall apply paragraph 1-3 accordingly.

(5) When learning of any significant new factor, material mistake or inaccuracy in the prospectus, the Commission shall inform the competent authority of the home member-state of the need for a supplement to the prospectus.

(6) Where the Commission finds that the issuer or the persons in charge of the public offer in the Republic of Bulgaria commit breaches of the law or its implementing instruments or that breaches have been committed of the obligations attaching to the issuer by reason of the fact that the securities are admitted to trading on a regulated market in the Republic of Bulgaria, it shall inform of it the competent authority of the home member-state.

(7) If, despite the measures taken by the competent authority of the home member-state or because such measures prove inadequate, the issuer or the person in charge of the public offer in the Republic of Bulgaria persists in breaching this law or its implementing instruments, the Commission may, after informing the competent authority of the host member-state, take all the appropriate measures in order to protect investors. The Commission shall inform the European Commission of such measures within 7-day period of their applying.

Art. 92 e. (New – SG, iss. 86 in 2006) (1) Where an offer to the public is made or admission to trading on a regulated market is sought only in the Republic of Bulgaria and the home member-state is the Republic of Bulgaria, the prospectus shall be drawn up in the Bulgarian language.

(2) Where an offer to the public is made or admission to trading on a regulated market is sought in one or more member-states, excluding the Republic of Bulgaria, and the home member-state is the Republic of Bulgaria the prospectus shall be drawn up in a language accepted by the competent authorities of those member states or in a language customary in the sphere of international finance, at the choice of the issuer, offeror or the person asking for admission of the securities to trading on a regulated market. For the purposes of the prospectus approval by the Commission, the prospectus shall be drawn up in the Bulgarian or English language, at the choice of the issuer, offeror or the person asking for admission of the securities to trading on a regulated market.

(3) Where an offer to the public is made or admission to trading on a regulated market is sought in more than one
member-states, including the Republic of Bulgaria, and the home member-state is the Republic of Bulgaria, the prospectus shall be drawn up in the Bulgarian language. In such cases the prospectus shall be made available to the public also in a language accepted by the competent authorities of each host member state or in a language customary in the sphere of the international finance, at the choice of the issuer, offeror or the person asking for admission of the securities to trading on a regulated market.

(4) Where admission to trading on a regulated market of non-equity securities whose denomination per unit amounts to at least the BGN equivalence of 50 000 euro is sought in one or more member states, the prospectus shall be drawn up in a language accepted by the competent authorities of the home and host member states or in a language customary in the sphere of international finance, at the choice of the issuer, offeror or the person asking for admission of the securities to trading on a regulated market.

Art. 92 f. (New – SG, iss. 86 in 2006) (1) Where the Republic of Bulgaria is a home member state of an issuer having its registered office in a third country, the Commission may approve a prospectus for an offer to the public or for admission to trading on a regulated market, drawn up in accordance with the legislation of a third country, provided that:

1. the prospectus has been drawn up in accordance with international standards set by international organisations of securities commissions, including the IOSCO disclosure standards;
2. the requirements to the information contained in the prospectus, including information of a financial nature, are analogues to the requirements under this law and its implementing instruments.

(2) In the case of offer to the public or admission to trading on a regulated market of securities, issued by an issuer incorporated in a third country, in a member-state other than the Republic of Bulgaria, and the home member-state is the Republic of Bulgaria, the requirements set out in Articles 93c and 93e shall apply.

Art. 92 g. (New – SG, iss. 86 in 2006) (1) The Commission shall cooperate and exchange information with the relevant competent authorities of the other member-states whenever necessary for the purpose of realization its powers and shall render them assistance with a view to exercising of their functions, including in the cases when there are two or more home member-states and respectively competent authorities for a certain issuer due to the issued by it various classes of securities, or where the approval of the prospectus has been transferred to the competent authority of another member state pursuant to Art. 91, para 4. The Commission shall closely cooperate with the authorities under sentence one, also when one or several of them require suspension or termination of trading for certain securities traded in various member-states in order to ensure a level playing field between trading venues and protection of investors.

(2) Where the Republic of Bulgaria is a host member-state, the Commission may request assistance from the competent authority of the home member-state from the stage at which the case is scrutinized, in particular as regards a new or rare type of securities. Where the Republic of Bulgaria is a home member-state, the Commission must render assistance to the host member-state competent authorities in the cases under para 1.

(3) The Commission may ask for information from the competent authorities of the host member-state on any items specific to the capital market in that state. On request by the competent authorities of the home member-state, the Commission shall provide information about the Bulgarian market.

(4) The Commission may consult with operators of regulated markets as necessary, and in particular, when deciding to suspend or terminate the trade with certain securities.

Art. 92h. (New – SG, iss. 86 in 2006) (1) To ensure compliance with the provisions of this chapter the Commission shall have the following powers besides those provided for in the other parts of the law and its implementing instruments:

1. to require issuers, offerors or persons asking for admission to trading on a regulated market to include in the prospectus supplementary information, if necessary for investor protection;
2. to require issuers, offeror or persons asking for admission to trading on a regulated market, and the persons that control them or are controlled by them, to provide certain information and documents;
3. to require auditors, the members of the management and supervisory bodies and procurators of the issuers, offerors or persons asking for admission to trading on a regulated market, as well as the persons commissioned to carry out the offer to the public or ask for admission to trading on a regulated market, to provide certain information;
4. to suspend a public offer or admission to trading on a regulated market for a maximum of 10 consecutive working days on any single occasion if it has reasonable grounds for believing that the provisions of the law or its implementing instruments have been infringed;
5. to prohibit or suspend an advertisement for a maximum of 10 consecutive working days on any single occasion if it has reasonable grounds for believing that the provisions of the law or its implementing instruments have been infringed;
6. to prohibit the carrying out of a public offer if it has reasonable grounds for believing that the provisions of the law or its implementing instruments have been infringed or would be infringed;
7. to make public the fact that an issuer is failing to comply with its obligations under this law and its implementing instruments.

(2) The Commission may disclose to the public every measure or sanction that has been imposed for infringement of the provisions of this law or its implementing instruments, unless this would seriously jeopardise the financial markets integrity or cause disproportionate damage to the parties involved.

(93) (Am. – SG, iss. 61 in 2002, iss. 39 in 2005, cancelled - iss. 86 in 2006)

Division IV
Disclosure of information

Art. 93a. (New – SG, iss. 61 in 2002) (1) The reports and the notifications under this section shall contain information which is necessary for the investors to make informed investment decisions. These reports and notifications may not contain false, misleading or incomplete particulars.

(2) The reports and the notifications under this section shall be signed by persons representing the issuer and who shall declare with their signatures that the reports and the notifications satisfy the requirements of the law.

(3) Members of the management body of the issuer and its procurator shall be jointly and severally liable for any damage caused by false, misleading or incomplete particulars in the statements and notifications under this Division. The persons under Art. 34, para. 1 and 2 of the Accountancy Act shall be jointly and severally liable with the persons from the previous sentence for any damage caused by false, misleading or incomplete particulars in the financial statements of the issuer, and the registered auditor – for any damage caused by the financial statements audited by them.

Art. 94. (1) (Am. – SG, iss. 39 in 2005) The issuer must submit to the Commission an annual report within 90 days after the closing of the financial year.

(2) (Am. – SG, iss. 61 in 2002) The annual report shall contain:
1. (Am. – SG, iss. 39 in 2005) an annual financial statement certified by a registered auditor, as well as a report of the auditor;
2. (Am. – SG, iss. 86 in 2006) a management report with contents set out in an ordinance;
3. (New – SG, iss. 39 in 2005) After the submission of the annual report under para 1, the issuer must provide it at the disposal of the public for a period not less than 5 years.
4. (Canceled – SG, iss. 39 in 2005);
5. (Canceled – SG, iss. 39 in 2005);
6. any other information set out in an ordinance.

(3) (New – SG, iss. 86 in 2006) After the presentation of the annual report under para 1 the issuer shall make it available to the public for a period of not less than 5 years.

(4) (New – SG, iss. 61 in 2002, prev. para 3, iss. 86 in 2006) The management report shall also contain information on:
1. the fulfillment of the program for application of internationally accepted standards of good corporate governance under para. 2 and, when there is no such program, the reasons why such a program has not been drawn up as well as the
compliance of the activity of the management and supervisory boards of the issuer with these standards during the past year;
2. the reasons why the activity of the management and supervisory boards of the issuer has not complied with the program, respectively the standards under item 1 if there is no compliance;
3. the measures to be taken in order to eliminate the reasons under item 2 and fulfillment of the program for good corporate governance.
4. reassessment of the program and proposals for its amendment aimed to improve the application of good corporate governance standards within the company.

Art. 95. (1) (Am. – SG, iss. 61 in 2002, iss. 39 in 2005) The issuer must submit to the Commission a three-month report within 30 days after the expiration of each quarter.
(2) (Am. – SG, iss. 61 in 2002) The three-month report shall include financial statement with content under Art. 26, para. 1 of the Accountancy Act for the preceding quarter, and any other information provided for in an ordinance.

Art. 95a. (New – SG, iss. 39 in 2005) The issuer which draws up consolidated financial statements must also submit to the Commission:
1. an annual consolidated report under Art. 94, para (2) within 180 days after the expiration of each fiscal year;
2. a three-month consolidated report under Art. 95, para (2) within 60 days after the expiration of each quarter.

Art. 96. (Am. – SG, iss. 61 in 2002, iss. 39 in 2005) The issuer shall publish a notice of the submission of the annual report and the three-month report and about the place, time and way of inspecting such report in one central daily newspaper within seven days after the report is submitted with the Commission. The notice under the previous sentence shall also be published in the Official Bulletin of the Commission.


Art. 98. (1) (Am. – SG, iss. 39 in 2005; iss. 84 in 2006) The issuer shall notify the Commission of the inside information pursuant to Art. 4 of the Law on Measures Against Market Abuse with Financial Instruments, which directly relates to it.
(2) (Am. – SG, iss. 61 in 2002, iss. 39 in 2005, canceled iss. 84 in 2006).
(3) (Am. – SG, iss. 61 in 2002, iss. 39 in 2005; canceled iss, 84 in 2006).

Art. 98a. (New – SG, iss. 61 in 2002) (1) (Am. – SG, iss. 39 in 2005) An issuer must remedy any incomplete data and other inconsistencies with the requirements of the law, including the International Financial Reporting Standards, reported by the deputy chairman to exist in the statements and notifications under this division, as well as in the relevant registers and other accounting documents, within an adequate time set out by the deputy chairman.
(2) (Am. – SG, iss. 39 in 2005) The deputy chairman shall make any decision under para. 1 under the terms of Art. 212.

Art. 99. (1) (Am. – SG, iss. 61 in 2002, iss. 39 in 2005; iss. 86 in 2006) In case the securities of the issuer are admitted to be traded on a regulated market, the issuer shall notify and submit the information under the present division also to the regulated market, within the time limits set in the present division.
(2) (Am. – SG, iss. 61 in 2002) The regulated market shall disseminate in an accessible for the investors way a daily bulletin with the information under para. 1 latest one hour before the start of the securities trading.
(3) (New – SG, iss. 61 in 2002) The regulated market shall immediately disseminate in extraordinary issues of the bulletin any information under para. 1 received after the publication of the regular bulletin pursuant to the preceding paragraph until the close of daily trading in securities.
(4) (New – SG, iss. 61 in 2002, am. – SG, iss. 39 in 2005) The information under para. 1 may not be made publicly known by the issuer or by the Commission through the register it keeps before its publication in the bulletin of the regulated securities market.

Art. 100. (1) (New – SG, iss. 61 in 2002; am. iss. 39 in 2005) The requirements for the form of the statements and notifications under this division, the term and procedure for submitting them to the Commission, as well as for the public dissemination of the information under this division shall be laid down in an ordinance.
Any circumstance subject to disclosure by an issuer in liquidation or bankruptcy proceedings shall be laid down in an ordinance.

The obligations of the issuer under this division are 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.

The terms and procedures for entry 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

**Special requirements for the initial public offering of bonds**

#### Art. 100a. (New – SG, iss. 61 in 2002)

1. Initial public offering of secured bonds shall be allowed if the issuer has concluded a contract with a trustee of the bondholders. Art. 208, Art. 209, para. 2, Art. 210-213 of the Commercial Code shall not apply.

2. The trustee of the bondholders shall be their legitimate representative in the cases defined in this law and the contract under para. 1.

3. The remuneration of a trustee shall be paid by the issuer.

4. The requirement of para. 1 shall not apply to bonds issued under the Mortgage Bonds Law.

5. The requirement under para. 1 shall apply to unsecured bonds if so provided for by the decision to launch a bond issue under Art. 204, para. 3 of the Commercial Code.

6. Owners of bonds of one issue or class may at the general meeting make decisions on issues of mutual interest. The general meeting shall be convened by the trustee of the bondholders under the terms of Art. 214 of the Commercial Code.

#### Art. 100b. (New – SG, iss. 61 in 2002)

1. A prospectus for a bond issue must contain:
   1. the conditions under which the issuer must pay in advance the bond issue;
   2. an obligation of the issuer to observe certain financial ratios until the bond issue is redeemed including the maximum value of the liabilities to assets ratio as per the balance sheet and the minimum ratio at which interest expenses are covered;
   3. conditions that the issuer must meet to launch new bond issues of the same class.

2. The ratio at which interest expenses are covered under para. 1, item 2 shall be calculated by adding the profit from operations to interest expenses and dividing this sum by interest expenses.

3. Where an issuer has not concluded a contract with a trustee of bondholders, it must publish a half-yearly report whether the conditions of the bond issue have been met in the bulletin of the regulated market where the bonds are traded and present it to the Commission within 30 days of the end of each six months’ period. The report shall contain information about:
   1. the meeting of the issuer’s obligations to bondholders under the terms of the issue, including compliance with the specified financial ratios;
   2. the expenditure of funds raised by the bond issue;
   3. other circumstances set out in an ordinance.

#### Art. 100c (New – SG, iss. 61 in 2002)

1. The trustee of the bondholders must act in the best interest of the bondholders.

2. Agreements that preclude or limit the trustee’s liability to the bondholders in the cases of negligence shall be void.

3. The trustee shall not be liable to the bondholders for damages inflicted on them, where his actions or failures to act were in compliance with a decision of the general meeting of shareholders, approved by a majority of 1/2 of the subscribed debt.

#### Art. 100d. (New – SG, iss. 61 in 2002)

1. A trustee of the bondholders may only be a commercial bank with a registered
office in the country or a bank operating in the country via a branch licensed by the Bulgarian National Bank.

(2) Trustee of the bondholders may not be a commercial bank:
1. that is an underwriter of the bond issue or trustee for bonds of another class issued by the same issuer;
2. which controls directly or indirectly the issuer or is controlled directly or indirectly by the bond issuer;
3. in other cases where there is or may be a substantial conflict between interest of the bank or the interest of a person who controls it and the interest of the bondholders.

(3) In the event that any of the circumstances under para. 2 comes into being after the agreement under Art. 100a has been concluded, the trustee of the bondholders must forthwith notify the bond issuer and eliminate the inconsistency with the law within 30 days of the coming into being of the circumstance. When an inconsistency cannot be eliminated, the bond issuer shall be obligated to terminate the agreement with the trustee of the bondholders not later than 45 days after the coming into being of the inconsistency and conclude a new agreement under Art. 100a with another person. The trustee shall continue to fulfill his obligations to the bondholders until a new agreement is concluded.

(4) The provision of para. 3 shall also apply accordingly in cases when the license of the trustee of the bondholders to perform their activity is revoked, a decision was made for their voluntary liquidation or bankruptcy proceedings have been initiated against the trustee.

Art. 100e. (New – SG, iss. 61 in 2002) (1) The agreement under Art. 100a must define completely the rights and obligations of the trustee of the bondholders to the bond issuer, the obligations of the trustee to the bondholders as well as the obligations of the issuer to the trustee of the bondholders.

(2) The agreement under Art. 100a shall be a part of the prospectus for a bond issue.

Art. 100f. (New – SG, iss. 61 in 2002) (1) A bond issuer shall be obligated:
1. to provide to the trustee of the bondholders the information under division IV within the respective terms;
2. to give the trustee of the bondholders, not later than the 10th of the month following every quarter, a report on the fulfillment of their obligations pursuant to the terms of the bond issue, including the expenditure of the funds raised by the bond issue, the keeping of the respective financial ratios and the condition of the collateral;
3. to notify the trustee of the bondholders by the end of the following business day of:
   a) all changes in the collateral put up for the bond issue including the material changes in the value of the property subject of the collateral;
   b) any failure to meet the obligation to keep the financial ratios specified in the contract.

(2) (Am. – SG, iss. 39 in 2005) An issuer shall also file the report under para. 1, item 2 with the Commission, as well as with the regulated securities market where the bonds are traded.

Art. 100g. (New – SG, iss. 61 in 2006) (1) A trustee of the bondholders shall be obligated:
1. to analyze regularly the financial status of the bond issuer in view of their ability to fulfill their obligations to the bondholders;
2. (Am. – SG, iss. 39 in 2005) within 30 days of the end of every half-year, to publish a report on the period that has elapsed in the bulletin of the regulated market where the bonds are traded and submit the report with the Commission. The report shall contain the information under Art. 100b, para. 3, as well as information about:
   a) the condition of the collateral for the bond issue when there are such terms;
   b) the financial status of the issuer in view of their ability to fulfill their obligations to bondholders;
   c) activities performed by the trustee in fulfilling their obligations
   d) the presence or absence of the circumstances under Art. 100d, para. 2.
3. to regularly check the balance and condition of collateral;
4. to give written answer to questions asked by the bondholders in relation to the bond issue;

(2) Where an obligation of the issuer is not met under the terms of the bond issue, a trustee of the bondholders shall:
1. (Am. – SG, iss. 39 in 2005) publish a notification about the issuer’s failure to meet its obligations and about the steps
under item 2 which the trustee will take in the bulletin of the regulated market where the bonds are traded and submit the notification to the Commission;

2. take the necessary steps to protect the rights and interests of bondholders including:
a) require the bond issuer to provide as much additional collateral as is necessary to guarantee the interests of bondholders;
b) notify the bond issuer about the amount of the bond issue which becomes demandable in case of any overdue payment of a specified part of the monetary obligations to bondholders;
c) move to foreclose out-of-court the collateral for the bond issues where applicable in the law;
d) bring an action against the bond issuer;
e) file a bankruptcy petition against the bond issuer.

(3) A trustee shall be entitled to access to the book of bondholders whose interests he represents.

Art. 100h. (New – SG, iss. 61 in 2002)(1) Any receivables of bondholders may be collateralized by a pledge, mortgage or in any other way and the designated secured creditor shall be the trustee of bondholders in his capacity of their legal representative.

(2) Commercial enterprises may not be pledged to collateralize receivables of bondholders.

(3) Only first-line pledges and mortgages may be set up for the benefit of bondholders.

Art. 100i. (1) An initial public offering of a bond issue for which collateral is envisaged shall be allowed after the collateral has been put up.

(2) The requirement of para. 1 shall not apply where the collateral is property acquired with the fund raised by the bond issue. The funds raised shall be kept in a bank account in the name of the trustee until the property has been acquired. The trustee shall follow the putting-up of the collateral in accordance with the terms of the agreement under Art. 100a.

(3) When putting up collateral, as well as at least once a year until the bond issue has been redeemed, the issuer shall assign experts with the necessary qualification and experience to make a valuation of the pledged or mortgaged property at its market price. The trustee of bondholders may also assign for the account of the issuer a valuation of the collateralized property were there are circumstances reasonably believed to have brought about a significant reduction of the collateral’s value.

(4) The initial valuation of the collateral under para. 1 shall apply to the prospectus for the bond issue and in the other cases valuations shall apply to the issuers’ reports on the meeting of the obligations regarding the issue.

Chapter Seven
TRADING IN SECURITIES
Division I
General provisions

Art. 101. (Am. – SG, iss. 61 in 2002; iss. 86 in 2006)(1) Trading in securities may be carried only on a regulated market.

(2) Trading in securities shall be allowed where:
1. (Am. – SG, iss. 8 in 2003, am. iss. 39 in 2005; iss. 86 in 2006) the Commission has taken a decision to enter the securities issue in the register under Art. 30, para 1, item 3 of the Financial Supervision Commission Act;
2. (Am. – SG, iss. 61 in 2002) information is disclosed and the other requirements of Chapter Six have been met;
3. the issue price of the securities is paid in full;

(3) (Am. – SG, iss. 39 in 2005) The Commission can refuse registration under para. (2), item 1, if the requirements of the law are not satisfied or some of the share classes of the company provide for special rights, due to which, or for some other reason, the investors’ interest are not secured. In such case Art. 91, para (1) shall be applied accordingly.

(4) Para.s (1) and (2) are not applied to securities issued or secured by the State or the Bulgarian National Bank.

(5) (Cancelled – SG, iss. 86 in 2006).
Trading on the official stock exchange market

Art. 102. (Am. – SG, iss. 86 in 2006) (1) The general requirements for securities admitted to trading on an official stock exchange market shall be laid down in an ordinance.

(2) (Am. – SG, iss. 86 in 2006) The stock exchange must admit for trading Government securities which satisfy the requirements of Art. 3.

(3) (Canceled – SG, iss. 61 in 2002)

Art. 103. (1) (Am. – SG, iss. 86 in 2006) The stock exchange must determine the way and the procedure for listing on the official market of securities admitted in accordance with Art. 102.

(2) (New – SG, iss. 86 in 2006) Where the admission of securities to stock exchange listing is preceded by an initial public offering under Art. 5, item 1, listing may only be carried out after the closing date of the subscription.

Art. 104. (1) The stock exchange shall announce the date of listing, the type, the number, the nominal and total value of the securities

(2) (Am. – SG, iss. 86 in 2006) The stock exchange shall disseminate in an appropriate manner for each issue of securities in the beginning of the working day information about the volumes traded, the minimum and maximum price, the weighted average price for the preceding day and the price at closing on the previous working day, respectively. In the case of continuous trading the stock exchange shall disseminate the information under the previous sentence at least at the end of every working day.

(3) (New – SG, iss. 86 in 2006) In case of continuous trading, besides the information under para 2, the stock exchange shall also disseminate the following information:

1. for each issue of securities at the end of each hour, in which trading is carried out, information about the weighted average price and about the volumes traded for a six-hour period of trading, which ends two hours before the time of the information publication, during which trade is carried out on the stock exchange;

2. for each issue of securities at every 20 minutes information about the weighted average price and about the minimal and maximum price for a two-hour period of trading, which ends one hour before the publication of the information, during which trade is carried out on the stock exchange.

3. for each issue of shares at every 20 minutes information about the concluded transactions, containing:
   a) name of issuer;
   b) description of the shares, including ISIN code of the issue;
   c) number of shares and price according the transaction;
   d) type of the transaction (buy or sale);
   e) time of the transaction’s conclusion;
   f) business name of the investment intermediary through which the transaction was concluded, also whether it acted for its own or a third party’s account.

(4) (New – SG, iss. 86 in 2006) The stock exchange shall provide the Commission by the end of the following working day with information on the concluded during the relevant day transactions in securities, containing the data under item 3 for every concluded transaction.

(5) (Prev. para 3 – SG, iss. 86 in 2006) The stock exchange may apply special rules to the dissemination of information in case of particularly large volumes of transactions in securities, transactions in illiquid securities and in case of debt securities.

Art. 105. (1) The principles and methods of trading must ensure to the members of the stock exchange and their clients equal conditions for participation in trading.

(2) Payments for transactions entered into on an official stock exchange market shall be made through a wire transfer.

Art. 106. (Am. – SG, iss. 86 in 2006) The stock exchange may require any public company and the other issuers whose
securities are admitted to trading on the official stock exchange market to provide the information deemed necessary for the carrying on of stock exchange trading or for the protection of investors.

**Art. 107. (1)** (Am. – SG, iss. 86 in 2006) The stock exchange shall suspend temporarily or definitively the trading in securities admitted to the official capital market where this is necessary for the protection of investors and for the stability of the capital market, as well as in other cases provided for in its rules.

(2) (Am. – SG, iss. 39 in 2005) In the cases under para. (1) the stock exchange shall notify the Commission immediately.

(3) (Am. – SG, iss. 39 in 2005) Suspension of trading for a period longer than three working days shall be allowed with an authorization from the deputy chairman.

**Art. 108.** (Am. – SG, iss. 39 in 2005; iss. 86 in 2006)

(1) In order to conclude term contracts in securities of a public company or other issuers whose securities have been admitted to stock exchange listing, an authorization from the deputy chairman shall be required. Section 91 shall apply accordingly.

(2) Term transactions in securities shall be carried out in accordance with the requirements laid down in the law and in the stock exchange rules.

**Division III**

**Trading on unofficial securities market**

**Art. 109. (1)** Any investment intermediary may enter into transactions on the unofficial securities market if he possesses the necessary technical and software capacity, internal organization and qualified personnel.

(2) The trading through a system under Art. 44, para. (4) may be based on auction methods, centralized binding quotations of securities and mixed methods of trading in securities.

(3) For the purpose of this law quotations of securities means bid and ask offers, made in accordance with Art. 4, for the purchase and sale of securities. The quotations shall contain at least the price and the quantity of the securities.

(4) An investment intermediary who has accepted an order to enter into a transaction in securities for the account of a client may step into the execution transaction only through the system under para. (2). In that case Art. 358, para. (1), second sentence of the Commercial Code shall not apply.

(5) Division II, except for Art. 102, shall apply accordingly to the unsettled cases including the publicity of information.

**Division IV**

**Securities Settlement Systems**

(New – SG, iss. 31 in 2005)

**Art. 109a.** (New – SG, iss. 31 in 2005) (1) Systems may be set up and operated for settlement of transactions in securities, hereinafter called “systems”, with at least three participants under a procedure laid down in a law.

(2) Participants in a system under para 1 shall be the Central Depository, its members and other legal entities, determined in the system’ operational rules. The setting up and the organization of the system for registering and servicing the trade in government securities shall be regulated by another statutory act.

(3) The operational rules of the system define the time of settlement as a time after which the accepted by the system order for registering of a transfer may not be withdrawn by a participant in the system or by a third person, as well as the execution of such order may not be frustrated in some other way

**Art. 109b.** (New – SG, iss. 31 in 2005) (1) The institution of bankruptcy proceedings in regard to a participant in the system shall not affect:

1. the right to use securities from the account of the participant in the system, kept in the Central Depository, for execution of liabilities of the participant in the system, resulting from his participation in such system;

2. the obligations of the Central Depository to process and carry out clearing of the orders of a participant in the system, as well as the validity and matching of the orders against third persons;
3. the rights over the collateral that has been provided by a participant in the system in relation to his participation therein; the rights to compulsory execution and satisfying from such collateral shall also remain unaffected at any time during the process of the bankruptcy procedure, if the conditions agreed for the coercive execution and satisfying exist.

(2) (In effect from the date of coming into force of the Treaty for accession of the Republic of Bulgaria to the European Union) The initiation of bankruptcy proceedings in regard to a participant in the system shall not affect the rights over a collateral that has been provided to guarantee the rights of the European Central Bank and the rights of the central banks of other members states of the European Union, or the rights of a central bank from another state from the European Economic Area. The rights for coercive execution and satisfying from such collateral shall also remain unaffected at any time in the course of the bankruptcy procedure, if the conditions agreed for compulsory execution and satisfying exist.

Art. 109c. (New – SG, iss. 31 in 2005) (1) After the time of acceptance of the order to register a transfer, a participant in the system or a third person may not withdraw or cancel the accepted by the system order, as well as the execution of such order may not be frustrated in some other way.

(2) The initiation of bankruptcy proceedings for a participant in the system shall not affect the right to use funds under the participant’s account kept in such system for execution of his liabilities, resulting from his participation in the system on the date of initiation of the bankruptcy proceedings.

(3) The initiation of bankruptcy proceedings in relation to a participant in the system shall not affect the obligation of the system to process and carry out settlement of the given by such participant orders for registration of a transfer, as well as the validity and matching against third persons of such orders, if they have been accepted by the system in compliance with its rules:

1. before the time of instituting the bankruptcy proceedings;
2. at the moment of initiation of bankruptcy proceedings and after that time, if the orders for registration of transfer have been given on the date of instituting bankruptcy proceedings, provided that the initiation of such proceedings has not been known to the Central Depository and that the participants in the system whose orders have been affected, can prove that the initiation of bankruptcy proceedings have not been known to them from notifications under Art. 7 and 8 or in otherwise.

(4) Retrospective recalculation of mutual claims and liabilities of participants in the system is prohibited;

(5) The institution of bankruptcy proceedings in respect to a participant in the system shall not affect the rights over the collateral, provided by such participant in favour of another participant in the system or of some other person in relation to his participation in this system. The rights to compulsory execution and any claims to the provided collateral shall also remain unaffected.

(6) The collateral, provided by a participant in the system in favour of another participant in the system or of another person, in relation to his participation in this system may not be a subject of forfeiture or compulsory execution.

(7) In case that a court forwards to the Central Depository a notification for the initiation of bankruptcy proceedings for a participant in an operated under the procedure of this Law system, the Central Depository must in due time inform about this circumstance all other participants in the system.

(8) (In effect from the date of coming into force of the Treaty for accession of the Republic of Bulgaria to the European Union) If a notification has been given to the Central Depository for the initiation of bankruptcy proceedings in regard to a participant in the operated according the legislation of another EU member state system, the Central Depository must inform about that circumstance the competent authorities of the individual member state of the European Union, to which according the legislation of the relevant states such function has been assigned.
Chapter Eight

PUBLIC COMPANY

Division I

General provisions

Art. 110. (1) A public company is a company:

1. which has issued shares under the conditions of an initial public offering, or;
2. (Am. – SG, iss. 8 in 2003, am. iss. 39 in 2005; iss. 86 in 2006) which has entered in the register under Art. 30, para. (1), item 3 of the Financial Supervision Commission Act, an issue of shares with the purpose of trading on a regulated market, or
3. (New – SG, iss. 39 in 2005) which has more than 10 000 shareholders in the last day of two consecutive calendar years.

(2) (Am. – SG, iss. 61 in 2002) Public companies are also those under Art. 122, para. (1).

(3) (Am. – SG, iss. 8 in 2003; am. iss. 39 in 2005) A company under para. (1), item 1 becomes public after the entering of the company or the increase in its capital in the commercial register. The company must, in a 7 day period from the entry in the commercial register, submit papers for entering in the register under Art. 30, para. (1), item 3 of the Financial Supervision Commission Act.

(4) (New – SG, iss. 86 in 2006) A company under para. (1), item 2, becomes public from the moment of taking the decision for registration of the shares issue with the purpose of trading them on a regulated market.

(5) (New – SG, iss. 61 in 2002, canceled iss. 86 in 2006)

(6) (New – SG, iss. 61 in 2002) The commercial register shall read that the company under para. 1 is public. The company must move to enter this circumstance in the commercial register.


(8) (Prev. para. (6), am. – SG, iss. 61 in 2002, am. iss. 8 in 2003, iss. 39 in 2005) The conditions and procedure for entry into and deletion from the register under Art. 30, para. 1, item 3 of the Financial Supervision Commission Act of the public companies are laid down in an ordinance.

(9) (Prev. para. (7), am. – SG, iss. 61 in 2002) The persons who manage and represent the public company must:

1. (Am. – SG, iss. 8 in 2003, am. iss. 39 in 2005; iss. 86 in 2006) file for entry in the register under Art. 30 para 1 item 3 of the Financial Supervision Commission Act any following issue of shares within 7 days of entry into the commercial register;
2. (Am. – SG, iss. 8 in 2003, iss. 39 in 2005; am. iss. 86 in 2006) request that any following issue of shares be admitted on a regulated market within 7 days of the entry in the register under Art. 30, para. 1, item 3 of the Financial Supervision Commission Act.

Art. 110a. (New – SG, iss.39 in 2005, in effect from 1 Jan., 2006 concerning the requirements to the public companies under Art. 94 para 1 and 2, Art. 95 and Art. 98a, cancelled – iss. 86 in 2006 in effect from 28 October, 2006).

Art. 111. (1) (Am. – SG, iss. 61 in 2002) The right to vote at a public company’s general meetings shall arise at the moment of paying up the full issue price of the share and after the entry of the company, or of the increase in its capital in the commercial register.

(2) The company’s capital may not be decreased by means of a compulsory cancellation of shares.

(3) The shares of a company under para. (1) shall be dematerialised. Art. 185, para. (2), second sentence of the Commercial Code shall not apply.

(4) (New – SG, iss. 61 in 2002) A public company may not issue preferred shares giving the right to more than one vote or to an additional liquidation share.

(5) (New – SG, iss. 61 in 2002) A public company may acquire for one calendar year more than 3 per cent of its
own voting shares in cases of capital reduction by cancellation of shares and redemption only under the terms and procedures of tender offers under Art. 149b. In this case, the requirements for holding at least 5 per cent and minimum redemption amount of more than 1/3 of the voting shares shall not apply.

(6) (New – SG, iss. 61 in 2002) A public company must publish through the bulletin of the regulated securities market information about 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. Any publication shall be made by the end of business day preceding the day of redemption.

(7) (New – SG, iss. 61 in 2002) Where a public company offers to acquire its own, non-voting shares in cases under para. 5, it must redeem proportionately the shares of shareholders who have accepted the offer. In this case, Art. 149b does not apply.

Art. 112. (Am. – SG, iss. 61 in 2002) (1) In the event of an increase in the capital of a public company each shareholder shall be entitled to the right to acquire shares corresponding to their participating interest in the capital prior to the increase. Art. 194, para. 4 and Art. 196, para. 3 of the Commercial Code does not apply.

(2) In the event of an increase in the capital of a public company through the issuance of new shares, rights under §1, item. 3 shall be issued. One right shall be issued for each existing share.

(3) The capital of a public company may not be increased by increasing the par value of shares that have already been issued or by conversion into shares of bonds that have not been issued as convertibles.

(4) In the case of increase in the capital of a public company the issuing value of the new shares must be paid in full except in increases in the capital under Art. 197 of the Commercial Code. Art. 188, para. 1, sentence two of the Commercial Code shall not apply.


Art. 112b. (New – SG, iss. 61 in 2002) (1) (Am. – SG, iss. 39 in 2005; iss. 86 in 2006) The decision to increase the capital of a public company shall indicate an investment intermediary, with capital not less than the capital provided for in Art. 56, para. 1 that will service the increase in the capital, as well as other necessary information on the issues of rights and shares. The company must send to the Commission, the regulated market, and the Central Depository the minutes with the decision for the increase in capital until the end of the working day following the day on which the general meeting was held or the day on which the meeting of the management board was held.

(2) (Am. – SG, iss. 39 in 2005; iss. 86 in 2006) Right to participate in the increase in the capital shall have the persons who have acquired shares not later than 14 days after the date of the general meeting’s decision to increase the capital, or when this decision is made by the management - the persons who have acquired shares not later than 7 days after the date of the publication of the announcement under Art. 92a para 1. On the next working day, the Central Depository shall open accounts for rights of the persons under the previous sentence, drawing on information from the book of shareholders.

(3) (Am. – SG, iss. 86 in 2006) After receiving the decision of the general meeting under para. 1, and when the decision to increase the capital was made by the management – after publishing the notice under Art. 92a para. 1, the regulated market where the shares are traded shall announce forthwith the final date for conclusion of transactions in them as a result of which the acquirer of the shares shall have the right to participate in the capital increase. For the period during which the shares are transferred with the right to participate in the capital increase, the regulated market may apply special rules with regard to price restrictions for the orders or quotations placed and for the transactions concluded.

(4) (Am. – SG, iss. 86 in 2006) The time limit for transfer of the rights may not be shorter than 14 days and longer than 30 days.

(5) (Am. – SG, iss. 86 in 2006) The time limit for subscription for shares shall be at least 30 days. The beginning of the time limit for subscription for shares coincides with the beginning of the time limit for transfer of the rights. The time limit for subscription for shares shall expire at least 15 working days after the expiration of the time limit for transfer of the rights.

(6) (Am. – SG, iss. 86 in 2006) The transfer of the rights shall be performed on a regulated market. The regulated market
that has admitted to trading the shares in the public company must admit to trading the rights issued by the company.

(7) On the fifth working day after the expiration of the time limit for transfer of the rights, the public company shall offer, through the investment intermediary under para. 1, for sale on the regulated market under the terms of open auction the rights in exchange for which no shares of the new issue have been subscribed until the capital increase is entered in the commercial register. The company shall distribute the sum received from the sale of the rights that have not been exercised less the expenses on the sale proportionally among the holders of the rights.

(8) The sums received from the sale of rights shall be credited to a special account opened by the Central Depository and may not be used until the increase in the capital is entered in the commercial register.

(9) The public company shall organize the subscription in a way that can allow for remote subscription for shares through the Central Depository and its members.

(10) During the subscription in the beginning of every working day the Central Depository shall announce publicly information on the rights that were exercised by the end of the previous working day.

(11) Paragraphs 1 – 10 shall apply accordingly in the case of issue of warrants and convertible bonds.

(12) (Am. – SG, iss. 39 in 2005) The public company shall notify the Commission, within 3 working days of the end of the subscription, of how the subscription was carried out and its results, including difficulties, arguments and others in the process of trading the rights and subscribing for the shares. The notification may not contain false or incomplete material information.

Art. 112c. (New – SG, iss. 61 in 2002; am. iss. 34 in 2006; iss. 86 in 2006) The entering in the commercial register of an increase in the capital of a public company shall be admissible only if the provisions of this chapter have been fulfilled. The company must present proof that it has complied with the requirements of Art. 112, para. 4, Art. 112b, para. 2, 8 and para. 12, sentence one, and, when the decision to increase the capital was taken by the general meeting, also the requirements of Art. 115, para. 2.


(2) The previous para. shall not apply to:
1. banks, investment intermediaries, insurance or other companies, when the increase of capital is required to implement a restructuring program to bring their capital adequacy in compliance with the requirements of the law or a coercive administrative measure was imposed on them, requiring the increase of their capital under the conditions of Art. 195 of the Commercial Code.
2. when the increase of the capital under the procedure of Art. 195 of the Commercial Law is necessary for the execution of merger, tender offer or exchange of shares or ensuring the rights of the warrant or convertible bonds holders

Art. 114. (1) (Am. – SG, iss. 61 in 2002) The persons who manage and represent a public company may not, without being explicitly authorized to that effect by the general meeting, enter into transactions as a result of which:
1. the company acquires, transfers, receives or grants for use or as indemnification in any form fixed assets of the company whose total value exceeds:
a) one third of the lower value of assets in the last audited or the last prepared balance sheet of the company;
b) 2 percent of the lower value of assets in the last audited or the last prepared balance sheet of the company where interested persons participate in such transactions;
2. obligations of the company arise, to one person or related persons, whose total amount exceeds the value under para. 1, letter “a”, and when the obligations arise to interested persons – the value under para. 1, letter “b”;  
3. the receivables of the company from one person or a group of related persons exceed the value under para. 1, letter “a”, and when debtors to the company are interested persons – more than 10 per cent of the value under para. 1, letter “b”. 
The transactions of a public company with the participation of interested persons outside those under para. 1 must be approved in advance by the management body.

The value of any acquired and received for use property under para. 1, item 1 shall be the agreed price, and of any property transferred and granted for use or as collateral – its value as per the last audited financial statement of the company. The value of payables and receivables under para. 1, items 2 and 3 shall also include the agreed interest rates. When securities are subject of transactions under para. 1, they shall be valuated as per their current market price.

Transactions, which are individually below the thresholds under para. 1, but taken altogether lead to a change in property that is above those thresholds, shall be considered as one whole, if they have been committed within a period of three calendar years and to the benefit of one person or related persons, respectively if one person or related persons are a party in the transactions. In such cases the operation or transaction that exceed the thresholds under para. 1 shall be subject to approval by the general meeting of shareholders.

Interested parties shall be the members of the management and supervisory bodies of the public company, its procurator, as well as persons who directly or indirectly hold at least 25 percent of the votes at the company’s general meeting or who control the company, when they or persons related to them:

1. are a party, its representative, or an intermediary to the transaction, or the transactions or operations are carried out to their benefit; or
2. they own directly or indirectly at least 25 percent of the voting rights in the general meeting, or they control a legal entity, which is a party, its representative, or an intermediary to the transaction, or to whose benefit the transactions or operations have been carried out;
3. are members of management or controlling bodies, or procurators of a legal entity under item 2.

Any property of a public company shall be received or granted for use in any form under the terms and conditions of a common enterprise agreement under Division Three, if the property:

1. is granted to a company which holds directly or indirectly at least 25 percent of the votes at the general meeting of the public company or controls the public company or is an entity related to it; and
2. is designed to conduct the core business of the public company within the meaning of Art. 126b, para. 2 or of a material part of it.

If the conditions under para. 6, items 1 and 2 arise after the property has been granted for use, the public company and the counter party shall immediately take steps to conclude a common enterprise agreement and shall file an application with the deputy chairman under Art. 126c within a month.

The provisions of para. 1 do not apply in cases:

1. of any transaction effected in the conduct of the ordinary business of the company, including conclusion of contracts for bank credits and collateral unless interested persons participate in them;
2. (Am. – SG, iss. 86 in 2006) of loans from a holding company and provision of deposits by a subsidiary under conditions that are not more unfavorable than the market conditions in the country;
3. where there is a common enterprise agreement under Division Three.

The ordinary business under para. 8, item 1 shall be the totality of operations and transactions of the company, effected by the company within its scope of business operations and pursuant to the usual business practice, outside of transactions and operations arising from extraordinary circumstances.

The transactions carried out in breach of para.s (1)-(9) shall be void;

Where deposits are provided under para 8 item 2, the holding company must notify the Financial Supervision Commission within a 7-days period.

(1) The management body shall present an informed report to the general meeting about the expediency and the conditions of the operations and transactions under Art. 114, para. 1. The report shall be
part of the materials given to shareholders when a general meeting is convened. An ordinance may establish the circumstances which are subject to disclosure by the management body to the general meeting.

(2) The general meeting of the company shall make a decision under Art. 114 para. 1 in cases of acquisition or disposal of fixed assets by a majority of 3/4 of the represented capital and in any other cases – by a simple majority.

(3) In making a decision under Art. 114, para. 1 interested parties may not exercise their voting right. Interested members of the management board shall not take part in any decision-making under Art. 114, para. 2.

(4) Any transaction under Art. 114, para. 1 and 2 involving interested parties may only be effected at market price. Valuation shall be made by the management board, or in cases under Art. 114, para. 1, item 1, letter “b” – by independent experts with the necessary qualification and experience appointed by it.

(5) Any decision under para. 3 shall mention the material conditions of the transaction including the parties thereto, subject matter and value, as well as for whose benefit the transaction concerned is effected.

Art. 114b (New – SG, iss. 61 in 2002) (1) (Am. – SG, iss. 39 in 2005; iss. 86 in 2006) Members of the management and supervisory bodies of the public company, its procurator and the persons directly or indirectly holding at least 25 percent of the votes at the general meeting of the company or controlling the company, must state to the management board of the public company and to the Commission and the regulated market where the company’s shares were admitted to trading information about:

1. the legal entities in which they hold directly or indirectly at least 25 per cent of the votes at the general meeting or which they control;
2. the legal entities in whose management and supervisory bodies they participate or whose procurators they are;
3. the current and future transactions known to them with respect to which they think they may be considered interested persons.

(2) The members of the management and supervisory bodies of the public company and its procurator must disclose the respective circumstances under para 1 within 7 days of their election and the persons who hold directly or indirectly at least 25 per cent of the votes at the general meeting - within 7 days of their acquisition of the shares, respectively the control. The persons under the previous sentence must update the disclosing document within 7 days of coming into existence of the respective circumstances.

Art. 115. (1) The general meeting of a public company shall be held at its registered office. The regular general meeting shall be held until the end of the first half of the year after the end of the reporting year.

(2) (Am. – SG, iss. 61 in 2002; iss. 34 in 2006) The company must promulgate the invitation under Art. 223, para. 4 of the Commercial Code in the State Gazette and publish it in a national daily no later that 30 days before its start.

(3) (Am. – SG, iss. 61 in 2002, am. iss. 39 in 2005; iss. 86 in 2006) The invitation under para. (2) together with the materials for the general meeting under Art. 224 of the Commercial Code shall be forwarded to the Commission, to the central depository and to the regulated market, where the company’s shares are admitted to be traded, at least 45 days before the holding of the meeting. The Commission and the regulated market shall make the materials received public.

(4) (New – SG, iss. 39 in 200; am. SG iss. 86 in 2006) In the cases under Art. 223a of the Commercial Code, the shareholders shall submit to the Commission and to the regulated market at the latest on the next business day after the ruling of the court to include other items on the general meeting’s agenda, the materials under Art. 223a, para (4) of the Commercial Code.

(5) (Am. – SG, iss. 61 in 2002, prev. Art 4, iss. 39 in 2005) The members of the management and supervisory bodies and the procurator of the company must answer honestly, exhaustively and to the point to questions asked by shareholders at the general meeting regarding the economic and financial position of the company and its commercial activity, except for circumstances that are considered insider information. Shareholders may ask such question even if these questions are not related to the agenda.

(5) (Canceled – SG, iss. 61 in 2002)
Art. 115a. (New – SG, iss. 61 in 2002) (1) The right to vote shall be exercised by persons who were entered as shareholders in the Central Depository's registers 14 days prior to the date of the general meeting.

(2) The Central Depository must provide the company with lists of shareholders under para. 1 upon request by the person authorized to manage and represent the company.

(3) Upon receipt of an invitation under Art. 115, para. 3 the regulated market where the shares are traded shall immediately announce the final date for concluding share transactions enabling the purchaser to exercise the voting right of the shares.

Art. 115b. (New – SG, iss. 61 in 2002) (1) Entitled to receive dividend shall be persons who were entered as shareholders in the Central Depository's registers on the 14th day following the date of the general meeting which approved the annual financial statement and made a decision to distribute the profit. Art. 115a, para. 2 shall apply accordingly.

(2) (Am. – SG, iss. 39 in 2005) The company must immediately notify the Commission, the Central Depository and the regulated market about the decision of the general meeting as to the type and amount of the dividend and about the dividend payment terms and procedure.

(3) Upon receipt of a notification under para. 2, the regulated market on which the shares are traded shall immediately announce the final date for concluding share transactions enabling the purchaser to receive the dividend on these shares voted at the general meeting.

(4) Until the end of the business days following the day of any notification under para. 2 and the final day for concluding transactions under para. 3, special rules may apply to the regulated securities market regarding the price limitations of orders or quotations and transactions concluded.

(5) The company must ensure that the dividend voted at the general meeting be paid to shareholders within 3 months after the general meeting has been held. All expenses related to the payment of the dividend shall be covered by the company.

(6) The payment shall be made with the assistance of the Central Depository. The procedure for the payment of dividends shall be established by an ordinance.

Art. 116. (1) The written power of attorney to represent a shareholder at a public company’s general meeting must be given for a particular general meeting; it must be explicit, approved by a notary public, and it should have the minimum contents laid down in an ordinance.

(2) (Canceled – SG, iss. 61 in 2002)

(3) (Am. – SG, iss. 61 in 2002) Re-license with the rights under para.s (1), as well as a power of attorney given in contravention of the rules of para.s (1) shall be void.

(4) The offer to represent a shareholder or shareholders with more than 5 % of the votes in the general meeting of a public company has to be published in a central daily newspaper or sent to every shareholder who is affected by it. The offer contains at least the following data:

1. the agenda of the issues, proposed for discussion at the general meeting and the suggestions for decisions on them;
2. invitation for instructions from the shareholders regarding the way of voting on the agenda issues;
3. statement about the way, in which the offeror will vote on every agenda issue, if the shareholder, who accepted the
The offeror must vote at the general meeting of the company in accordance with the instructions of the shareholders, contained in the power of attorney, and if such instructions are not given – in accordance with the statement under item 3 of para. (4). The offeror can digress from the instructions of the shareholders, or respectively his statement regarding the way of voting, if:

a) certain circumstances have emerged, which have not been known as of the moment of making the offer or the signing of the proxy’s power of attorney by the shareholders;
b) The offeror was not able to ask for new instructions and/or make a new statement, or has not received in time new instructions from the shareholders;
c) the digression is required in order to protect the shareholders’ interest.

The Company cannot require that it be provided with powers of attorney under para. (1) earlier than 2 working days before the date of the general meeting. The company notifies the shareholders present at the general meeting about the submitted powers of attorney at the opening of the general meeting.

If there are more than one powers of attorney submitted under para. (1), that were issued by the same shareholder, valid is the one that has been issued last.

If until the beginning of the general meeting the company is not notified in writing by a shareholder about the withdrawal of a power of attorney, it is considered valid.

If the shareholder is personally present at the general meeting, the power of attorney, issued by him for this general meeting, is valid, except if the shareholder claims the opposite. Regarding the agenda issues, on which the shareholder votes personally, the proxy’s voting right on those issues is canceled.

The company must notify the Commission about the proxy voting within 7 days after the general meeting has been held.

Terms and procedures for authorization upon the proxy’s initiative for proxy voting at the general meeting, as well as terms under which a spouse, a relative in a direct line of descent, or an investment intermediary may be authorized to that effect without a notarial attestation, shall be determined by an ordinance.

Members of the supervisory board and the management board of a public company may not be persons that, as of the moment of election, have been convicted and have an effective sentence of fraud, misappropriation, crimes against the industry, against the tax, financial or insurance systems committed in the Republic of Bulgaria or abroad unless they have been exculpated.

At least one third of the members of the Board of Directors or the supervisory board of a public company must be independent persons. An independent member of the board may not be:

1. an officer in the public company;
2. a shareholder who owns directly or through related persons at least 25 percent of the votes at the general meeting or is a person related to the company;
3. a person who has lasting trade relations with the public company;
4. a member of a management or supervisory body, procurator or officer in a company or another legal entity under items 2 and 3;
5. a person related to another member of a management or supervisory body of the public company.

Persons who have been elected as members of the management or supervisory bodies with respect to whom the circumstances under para. 1 or 2 arise after their election must notify forthwith the management body of the public company. In this case, the persons shall stop performing their functions and shall not receive remuneration.

Applicants for an elective position shall prove the lack of circumstances under para. 1 with a certificate showing no previous convictions and those under para. 2 – with a declaration.
must:
1. perform their duties in due diligence in a manner they reasonably believe to be in the best interests of all company's shareholders, and by using only information that they reasonably believe is truthful and full;
2. be loyal to the company as they:
   a) give priority to the company's interest over their own interest;
   b) avoid any direct or indirect conflict between their own interest and the company's interest, and where such a conflict arises – disclose it in writing in due time and fully to the relevant body, and they do not participate and do not influence the other members of the board in making a decision in such cases;
   c) do not disclose any non-public information about the company even after they are no longer members of the relevant bodies, until the relevant circumstances have been publicly disclosed by the company.

(2) The provision under para. 1 shall also apply to natural persons that represent legal entities – members of management and supervisory bodies of a company as well as to the procurators of a public company.

Art. 116c. (New – SG, iss. 61 in 2002) (1) Any remuneration and bonuses of members of the management and supervisory bodies of a public company, as well as the period in which they are due shall be determined by the general meeting.

(2) Any person under para. 1 shall give collateral for their management within seven days of their election.

(3) The collateral shall be in cash. The amount of collateral shall be determined by the general meeting of shareholders but it may not be less than the gross quarterly remuneration of the persons under para. 1.

(4) The collateral shall be blocked for the benefit of the company in a bank on the territory of the country. Interest and any other similar earnings from the collateral blocked in a bank shall not be blocked and may be withdrawn upon the request of the person who has put up the collateral.

(5) In case collateral has not been given within the specified time limit, the person concerned shall not receive their remuneration as a member of the relevant body until the full amount of collateral has been given.

(6) Collateral shall be released:
   1. for the benefit of the depositor under para. 1 – after the date of the decision of the general meeting to exempt them from liability and dismiss them;
   2. for the benefit of the company – in case the general meeting has so decided after it has discovered any damages to the company.

(7) (Am. – SG, iss. 39 in 2005) The general meeting may exempt a member of a management or supervisory body from liability at a regular annual general meeting if there is an annual financial report for the preceding year and an interim financial report for the period from the beginning of the current year to the last date of the month, preceding the month in which the invitation for the general meeting's convening has been promulgated, which have been certified by a registered auditor.

(8) Paragraphs 1 – 7 shall apply accordingly to the procurators and the powers of the general meeting shall be performed by the supervisory board, respectively the board of directors. These bodies shall report to the general meeting about the amount of remuneration received, the specified collateral and the extent to which the tasks assigned to any person have been fulfilled.

Art. 116d (New – SG, iss. 61 in 2002) (1) The management body of a public company shall be obligated to employ under a labor contract a director of investor relations.

(2) A director of investor relations must have adequate qualifications or experience to discharge their duties and may not be a member of a management or supervisory body or a procurator of the public company.

(3) A director of investor relations shall:
   1. provide efficient contact between the management body of the company and its shareholders and the persons that are interested in investing in securities of the company, by providing to them information about the current financial and
economic position of the company, as well as any other information they are entitled to in the capacity of shareholders or investors;
2. be responsible for sending the materials for a general meeting within the term established by law to all shareholders who have requested to get acquainted with them;
3. keep and maintain accurate and thorough minutes of the meetings of the managing and supervisory bodies of the company;
4. (Am. – SG, iss. 39 in 2005) be responsible for sending without delay all necessary reports and information about the company to the Commission, the regulated market on which the securities of the company are traded, and to the Central Depository;
5. keep a register for the sent materials under items 2 and 4, as well as for the filed requests and the information given under item 1. If the information was not provided, the reasons for that shall be explained.
(4) A director of investor relations shall report to shareholders at the annual general meeting.
(5) The persons who manage the company must assist the director of investor relations and control the performance of the functions under para. 3.
(6) Art. 116a and Art. 116b shall apply accordingly to any director of investor relations.
Art. 117. (1) (Prev. Art. 117, am. – SG, iss. 61 in 2002, iss. 39 in 2005; iss. 86 in 2006) The company shall forward to the Commission and the regulated market where the shares in the company are admitted to trading the minutes of the general meeting within 3 working days after the meeting’s holding.
(2) (New – SG, iss. 61 in 2002, am. iss. 39 in 2005) The Commission and the regulated market shall make publicly available the decisions adopted by the general meeting according the minutes under para. 1.
Art. 118. (1) The persons holding jointly or separately at least 5 per cent of the capital of a public company may bring before the court the company’s claims against third parties in case of inaction of the public company’s management bodies which jeopardises its interests. The company shall also be summoned as a party to the proceedings.
(2) (Am. – SG, iss. 61 in 2002) The persons under para. 1 may:
1. bring a claim before the district court according to the company’s registered office for compensation of damage inflicted on the company as a result of the executive actions or inaction of the members of the management and supervisory bodies and of the company’s procurators;
2. request that the general meeting or the district court appoint controllers to examine the entire financial documentation of the company and to prepare a report of their findings;
3. request that the district court convene a general meeting or empower a representative to convene a general meeting following an agenda specified by them.
(3) (New – SG, iss. 61 in 2002) The court shall forthwith issue a judgment on any request under para. 2, item 2 and 3.
Art. 118a. (New – SG, iss. 61 in 2002) Any person, who controls a public company, as well as any other person who through their influence on the public company has persuaded a member of the company’s managing or supervisory bodies, or a procurator of the company, to act or to refrain from action in a way that conflicts with the interests of the company, shall be jointly and severally liable for the damages done to the company. Art. 118, para. 2, item 1 shall apply accordingly.
Art. 119. (1) A company under Art. 110, para. (1) shall cease to be a public company as of the date of the decision to delete it from the Commission’s register if:
1. (Am. – SG, iss. 61 in 2002) the general meeting of the company has taken a decision for its deletion by a majority of 2/3 of the represented capital on condition that:
a) the number of shareholders is less than 300 persons 14 days before the date of the general meeting as well as on the last day of the preceding calendar year; and
b) the value of the company’s assets is less than 500 000 leva as per the last monthly balance sheet as well as according
to the last certified annual balance sheet; or

2. (Canceled – SG, iss. 61 in 2002)

3. (Am. – SG, iss. 61 in 2002) a tender offering under Art. 149a has been held, and:
   a) shareholders who own no less than 1/2 of the total number of shares subject to the tender offer have accepted the tender offer, or
   b) the general meeting of the company has decided in favor of delisting with a majority of 1/2 of the represented capital.

The represented capital shall not include shares that the tender offeror acquired prior to the registration of the tender offer with the deputy chairman in charge of the Investment Activity Supervision Division, as specified in Art. 149a, para. 1. The tender offeror shall vote only with the shares that it has acquired as a result of this tender offer and after that.

(2) (Am. – SG, iss. 61 in 2002) The invitation for convening the general meeting under para 1, item 1 must state the reasons of the proposal for a decision to delete the company.

(3) (New – SG, iss. 61 in 2002) In the application for deletion from the register of the deputy chairman in charge of the Investment Activity Supervision Commission, the company shall mention the transactions and operations that have contributed significantly to the decline of the number of shareholders and the value of the company’s assets below the respective thresholds under para. 1, item 1. Art. 91 shall apply accordingly.

(4) (New – SG, iss. 61 in 2002, am. iss. 39 in 2005) The deputy chairman shall refuse to make a deletion of the public company if the conditions under para. 1, item 1 or item 2 are not met, including cases where the law has been violated in meeting such conditions.

(5) (Canceled, new – SG, iss. 61 in 2002, am. iss. 39 in 2005) After the decision of the deputy chairman to delete the public company from the register takes effect, the statement that the company is public shall be removed from the company’s charter. The company must ask for this change to be entered into the Company Register and submit an updated charter under the procedure in Art. 174, para. 4 of the Commercial Code.

(6) (Canceled, prev. para (3) – SG, iss. 61 in 2002, am. iss. 39 in 2005) After the decision of the deputy chairman for deletion from the register, the shares in the company may not be dealt in on a regulated securities market.

(7) (Canceled, prev. para (4) – SG, iss. 61 in 2002, am. iss. 39 in 2005) The public company may be transformed into a limited liability company only after the decision of the deputy chairman to delete it from the register.

(8) (Canceled – SG, iss. 61 in 2002)

(9) (Canceled – SG, iss. 61 in 2002)

Art. 120. (Am. – SG, iss. 61 in 2002, iss. 39 in 2005) Chapter Six, Division IV shall apply to the public company, including the form, procedures and ways of providing the information under Art. 115, para.s (3) and (4) and Art. 117 as well as the public dissemination of this information.

Art. 121. The provisions of the Commercial Code shall apply to the cases which are not explicitly covered by the present division.

Division II

Transformation

Art. 122. (1) (Am. – SG, iss. 39 in 2005) In cases of transformation under Chapter Sixteen of the Commercial Code, which involves at least one public company, the newly-established and the host company or companies, shall also be public.

(2) (Am. – SG, iss. 61 in 2002, iss. 39 in 2005; iss. 34 in 2006) The entering of the transformation under para. 1 in the commercial register is allowed only after the submission of the deputy chairman’s decision under Art. 124, para (1).

(3) (Am. – SG, iss. 39 in 2005) In a 7 day period from the entering of the transformation in the commercial register, the management bodies of the newly established or host company or companies are required to:

1. submit to the Commission papers for entering into the register under Art. 30, para (1), item 3 of the Financial
Supervision Commission Act;
2. submit to the central depository papers for registration of their issues of shares and their allocation on accounts or the
transfer of the shares..

(4) (Canceled – SG, iss. 39 in 2005).

Art. 123 (Am. – SG, iss. 39 in 2005) (1) The contract or plan for transformation under Art. 262g of the Commercial Code, besides the particulars under Art. 262g of the Commercial Code must also contain:
1. the fair share price of any of the transforming companies, or a company, as well as the exchange ratio of
shares in the transforming companies/company, against shares in the newly-established companies/company,
or the host company, determined on a date which may not be earlier than 1 month before the date of the
contract or plan for transformation;
2. the price rationale under item 1 on the basis of generally accepted valuation methods;
3. other measures, proposed to the shareholders with special rights and to the holders of securities other than shares,
other than the rights under Art. 262g, para 2, item 8 of the Commercial Code, if such have been envisaged;

(2) The requirements for the contents of the rationale under para 1, item 2, including the application of
valuation methods shall be laid down in an ordinance.

(3) The contract or plan for transformation under para 1 must be verified by an independent expert under
Art.262j of the Commercial Code, included in a list, approved by the deputy chairman.

Art. 124. (Am. – SG, iss. 61 in 2002, am. iss. 39 in 2005) (1) The contract or plan for transformation and the reports of the
management body under Art. 242i of the Commercial Code and of the verifying expert under Art. 262l of the Commercial
Code of any of the participating in the transformation companies must be approved by the deputy chairman.

(2) The transforming companies, or the transforming company shall submit an application for approval and they shall
enclose:
1. the contract or the plan for the transformation, satisfying the requirements of Art. 262f and 262g of the Commercial
Code;
2. report of the management body of each of the transforming and the host companies under Art. 262l of the Commercial
Code, stating also the grounds for which the transformation is needed;
3. report of the verifying expert under Art. 262l of the Commercial Code, respectively also under Art. 262u of the
Commercial Code, as well as a declaration of the verifying expert that he is not a related person to the companies
participating in the transformation and has no other relations with them, that may arouse well-founded suspicions about his
impartiality.
4. the annual financial statements under Art. 26, para 1 of the Accountancy Act and the performance reports of all
transforming and host companies for the past three financial years, if there are any and they have not been filed with the
Commission;
5. a balance sheet as of the last date of the month preceding the date of the contract or the plan for transformation;
6. the draft of new articles of association of each of the newly established companies, or draft amendments and
supplements to the articles of association of each of the transforming and host companies;
7. copy of the application filed with the Central Depository under Art. 262x, para 5 of the Commercial Code;
8. any other documents set out in an ordinance.

(3) The balance sheet under para (2), item 5 must be prepared by applying the same accounting policy and form as of the
last annual financial statement.


Art. 125 (Am. – SG, iss. 61 in 2002, iss. 39 in 2005) The deputy chairman shall refuse the issue of approval if the written materials under Art. 124, para. 2 do not comply with the requirements of the law, the information they contain is not presented in a way accessible to the shareholders or does not reveal faithfully and completely the material circumstances that are important for the shareholders to make a reasoned decision on the proposal for transformation as well as if the shareholders’ interests are harmed in any other way. Art. 91 and Art. 92, para.s (2) and (3) shall apply accordingly.

Art. 126 (Am. – SG, iss. 39 in 2005) (1) Any shareholder who quit the company according to Art. 263r of the Commercial Code shall have the right to receive the equivalence of the shares owned by him before the transformation at the price stated in the plan or in the contract for transformation. In this case, Art. 111, para 5 shall not apply.

(2) Within thirty days of the date of the notification for termination of a participation under Art. 263r of the Commercial Code, the newly-established and/or host company must buy out the shares of shareholders under para. 1.


Division III
(New – SG, iss. 61 in 2002)

Common Enterprise Agreement

Art. 126b. (New – SG, iss. 61 in 2002) (1) A common enterprise agreement obligates a public company to conduct its core business or a part of it in a common interest with another company which holds directly or indirectly at least 25 percent of the votes at the general meeting of the public company which controls the public company or is a person related to it.

(2) Core business under para. 1 shall be the totality of the company’s legal and business actions and operations generating at least 25 percent of its revenues from goods sold or services rendered in accordance with the last audited annual financial report.

(3) A common enterprise shall be managed jointly by the management bodies of the companies that are parties to an agreement or independently by the management body of one of these companies, respectively by persons appointed by the management body.

(4) The persons under para. 3 shall be obligated to disclose information about the common enterprise under the procedure in Chapter Six, Division IV.

(5) The distribution of profits and losses from the activity of a common enterprise shall be made in view of the assets and other forms of contribution with which each company participates in the common enterprise.

(6) An agreement must provide in complete details for the form and ways of contribution of each of the companies in the common enterprise, its activity, ways of management, methods of distribution among the companies of the profits and losses of the common enterprise, as well as the terms and procedures for the termination of the agreement.

Art. 126c. (New – SG, iss. 61 in 2002) (1) The management body of each public company that is party to a common enterprise agreement shall draw up a written report containing the legal and economic rationale for the agreement, a valuation of the assets and the other forms of contribution with which each company participates in the common enterprise, as well as a rationale, on the basis of generally accepted valuation methods, of the fair price of the shares in the respective public company. Any requirements of the content of the rationale for the fair price, including requirements of the application of valuation methods, shall be set out in an ordinance.

(2) (Am. – SG, iss. 39 in 2005) The report under para. 1 must be reviewed by not more than three independent experts with the necessary qualifications and experience approved by the deputy chairman upon proposal by the companies that are parties to the agreement. The experts shall draw up a written report for the shareholders. The costs of the expertise shall be covered by the companies.

(3) (Am. – SG, iss. 39 in 2005) The expert shall draw up a report that indicates the methods for valuation of the forms of
contribution of the parties to an agreement and for valuation of the fair price of the shares in the public company, to what degree these methods are appropriate, as well as any difficulties in the valuation if there are any. The report must also indicate other material circumstances that are important for the shareholders to make a reasoned decision on the draft agreement.

(4) (New – SG, iss. 39 in 2005) Any expert is entitled to obtain an access to information and written materials, relating to each of the companies participating in the common enterprise, which are connected with his task, as well as to carry on all needed check-ups.

Art. 126d. (New – SG, iss. 61 in 2002) (1) (Am. – SG, iss. 39 in 2005) The draft common enterprise agreement and the reports under Art. 126c must be approved by the deputy chairman.

(2) (Am. – SG, iss. 39 in 2005) Each public company that is party to a common enterprise agreement shall file with the Commission an application for approval and it shall enclose the documents under para. 1 and other documents laid down in an ordinance. The deputy chairman shall render a decision on the application within thirty days of its filing and if there has been a request for elimination of incomplete details or irregularities or for the filing of additional information – within 14 days of the documents filed in addition. Art. 28, para. 2, 3 and 6 shall apply accordingly.

(3) (Am. – SG, iss. 39 in 2005) The deputy chairman shall issue a motivated refusal for approval only if the documents under para. 1 do not comply with the requirements of the law, if the information they contain is not presented in a way that is accessible to the shareholders or does not disclose appropriately and completely material circumstances that are important for the shareholders to make a reasoned decision on the draft agreement or if the interests of the shareholders in a public company that is party to a common enterprise agreement have been harmed in any other way.

Art. 126e. (New – SG, iss. 61 in 2002) (1) A common enterprise agreement shall become effective following an approval by the general meeting of each of the companies that are parties to the agreement. The decision of the general meeting shall be made by a majority of 3/4 of the represented capital.

(2) (Am. – SG, iss. 8 in 2003, am. iss. 39 in 2005) The companies shall file the common enterprise agreement, the decisions of their general meetings and the decision by the deputy chairman for its approval with the commercial register within 7 days of the agreement’s effective date. Within this term, a public company that is party to an agreement shall also enter it for filing in the register under Art. 30, para. 1, item 3 of the Financial Supervision Commission Act.

(3) Any termination or rescission of a common enterprise agreement shall have a prospective effect. In such cases, para. 1 shall apply accordingly.

(4) Any further amendments to a common enterprise agreement shall be made in accordance with the provisions of this chapter.

Art. 126f. (New – SG, iss. 61 in 2002) (1) (Am. – SG, iss. 39 in 2005) Any shareholder in a public company that is party to a common enterprise agreement shall be entitled to request of the company to purchase all or a portion of the shares the person holds at the price indicated in the report of the company’s management body which is approved by the deputy chairman, if the person voted against a decision of the general meeting to approve the agreement or a further amendment to it. In this case, Art. 111, para. 5 shall not apply.

(2) Instead of purchase of shares, a common enterprise agreement may entitle the persons under para. 1 to request of the company to exchange all or a portion of their shares in the public company for shares in the company that is counter party to the agreement. In this case, the management body’s report under Art. 126c must contain information about the rights associated with the shares in the controlling company and a rationale, on the basis of generally accepted economic methods, of the fair price of the shares in the controlling company and their exchange ratio for shares in the public company.

(3) The persons under para. 1 must file with the respective public company a request for the buy-out or exchange of shares within thirty days of the date of the general meeting.

(4) Within thirty days of the expiration of the term under the previous paragraph but not before the effective date of a
common enterprise agreement, the public company must purchase the shares of shareholders who have made a request.

Art. 126g. (New – SG, iss. 61 in 2002) (1) The persons who manage a common enterprise must act in the interest of the parties to the agreement and their shareholders. Art. 116b shall apply accordingly.

(2) The persons under para. 1 shall be jointly and severally liable for any damage caused due to failure to perform their obligations in the management of a common enterprise to each company that is party to the common enterprise agreement.

(3) A person who through their influence on a manager of a common enterprise has made the manager act or refrain from action not in the interest of the parties to the agreement shall be jointly and severally liable for the damages caused.

(4) Persons holding together or separately at least 5 percent of the capital of a public company that is party to a common enterprise agreement may file a claim with the district court for the district where the company is incorporated for indemnity for damages caused to the public company by action or inaction of the persons under para. 2 and 3.

Art. 126h. (New – SG, iss. 61 in 2002) (1) Common enterprise agreements with international participation shall be subject to the provisions of this Division and the mandatory provisions of Bulgarian law.

(2) Parties to an agreement that are foreign persons as well as the foreign persons who manage a common enterprise must indicate a country representative and an address where summons, messages and other correspondence will be delivered.

Chapter Nine
CENTRAL DEPOSITORY

Art. 127. (1) The issue and disposal of dematerialized securities shall become effective only after they have been registered at the central depository.

(2) The central depository is a joint stock company with an one-tier management system and with the following activities:
1. opening and keeping of accounts for securities under para. (1);
2. registration of transactions in securities under para. (1);
3. keeping of cash accounts and effecting of payments in relation to transactions in securities under para. (1);
4. administration of securities, including keeping of the books for dematerialised shares and bonds;
5. immobilisation of securities in the cases under Art. 141, para. (2);
6. other activities laid down in the ordinance under Art. 140.

(3) The central depository may not carry out commercial transactions unless this is necessary for the pursuit of the activities under para. (2). Art. 21, para. (3) is applied accordingly for the central depository.

(4) The central depository shall be a non-profit organization and shall not distribute dividends. The surplus of revenues over expenses of the central depository is accounted for at the end of the fiscal year and half of the funds are transferred to the reserve fund, and the other half – in accordance with Art. 132, para. (2).

(5) Except for the purposes of Art. 246, para. (3) of the Commercial Code the funds of the reserve fund of the central depository shall also be used to cover expenses related to its activity.

(6) The central depository must have qualified personnel, technical equipment and hardware and software necessary for the efficient and secure performance of its activities under para. (2).

(7) An arbitrage court is established with the central depository. The general meeting of the central depository approves the rules of the arbitrage court and elects its chairman and deputy chairman.

(8) The central depository shall not be terminated by resolution of the general meeting. Bankruptcy proceedings may not be instituted for the central depository.

Art. 128. (1) The central depository shall issue only registered shares with the right of one vote. The central depository may not issue preferred stock.

(2) (Am. – SG, iss. 39 in 2005; iss. 86 in 2006) At least three fourths (3/4) of the central depository capital must be held by the Ministry of Finance, the Bulgarian National Bank, banks and investment intermediaries. The
participation of the Ministry of Finance and the Bulgarian National Bank may not be less than 34 per cent.

(3) (Am. – SG, iss. 39 in 2005; iss. 86 in 2006) Any shareholder of the central depository may not hold, directly or through related persons, more than 5 per cent of its shares. This restriction shall not apply in regard to the participation of the Ministry of Finance, the Bulgarian National Bank and the persons under Art. 131, para 1, item 4 and 5.


(2) (Prev. para 2, am. – SG, iss. 39 in 2005, prev. para 1, iss.86 in 2006 in effect from 28 October, 2006) The board of directors of the Central Depository shall:
1. adopt rules on the organization and activities of the central depository;
2. admit and expel members of the central depository;
3. organise and control the payments under executed transactions;
4. impose sanctions on the members in accordance with the conditions and procedures provided for in the ordinance under Art. 140;
5. exercise any other rights which are explicitly vested therein by virtue of the law, the ordinance under Art. 140, the Articles of Association and the rules;
6. pass resolutions and issue orders in relation to the exercise of its rights.

(3) (Prev. para 1, am. – SG, iss. 39 in 2005; prev. para 2, iss. 86 in 2006 in effect from 28 October, 2006) Representatives of the Commission may also attend sessions of the board of directors.

Art. 130. The rules of the central depository shall contain:
1. the conditions and procedure for the admission of members and for their temporary or final expulsion;
2. the conditions and procedure for carrying on the business and providing the services under Art. 127, para. (2);
3. the organisation of internal control;
4. the conditions and procedure for imposing sanctions on the members of the central depository;
5. the conditions and procedure for the provision of information about the services provided, the requirements for keeping the registers of the central depository, as well as the control of their observance;
6. the conditions and procedures for management of the guarantee fund under Art. 132 and for paying compensations therefrom.

Art. 131. (1) Members of the central depository may be:
1. banks;
2. investment intermediaries;
3. management companies;
4. stock exchanges and persons, who organize unofficial securities markets;
5. foreign depository and clearing institutions.

(2) No member of the central depository may have any priority before the other members in the process of operation of the central depository.

Art. 132. (1) With the central depository a guarantee fund shall operate for compensation of the damages stemming from the carrying out the business of the central depository.

(2) Each member of the central depository must pay up an admission contribution and an annual cash contribution at the amount set in the rules under Art. 130. Other sources for raising cash into the fund shall be half of the profit of the central depository, loans, donations, foreign assistance, etc.

(3) (Am. – SG, iss. 39 in 2005) The management of the settlement risk of securities is regulated by an ordinance under Art. 140.

Art. 133. (1) (Am. – SG, iss. 39 in 2005) Any investor has the right to access the registers of the central depository through a member of the institution only with regard to the information related to his/her shares and to securities transactions where he is a party. The central depository and its members cannot refuse to perform the services described in the previous sentence.
The members of the board of directors of the central depository, its employees and all other persons working for the central depository may neither disclose, unless they are authorised to do so, nor use to their own benefit or to the benefit of third parties facts and circumstances relating to the balances and the operations on the securities accounts kept at the central depository, of which they have become aware in the course of carrying out their official and professional duties.

Upon taking office or commencing activities for the central depository any person under para. (2) shall sign a confidentiality declaration under para. (2).

The provision of para. (2) shall also apply to the cases where the persons mentioned are not involved in official activities or their activities have been terminated.

Except for the provision of data to the Commission, respectively to the deputy chairman for the purposes of their supervisory activities, the central depository may provide data about the balances and the operations on the securities accounts kept thereby only:

1. with the consent of the members of the central depository and their clients, or
2. on the grounds of a court ruling issued under the procedure and conditions of Art. 71, para.s (6) and (7).

The central depository shall maintain sine die an archive of all data, including wrong and corrected entries.

The central depository shall maintain at the Bulgarian National Bank a parallel data base duplicating the whole information under para. (1).

The ordinance under Art. 140 provides the measures for prevention of information loss from the registers of the central depository, and of termination of its activities in cases of accidents, natural disasters, etc.

The companies with issues of dematerialized shares must register them at the central depository in accordance with a procedure laid down in the ordinance under Art. 140. The registration of an issue of securities at the central depository may be deleted after presenting the decision of the deputy chairman for deletion from the register under Art. 30, para. (1), item 3 of the Financial Supervision Commission Act.

The central depository may refuse registration where:

1. required data and information are missing, or these are not filed under the appropriate procedure;
2. specific items of the information are missing, or there are inaccuracies and controversies related to the data under item 1;
3. the balance of the accounts of the transferor or transferee is insufficient for the conclusion of the transaction within the settlement period, set by the rules of the central depository;
4. there are inconsistencies when the information submitted by the transferor and the transferee is compared;
5. there are prohibitions or restrictions as laid down by law;
6. there are other cases envisaged by the ordinance under Art. 140.

In the cases under para. (2), items 1, 2 and 4 the central depository requires through its respective member the inaccuracies to be eliminated within a certain time limit and sends appropriate instructions in this respect. In the cases under para. (2), item 3 the transactions are completed in accordance with the procedures stipulated in the ordinance regarding the central depository.

The names of the holders of dematerialised securities shall be entered in the register of the central depository, as well as the names of foreign entities under Art. 74d, para. (1), who have acquired securities in their own name, but on behalf of other foreign entities.

The central depository shall keep the register of shareholders in companies with dematerialized shares, as well as the register of holders of other dematerialized securities under the procedures laid down by the ordinance under Art. 140.

The securities entered at the central depository shall be considered securities of their holders in respect of the creditors of the central depository, the investment intermediaries under Art. 54, para. (3), item 1 and any other third parties.

The guarantee funds and the collateral which guarantee fulfillment of the obligations of the members of the central depository shall not be considered rights of the central depository or of its members in respect of their creditors.
The allocation of interest, dividends, notification and other acts relating to administration of securities, as well as the corresponding liability of the public companies and other issuers, the central depository and the investment intermediaries under Art. 54, para. (3), item 1, shall be governed by the ordinance under Art. 140.

Art. 137. (1) The issue and disposal of dematerialised securities shall be certified by a registration certificate. The procedure for issuing such registration certificate and for registration of a foreign entity under Art. 136, para. (1), shall be determined in the ordinance under Art. 140.

(2) When an entry under Art. 127, para. (1) is made for or through members of the central depository, the central depository shall issue to them a registration certificate. Upon request from an owner of dematerialized securities, the central depository shall issue, through one of its members, an ownership certificate for the securities held. The members of the central depository cannot refuse to their clients the service in sentence 2.

(3) The foreign entity under para. (2) may issue depository receipts to its clients – foreign entities, regarding the securities acquired on their behalf, after the central depository has restricted the disposal of those securities in the country.

Art. 138. (1) The acquisition of securities on a regulated securities market by a person acting in good faith shall be valid regardless of whether the transferor is in possession of these securities.

(2) Transactions in securities entered into and admitted for execution by the central depository shall be completed in accordance with the rules of the central depository notwithstanding any objections made or claims brought. Exceptions shall be allowed in the cases provided for in the ordinance under Art. 140. Compensation for damages shall be governed by the commercial and civil legislation.

(3) The procedure for rectifying wrong entries shall be laid down in the ordinance under Art. 140.

Art. 139. (1) The Commission and the deputy chairman shall control the activities of the central depository.

(2) The central depository must submit to the Commission an annual report not later than 31 March of the following year, as well as a 6-month report not later than 31 August of the current year.

(3) The reports under para. (2) shall contain data about the business of the central depository, the composition of shareholders and the members of the central depository, year-end financial statements in compliance with Art. 26, para. (1) of the Accountancy Act, certified by a registered auditor. The reports are prepared based on a template, approved by the deputy chairman.

(4) Upon request, the central depository must submit to the Commission and the deputy chairman any other information and documents relating to its business.

(5) The deputy chairman performs field inspections and audits.

Art. 140. The Commission shall issue an ordinance on the implementation of this chapter.

Chapter Ten

PUBLIC OFFERING IN THE REPUBLIC OF BULGARIA OF SECURITIES ISSUED BY NON-RESIDENTS. PUBLIC OFFERING ABROAD OF SECURITIES ISSUED BY RESIDENTS

Art. 141. To the public offering in the country of securities, which are issued by persons having a registered office in third countries and which have not been publicly offered and are not admitted to trading on a regulated market in another member-state, the requirements of Chapters Six and Seven shall apply accordingly, and the existence of the following conditions is required:

1. the securities must satisfy the conditions laid down in this law;
2. the issuer must have submitted evidence that he has complied with the law at the place of his registration;
3. the rights of the local investors must be guaranteed.

Where the securities under the previous paragraph are materialised, they may be publicly offered after they are
immobilised at the central depository.

(3) (Am. – SG, iss. 39 in 2005) Where so provided in an international treaty to which the Republic of Bulgaria is a party, the Commission may recognise the prospectus for securities published according to the law at the place of their issuance if the objectives of Art. 81 are achieved. In such case the Commission may require the issuer to provide additional information and documents necessary for the performance of its functions.


(2) (Am. – SG, iss. 39 in 2005; iss. 86 in 2006) When submitting the documents for public offering in a third country to the third country’s relevant competent authority, the issuer or the offeror should present to the Commission:

1. the draft prospectus and other documents required by the foreign law;
2. (Am. – SG, iss. 39 in 2005; iss. 86 in 2006) a declaration that he undertakes to provide the Commission with copies of all documents published or delivered in a third country in accordance with the foreign law;
3. other documents laid down in an ordinance.

Art. 143. (New – SG, iss. 37 in 2004) The entering into and/or execution of transactions pertaining to public offering under Art. 141 or Art. 142 shall comply with the requirements of the Foreign Exchange Law.

Art. 144. Chapters Six and Seven shall apply accordingly to the issues that are not explicitly covered by the present chapter.

Chapter Eleven

DISCLOSURE OF PARTICIPATION AND TENDER OFFERING OF SECURITIES

Division I

Disclosure of participation

Art. 145. (1) (Am. – SG, iss. 61 in 2002, iss. 39 in 2005; iss. 86 in 2006) The public company, the Commission, as well as the relevant regulated market on which the company’s shares are admitted to trading, must be notified of any person whose voting right under Art. 148 reaches, exceeds or falls below five percent or a multiple of 5 percent of the total number of votes in the general meeting of the company whose shares were admitted to trading on a regulated market.

(2) (New – SG, iss. 61 in 2002) If a person under para. 1 is a company or any other legal entity, the notification shall also indicate the persons that control it directly or indirectly under the terms and conditions of Art. 148, as well as the way in which the control is being exercised.

(3) (Prev. item 2, am. – SG, iss. 61 in 2002) The obliged persons under para. (1) are:

1. Central depositary and the person under para. (1) – when the alteration in the votes number of the person under para. (1) occurs as result of direct acquisition or transfer of shares;
2. The person under para. (1) – when the alteration in the number of his/her rights to vote, occurs as result of one or more of the cases under Art. 148, items 1-7, including when combined with a direct acquisition or transfer of shares,

(4) (Prev. item 3, am. – SG, iss. 61 in 2002, am. – SG, iss. 39 in 2005) The obligation for notification shall be fulfilled within 7 days from entering the corresponding company in the commercial register or from the date of acquisition or transfer of the shares. The person under para. 1 shall declare to the Commission that the circumstances of para. 1 and para. 2 exist within the time frame in the foregoing sentence.

(5) (Prev. item 4, am. – SG, iss. 61 in 2002) The procedure, the content and the form for carrying out the notification and declaration shall be laid down in an ordinance.

(6) (Prev. item 5, am. – SG, iss. 61 in 2002, iss. 8 in 2003, iss. 39 in 2005) Within 3 business days of notification of the Commission, the change in the number of votes of a person under para. 1 shall be entered in the register under Art. 30, para. 1, item 3 of the Financial Supervision Commission Act. The Commission shall provide data about the change in the number of votes to the news agency.
Art. 146. (Am. – SG, iss. 86 in 2006) Art. 145 should be applied also in cases of acquisition or transfer of convertible bonds, warrants or some other securities entitling to purchase shares having a voting right.

Art. 147. The requirement for notification in conformity with Art. 145, para. (1) shall not apply where voting shares are acquired by an investment intermediary within the scope of his business, if the acquisition is not connected with participation in the management of the corresponding company and if they are sold on a regulated market within 14 days from their acquisition;

Art. 148. (1) For the purposes of notification under Art. 145, to the votes of directly held shares should be added the following voting shares:

1. held by the spouse or minors of the person under Art. 145, para. (1);
2. (Am. – SG, iss. 86 in 2006) held or the voting rights with which they may be exercised according to item 4-6 by the person, over which the person under Art. 145, para. (1) exercises control;
3. held by third parties in their own name but for the account of the person under Art. 145, para. (1);
4. (Am. – SG, iss. 86 in 2006) held by a person with which the person under Art. 145, para. (1) has made an agreement to pursue a common policy relating to the management of the corresponding company through the joint exercise of the rights to vote held by them;
5. (Am. – SG, iss. 86 in 2006) provided by a person with which the person under Art. 145, para. (1) has made an agreement providing for a temporary transfer of the rights to vote attached to the securities;
6. (Am. – SG, iss. 86 in 2006) provided by the person under Art. 145, para. (1) as a collateral, provided that such person can control the voting rights and has expressly declared his intention to exercise them;
7. (Am. – SG, iss. 86 in 2006) deposited with a person under Art. 145, para. (1) with transfer of the voting rights, which the person exercises at his discretion without special instructions from the shareholders;
8. (New – SG, iss. 86 in 2006) provided to a person under Art. 145 para 1 in his capacity of a proxy, which he may exercise at his discretion, without special instructions from the shareholders.

(2) In the cases under para. (1), item 1 the obligation for notifying applies to the spouse, who holds directly more votes, and for the cases under item 4 – to the person, explicitly indicated in the agreement, or to the one which is to determine, or has determined the way of exercising the acquired, respectively the transferred votes.

Division II

Tender offer to buy and exchange shares

Чл. 149. (1) (Am. – SG, iss. 61 in 2002) A person who has acquired, directly or through related persons, more than 50 percent of the votes at the general meeting of a public company, within 14 days from the acquisition, is obliged:

1. (Am. – SG, iss. 39 in 2005) to register with the Commission under Art. 151 a tender offer to the remaining shareholders with voting shares for the acquisition of their shares and/or exchange of the latter with shares which will be issued for this purpose by the offeror; or
2. to transfer the necessary number of shares, in order to hold directly or through related persons less than 50 percent of the votes at the general meeting of the company.

(2) The provisions of para. (1) are applied also:

1. toward persons, who hold together more than 50 per cent of the voting shares and have made an agreement to pursue a common policy related to the management of the corresponding company, through joint exercise of the voting rights held by them;
2. when other persons hold for the account of the person under para. (1) voting shares and the total number of their votes is more than 50 per cent of all voting shares in the general meeting of the company.

(3) In cases of acquisition through related persons, as well as in the cases under para. (2), item 1, offeror is the person, who held the biggest number of the total votes, and for the cases of para. (2), item 2 – the person , for whose account the
shares are held.

(4) (Am. – SG, iss. 39 in 2005) In the cases under para. (2), the offeror is obliged to register with the Commission a tender offer within 14 days from agreement date, respectively from the shares acquisition date for the account of the person under para. (1).

(5) Till the release of the tender offer under the provisions of Art. 154, respectively till the transfer of shares, the parties under para.s (1) and (2) do not have the right to exercise their voting rights in the general meeting.

(6) (Am. – SG, iss. 61 in 2002) The obligation under para. 1, item 1 shall also arise for any person who acquires directly, through related persons or indirectly under para. 2 more than 2/3 of the votes at the general meeting of a public company unless, within 14 days of the acquisition, the person transfers the necessary number of shares so that they hold directly, through related persons or indirectly under para. 2 less than 2/3 of the votes. Para. 3, 4 and 5 shall apply accordingly.

(7) (Am. – SG, iss. 61 in 2002) If any person under para. 1 acquires more than 2/3 of the votes within 14 days, they shall register one tender offer.

(8) (Am. – SG, iss. 61 in 2002) Any person who holds directly, through related persons and/or indirectly under Art. 149, para. 2 more than half of the votes at the general meeting, shall not be entitled within a year to acquire, including through related persons or indirectly under para. 2, voting shares representing more than 3 percent of the total number of shares in the company without making a tender offer under Art. 149b. Para. 5 shall apply accordingly.

(9) (Am. – SG, iss. 61 in 2002) The persons under para. 1, 2, 6 and 8 shall be obliged to execute the tender offer through an authorized investment intermediary, by using the options of remote admittance of the tender offer via the Central Depository. The investment intermediary’s capital shall be no less than that provided for by Art. 56, para. 1.

Art. 149a. (New – SG, iss. 61 in 2002) (1) Any person who acquires directly, through related persons or indirectly under Art. 149, para. 2 more than 90 percent of the votes at the general meeting of a public company shall be entitled to register a tender offer to buy the shares of the other shareholders. Art. 149, para. 3 and 4 shall apply accordingly.

(2) (Am. – SG, iss. 39 in 2005) If any person under para. 1 does not register a tender offer within 14 days of the acquisition of the number of votes under para. 1, the person shall be obligated to notify shareholders, the regulated market and the Commission about their intentions to register a tender offer at least 3 months in advance. The person must notify forthwith shareholders, the regulated market and the Commission if the intention for a tender offer is abandoned, including the reasons for this.

(3) (Am. – SG, iss. 39 in 2005) The Commission may forbid the publication of a tender offer under para. 1 if an offeror has violated the requirement under Art. 149, para. 8 in the past 24 months.

(4) Any person under para. 1 shall be obligated to purchase the shares of each shareholder on demand until a tender offer has been published, as well as 14 days after its closing date. Art. 150, para. 6 shall apply accordingly.

Art. 149b. (New – SG, iss. 61 in 2002) (1) (Am. – SG, iss. 39 in 2005) Any person who holds at least 5 percent of the votes at the general meeting of a public company and wants to acquire directly, through related persons or indirectly under Art. 149, para. 2 more than 1/3 of the votes at the general meeting of this company may publish a tender offer for the purchase or exchange of shares to all shareholders with voting rights following a prior confirmation of a draft offer by the Commission. Art. 149, para. 3 and 4 shall apply accordingly.

(2) Any offeror under para. 1 shall be obligated to buy, respectively exchange, all voting shares of a shareholder who has accepted the offer. If the number of voting shares deposited on the part of all shareholders who have accepted the offer is more than the total number of shares under the tender offer, an offeror shall buy or exchange shares from each shareholder among those who have accepted the offer in proportion to the shares deposited by them.

(3) Any person under para. 1 may determine the minimum number of shares that must be offered to them to acquire which will make an offer valid.

(4) (Am. – SG, iss. 39 in 2005) The Commission may stop the trading in shares in a company whose shares are subject to a tender offer if this is necessary in view of the principles under Art. 150, para. 1.
Art. 150. (1) The tender offer is executed in conformity with the following principles:
1. securing of equality of the shareholders, who are in the same position in the company, whose shares are subject to the tender;
2. providing enough time and information to the shareholders of the company, in order to enable them to correctly evaluate the offer and to make a reasonable decision regarding its acceptance
3. the managing bodies actions should be in the best interest of the company, its shareholders and its employees with labour contracts
4. not allowing market manipulations of the company’s securities, whose shares are subject to the tender, as well as of securities of other companies, which are affected by the offer;

(2) (Am. – SG, iss. 61 in 2002) The offer under Art. 149, para. (1), (6) and (8), Art. 149a and Art. 149b must contain the following information:
1. name or business name, registered office and address of the offeror and of the investment intermediary authorised thereby;
2. (Am. – SG, iss. 61 in 2002) number of voting shares, which the offeror does not hold and must request or wants to acquire;
3. (Am. – SG, iss. 39 in 2005) the offered price per share, issued by the company, whose shares are subject to the tender offer and/or the proportion of its exchange with shares according to Art. 149, para. (1), item 1, its issuing price and information about the rights related to this shares;
4. information about the number and type of shares, which the offeror holds directly or through related persons, as well as under Art. 149, para. (2) in the company, whose shares are subject to the tender;
5. the time limit for acceptance of the offer;
6. (Am. – SG, iss. 61 in 2002) the terms and conditions, under which the offeror will finance the acquisition of the shares and the proof that the funds needed for the purchase or the securities needed for the exchange are available;
7. the offeror’s intentions regarding the future activity if the company, whose shares are subject to the tender, including staff related issues and any changes in the labour contracts;
8. time limit for fulfillment of the obligations in case of accepting the tender offer;
9. the information under Art. 82, para. (1), when a replacement of shares is offered;
10. (Am. – SG, iss. 39 in 2005) Other information or documents, specified in an ordinance or requested by the Commission under the provisions of Art. 152, para. (1).

(3) (Am. – SG, iss. 61 in 2002, iss. 39 in 2005) The tender offer under Art. 149a should indicate, that after the expiration of the time limit for its acceptance, the company may cease to be public, even if the requirement of Art. 119, para. (1), item 1 is not satisfied, and also whether the offeror intends to ask for deletion of the company from the Commission’s register. With regard to this tender offer para. (2), item 2 and item 9 shall not be applied.

(4) (Am. – SG, iss. 61 in 2002) The offer shall be signed by the offeror and by the investment intermediary under Art. 149, para. (9), who must declare that it is in conformity with the requirements of the law.

(5) The offeror and the investment intermediary, who signed the offer, will be jointly liable for any damages caused by false, misleading or incomplete particulars in the offer.

(6) (Am. – SG, iss. 61 in 2002) A tender offer under Art. 149, para.s (1) and (6) and Art. 149a shall include a rationale for the offered price, respectively the offered exchange value under Art. 150, para. 2, item 3. The rationale shall specify the fair price of one share in the company calculated on the basis of generally accepted valuation methods. The requirements for the price rationale including the application of valuation methods shall be laid down in an ordinance.

(7) (Am. – SG, iss. 61 in 2002) The price, respectively the exchange value of a tender offer under Art. 149, para. 1 and 6 and Art. 149a may not be lower than the higher value out of:
1. the fair price of a share specified in the rationale under para. 6; and
2. the average weighted market price of the shares for the preceding 3 months and if there is no such price - the highest price for a share paid by the offeror during the 6 months preceding the registration of the offer. In cases when the share price cannot be determined in accordance with the previous sentence, it shall be determined as the higher of the last issuing value and the last price paid by the tender offeror.

(8) (New – SG, iss. 61 in 2002) The price of tender offers under Art. 149, para. 8 as well as under Art. 149b may not be lower than the average weighted market price of the shares for the preceding 3 months and if there is no such price - the highest price for a share paid by the offeror during the 6 months preceding the registration of the offer. The tender offeror may justify the price they offer pursuant to para. 6.

(9) (Prev. para. (8) – SG, iss. 61 in 2002) The offer for exchange, must include an alternative option for buying the shares with right to vote

(10) (Prev. para. (9) – SG, iss. 61 in 2002) The time limit under para. (2), item 5 may not be shorter than 28 days or longer than 70 days from the date on which the offer has been published.

Art. 151. (1) (Am. – SG, iss. 61 in 2002, iss. 39 in 2005) The offers under Art. 149, para. 1, 2, 6, 8 and Art. 149a shall be registered at the Commission and may be published, unless the Commission imposes a temporary prohibition within 14 days, or, for offers under Art. 149b, a final prohibition. The failure of the Commission to pronounce within the terms stipulated in the previous sentence is deemed tacit approval of the tender offer.

(2) (Am. – SG, iss. 39 in 2005; iss. 86 in 2006) On the day of registering under para. (1), the offeror is obliged to present the offer to the management body of the company, whose shares are subject to the tender, as well as to the regulated market, on which the shares of the company are admitted to trading. In the notification it should be clearly indicated, that the Commission has not yet expressed an opinion with regard to the offer.

(3) (Am. – SG, iss. 61 in 2002, iss. 39 in 2005) Within 3 days after receiving the offer, the management body of the company shall present to the Commission and to the offeror its reasoned opinion on the offer, including whether the offer is fair to the shareholders it is addressed to in terms of the future prospects for the company. The opinion should also contain information about the existence of agreements regarding the exercising of the voting rights of the company’s shares, which are subject to the tender offer, as far as such information is available with the management body, and also information about the number of company’s shares held by the management body and whether they intend to accept the offer.

(4) Upon receipt of the offer under para. (2) before publishing the results from the offer, respectively its termination, the company, whose shares are subject to the tender, cannot issue shares, rights, warrants, and other securities, which may be transferred into voting shares, cannot make agreements, which may lead to a significant alteration of its property, cannot redeem shares, and cannot make any other actions, whose purpose is to frustrate the acceptance of the offer or to create significant obstacles or additional costs to the offeror.

Art. 152. (1) (Am. – SG, iss. 61 in 2002, iss. 39 in 2005) Where the documents submitted are invalid or additional information or proof of authenticity is required, within 14 working days from the registration of the offer the Commission shall impose a temporary prohibition to publish the offer and shall send a notice of the irregularities and inconsistencies established and of the additional information and documents required. The respective term for tender offers under Art. 149b is 7 working days.

(2) (New – SG, iss. 61 in 2002) The notifications regarding the proceedings under para. 1 may also be made by registered letter with delivery receipt, by telex, telefax, telegram, or electronic mail. The notifications and announcements by registered letter with delivery receipt or by telegram are certified by a notification of their delivery, by telefax are certified in writing by the officer who has carried it out as well as with the receipt confirmation, by telex - via a written confirmation that the notification was sent and by electronic mail – with an electronic copy of the announcement sent.
(3) (New – SG, iss. 61 in 2002. am. iss 8 in 2003, am. Iss. 39 in 2005) If the notifications regarding the proceedings under para. 1 are not accepted at the addresses given by the entities or the address, telex number or fax number entered in the relevant register specified in Art. 30, para. 1 of the Financial Supervision Commission Act, the notifications shall be deemed made after they have been put up at a specially assigned location in the Commission building. This circumstance shall be certified in a statement drawn up by officials chosen with an order of the Commission’s chairman.

(4) (Prev. para (2), am. – SG, iss. 61 in 2002) The person shall remove the indicated incomplete details or irregularities or provide the additional information and documents required within 14 working days as from receipt of the notice to that effect, or within 3 working days for tender offers under Art. 149b.

Art. 153. (1) (Am. – SG, iss. 61 in 2002, iss. 39 in 2005) Except for the case of a tender offer under Art. 149b, if, within 7 working days of the receipt of the full set of documents the Commission does not issue a final prohibition to publish the offer, the offeror may publish it.

(2) (Am. – SG, iss. 61 in 2002, am. iss. 39 in 2005) The Commission may impose a reasoned prohibition under para. (1) only if the offer and the enclosures thereto do not satisfy the requirements of this law and of its implementing instruments or the interests of the shareholders are in any other way harmed. Art. 152, para. 2 and 3 shall apply accordingly.

(3) (New – SG, iss. 61 in 2002, am. iss. 39 in 2005) The Commission may issue a final prohibition on the offer under Art. 149b only if there are material omissions in the circumstances under Art. 150, para. 2. Art. 152, para. 2 and 3 shall apply accordingly.


(5) (Prev. para. (4) – SG, iss. 61 in 2002, am. iss. 39 in 2005) The Commission may terminate the tender offer before the time for accepting the offer elapses, if before and during or after its publishing the requirements of this law and of its implementing instruments are violated. Acceptance of such offer by the shareholders prior to termination will have no effect.

(6) (Prev. para. (5), am. – SG, iss. 61 in 2002, iss. 39 in 2005) In case the Commission has issued a final prohibition under para. (1) or has terminated the offer under para. (4), the effect of the prohibition under Art. 149, para. (5) is reinstated till a subsequent offer is published.

Art. 154. (1) The offeror shall publish the offer and the opinion of the management body of the company regarding the acquisition, if such is given, in two central daily newspapers within three days of the expiration of the term under Art. 151 para. (1) or under Art. 153, para. (1) respectively. Regulations may call for additional requirements with respect to publishing of the information stipulated in the previous sentence.

(2) The advertisements and publications with respect to the offer should indicate the issue of the central daily newspaper under para. (1) and the date of the publication.

Art. 155. (1) (Am. – SG, iss. 61 in 2002, am. iss. 39 in 2005) Except for the case of a tender offer under Art. 149b, the offeror may not withdraw the offer after it is published. Exception can be made only when the offer cannot be executed for reasons beyond the control of the offeror, the time for its acceptance has not expired, and when the Commission agrees thereto. In these cases Art. 151, para.s (1) and (2), Art. 152 and Art. 153 are applied accordingly. Within 7 days of the notification of the granted by the Commission agreement the offeror will publish a notice of withdrawal in two central daily newspapers.

(2) A withdrawal of the tender offer under para. (1) reinstates the effect of the prohibition under Art. 149, para. (5) till the publishing of a subsequent offer.

(3) (Am. – SG, iss. 39 in 2005) The Commission shall immediately notify of the withdrawal of the offer the regulated market, the investment intermediary or the central depository, where the certification documents of the shares are deposited. Within three days of the receipt of the notification the investment intermediary or the central depository ensure a return of the certification documents to those shareholders who have accepted the offer.
The offeror may extend the time limit for accepting the offer within the frame of the maximum period allowed under Art. 150, para. (10), or increase the price offered for each share. In that case the shares which form the subject of the offer shall be bought at the higher price in respect of all shareholders who have accepted the offer before or after the increase. The offeror may make other amendments in the offer, subject to approval by the Commission.

The amendments under para. (4) should be registered with the Commission and published immediately in two central daily newspapers, if within three working days the Commission does not issue a prohibition. Art. 151, para. (2), Art. 152 and Art. 153 are applied accordingly.

Art. 156. (1) The offer is accepted by means of explicit written statement and by deposition of the certification documents of the shares with an investment intermediary or with the central depository, and by undertaking other necessary steps with respect to the transfer. The acceptance of the offer may be withdrawn before the expiration of the time limit under Art. 150, para. (2), item 5, or the extended time limit under Art. 155, para. (4), respectively.

(2) The transaction shall be considered to be entered into at the moment of expiration of the time limit under Art. 150, para. (2), item 5 or the extended time limit under Art. 155, para. (4), respectively.

(3) Payment of the price or exchange of the shares shall be made within 7 working days after the transaction is entered into in conformity with para. (1).

(4) The rights attached to shares, which form the subject of the offer, shall pass to the offeror upon registration of the transfer of the shares at the central depository.

Art. 157. Upon the expiration of the time limit for acceptance of the proposal the offeror shall immediately publish the result of the tender in accordance with Art. 154 and shall notify the Commission and the regulated market accordingly.

Art. 157a. (1) The Commission shall adopt an ordinance on the application of this division.

(2) In accordance with the aims of this law, the ordinance specified in para. 1 may determine other types of securities, apart from shares, that may be subject to tender offers, exceptions to the obligation for registration and/or publication of a tender offer, terms and procedures for placing a competitive tender offer, for withdrawing a tender offer, as well as additional terms and procedures for carrying out tender offers.

Chapter Twelve
UNFAIR TRADE

(Art. 158. (1) Entering into transactions on a regulated market in unconformity with the prohibition under Art. 161a shall not lead to their invalidation.

Title Four
INVESTMENT COMPANIES AND CONTRACTUAL FUNDS
(Heading, am. – SG, iss. 39 in 2005)

Chapter Thirteen
GENERAL PROVISIONS

Art. 164. (1) (Am. – SG, iss. 86 in 2006) The investment company is a joint stock company whose business is investing cash raised through public offering of shares, in securities and other liquid financial assets under Art. 195 and which acts on the principle of risk diversification.

(2) (New – SG, iss. 39 in 2005) The investment company has no right to carry out any other business activity, except when it is needed for the execution of the activity under para 1 hereof.

(3) (New – SG, iss. 39 in 2005; am. iss. 86 in 2006) An investment company is also any joint-stock company that raises funds through public offering of shares and whose investments in securities exceed 50 per cent of its balance sheet assets in the course of 6 months. This provision does not apply for companies whose activities have been regulated by law, as well as for holding companies, whose funds have been invested though their subsidiaries mainly in assets other than securities under Art. 164b para 2.

(4) (Prev. para 2, am. – SG, iss. 39 in 2005) An investment company shall only be formed at a constituent meeting.

Art. 164a. (Am. – SG, iss. 39 in 2005) (1) (Am. – SG, iss. 86 in 2006) The contractual fund is a separate property with the purpose of collective investment in securities and other liquid financial assets under Art. 195, of cash raised through public offering of units, which is realized by a management company on the principle of risk diversification. In respect to the contractual fund, Section XV Company of the Law on Obligations and Contracts shall apply, with the exception of Art. 359, para.s (2) and (3); Art. 360, Art. 362, Art. 363, letters "c", and "d" and Art. 364, insofar as this Law or the rules of the contractual fund do not envisage otherwise.

(2) The management company may start performing the activity under para 1 upon obtaining an authorization for organization and management of contractual fund and the fund's entry in the register under Art. 30, para (1), item 5 of the Financial Supervision Commission Act. The contractual fund shall be considered established with its entry in the register under sentence 1.

Art. 164b. (New – SG, iss. 86 in 2006) (1) The money market instruments in which the investment company and the contractual fund invests, must be liquid and with value which may be determined accurately at any time;

(2) The securities in which the investment company and the contractual fund may invest are:
1. company shares and other securities, equivalent to company shares;
2. bonds and other debt securities;
3. other negotiable securities, entitling to acquisition of such securities, by subscription or exchange.

165. (1) (Prev. Art. 165 – SG, iss. 39 in 2005) An investment company may be of the open-end or closed-end type

(2) (Am. – SG, iss. 39 in 2005) The contractual fund is only of the open-end type.

Art. 166. (1) (Am. – SG, iss. 86 in 2006) The capital of an open-end investment company is always equal to the net value of its assets. It may not be less than 500 000 Leva. The capital with which the company is incorporated shall be entered in the commercial register.

(2) (Am. – SG, iss. 39 in 2005) A closed-end investment company must at all times have a capital of at least 500 000 Leva, whose structure and ratio with the balance sheet assets and liabilities of the company shall be determined by an ordinance.

(3) (New – SG, iss. 39 in 2005) The net asset value of the contractual fund may not be less than 500 000 Leva. This minimum amount should be reached within one year of obtaining the license for organization and management of contractual fund.

(4) (Prev. Art. 3 – SG, iss. 39 in 2005) The contributions to the capital may only be in cash.
At least 25 per cent of the capital under para. (1), or para. (2) must be paid in as at the date of filing the application to issue a license for pursuing the activity of an investment company, and the remaining portion - within 14-day period of the receiving of a written notification by the Commission that it will issue the license after the full amount of the capital is paid in.

Art. 167. The members of the management and supervisory bodies of an investment company must satisfy the requirements of Art. 60.

Art. 168. (1) (in effect as of 1 August, 2000) The business of an open-end investment company under Art. 164, para. (1) shall be managed by a managing company in accordance with a contract made while a closed-end investment company can be managed either by a management company or by the management body of the investment company itself.

(2) The contract with the management company may be terminated by the investment company subject to a three-month notice.

(3) Where the contract under para. (1) is rescinded by the investment company due to a failure of the management company to perform its duties, the management company shall forthwith discontinue the management of the investment company’s activities under Art. 164, para. (1). Until a contract is concluded with another managing company, the managing body of the open-end investment company performs managerial actions under Art. 164, para. (1) as an exception for a period not longer than one month.

(4) Any condition in the contract under para. (1) which restricts the right of the investment company under para.s (2) or (3) shall be invalid.

(5) If the business of a closed-end investment company is managed by its management body, the company shall conclude an agreement with a person under Art. 61 entitling this person to provide investment advice.

Art. 169. (1) The investment company may not exercise control over the management company.

(2) The management company may not exercise control over the investment company.

Art. 170. (1) (Am. – SG, iss. 39 in 2005) The persons under Art. 167, the management company, members of management or supervisory body of the management company, as well as any person who makes decisions relating to the management of the company’s investment business may not be the same person as the investment intermediary through which the investment transactions are entered into and performed.

(2) A management company may not use or pledge the investment company’s property in order to cover its own liabilities which are not connected with the management of the company’s business.


Art. 172. (1) The members of a management or supervisory body of the management company and members of the management body or other persons performing managerial or supervisory functions in the investment company may not invest the funds of the investment company in securities issued by them or by persons related thereto.

(2) (Am. – SG, iss. 39 in 2005) The members of management or supervisory body of an investment company or of the management company and persons related to them may not be parties to transactions with the investment company, except in their capacity as its shareholders, while complying with restrictions, provided for by an ordinance. The preceding sentence is also applied for other persons who work for the management company under a contract

Art. 173. (1) (Am. – SG, iss. 39 in 2005) Dematerialized securities held by the investment company shall be entered in the register of the central depository in the subaccount of the depository bank and its other assets shall be kept at a depository bank. The depository bank shall also effect all payments for the account of the investment company.

(2) (Am. – SG, iss. 39 in 2005) The depository bank may be a bank that meets the following requirements:

1. (Am. – SG, iss. 86 in 2006) to be a local bank, bank from a member-state, which pursues bank activity on the territory of the Republic of Bulgaria by a branch, as well as a bank from a third country which has obtained a license from the Bulgarian National Bank to carry out bank activity on the territory of the country by a branch;

2. (Am. – SG, iss. 59 in 2006) to have obtained an authorization for execution of transactions in securities;

3. to have been included in the list of primary dealers of government securities;
4. whose licences, activities or operations have not been restricted to an extent that will impede or render impossible the execution of the duties, envisaged under this Law or by the contract for depository services;

5. (Am. – SG, iss. 59 in 2006) in relation to which no measures under Art. 65, para (2), Item 11 and 14 of the Law on Banks or under Art. 103 para 2 item 14, 19 or 20 of the Law on Credit Institutions were imposed during the last 12 months;

6. which has capital, staff and information provision for the efficient execution of its depository functions and obligations in compliance with the requirements of this Law and its Implementing instruments.

(3) (Am. – SG, iss. 86 in 2006) The depository bank may not be the same person or a related person with the management company or with the persons under Art. 167 or with another person performing managerial or supervisory functions in the investment company, or with persons who control the investment company.

(4) The depository bank may not be a creditor or guarantor of the investment company, except for its claims under the contract for depository services.

(5) The depository bank shall report separately on the funds and other assets of the investment company. The depository bank shall separate the non-cash assets of the investment company from its own assets. The depository shall not be liable for its own obligations towards its creditors with the funds it owes to the investment company.

(6) The depository bank must:
1. ensure that the issue, sale, redemption and cancellation of the shares of the investment company are carried out in conformity with the law and the company's Articles of Association;

2. (Am. – SG, iss. 39 in 2005) ensure that payments relating to transactions involving the assets of the investment company are effected within the statutory time limits, unless the other party is in default or there are sufficient grounds to consider that it will be in default;

3. (Am. – SG, iss. 39 in 2005) ensure the collection and use of the investment company's incomes in conformity with the law and the company's Articles of Association;

4. (Am. – SG, iss. 39 in 2005) dispose of the investment company’s assets entrusted to it only upon order from the persons authorised, unless such order is contrary to the law, the company’s Articles of Association or the contract for depository services;

5. regularly report to the investment company on the assets entrusted and the operations carried out.

(7) The depository bank shall assist the investment company to receive information and participate in general meetings of the issuers of the securities in which it has invested, and also to incur other liabilities relating to the assets entrusted, in conformity with the contract made. The remuneration of the depository bank may not exceed the usual fee for the services provided.

(8) (New – SG, iss. 39 in 2005) The Bulgarian National Bank shall inform the Commission in due time of any imposed measure or sanction, which limits the license, transactions or operations of the depository bank to an extent that will impede or render impossible the execution of the envisaged under this Law or the contract for depository services obligations.

(9) (New – SG, iss. 39 in 2005) The deputy chairman and the Bulgarian National Bank shall approve a list of the banks, which may be depositories.

(10) (Prev. para 8, am. – SG, iss. 39 in 2005) In the fulfillment of its obligations the depository bank is guided only by the interests of the shareholders in the investment company.

(11) (New – SG, iss. 39 in 2005) The depository bank is responsible to the investment company and its shareholders, as well as to the management company and the owners of units in the contractual fund for all damages, sustained by them as a result of non-execution of obligations by the depository bank, including also for any incomplete, incorrect and untimely execution, when it is due to reasons for which the bank is responsible.

(12) (New – SG, iss. 39 in 2005) The depository bank must monitor for compliance with the law and the contractual fund's
Art. 174. (Am. – SG, iss. 39 in 2005; iss. 86 in 2006) A person who acquires the opportunity to exercise control over an investment company, must within 3 days notify the Commission and the regulated market where the shares of the company have been admitted to trading, by a procedure as laid down in an ordinance.

Art. 175. (Am. – SG, iss. 39 in 2005) An investment company may not acquire a holding of voting shares of a single issuer if that would enable the investment company, the members of its management or supervisory bodies, the management company or the members of its management or supervisory bodies, jointly or severally to exercise significant influence over the issuer.

(2) Paragraph 1 also applies for the management company in relation to all managed by it contractual funds.

Art. 176. (1) An investment company, as well as a management company or a depository bank, when acting for the account of the contractual fund, may not grant loans or act as a guarantor of third parties.

(2) An investment company, as well as a management company or a depository bank, when acting for the account of the contractual fund, may not:
   1. (Cancelled – SG, iss. 86 in 2006);
   2. (Am. – SG iss. 39 in 2005, am. iss. 86 in 2006) sell securities, money market instruments and other financial instruments under Art. 195 para 1 item 5, 7 and 8, which the investment company, or the contractual fund, does not possess;
   3. invest in securities issued by:
      a) (Am. – SG, iss. 39 in 2005) the founders or persons related thereto for a period of two years from the investment company's establishment;
      b) persons exercising control over the investment company or other persons related to them.

Art. 177. (1) An investment company may not transform itself into another type of commercial company or contractual fund, as well as to change its scope of business. Transformation of a closed-end investment company into an open-end one shall be carried out only with an authorization from the Commission. The contractual fund may be transformed only by merger, acquisition, division and separation, and in the transformation shall participate only contractual funds without changing their business.

(2) Any transformation through merger, acquisition, division or separation, as well as winding up of an investment company and of a contractual fund shall be carried out with a license by the Commission. The persons appointed liquidators or trustees of an investment company, respectively liquidators of the contractual fund, shall be approved by the Commission. Art. 69 shall be applied accordingly.

(3) An application form shall be filed for the permission under para.s (1) and (2). The Commission shall decide on the application within 14 days of its receipt and in case additional information and documents have been demanded – within 7 days of their receipt. Art. 28, para.s (2) and (3) shall be applied accordingly.

(4) The Commission shall reject the application under para. (2) if the requirements of the law or its implementing instruments have not been complied with or the investors' interests are not adequately protected. The applicant shall be notified in writing about the decision taken within 3 days.

(5) The conditions and procedure for transformation under para.s 1 and 2, as well as for winding up, shall be determined by an ordinance.

Art. 177a. The contractual fund shall be organized and managed by a management company. In carrying out activities of the contractual fund's management, the management company shall act on its own behalf, pointing out that it acts for the contractual fund's account.

(2) The contractual fund shall be considered an issuer of the units into which it is divided. The units shall give right to a relevant part of the fund's property, including in case of the fund's liquidation, right of redemption, as well as other rights
envisaged under this Law and the contractual fund's rules.

(3) The contractual funds, on the basis of their net asset value, may also issue partial units against contributed money deposit of certain amount, if a whole number of units cannot be issued against the deposited amount.

(4) The contractual funds may distribute income proportionately to the owned units, under conditions and procedure, as determined by the fund's rules.

(5) The conditions for participation in the contractual fund, its organization, management and winding up shall be determined by the contractual fund's rules.

(6) The management company which manages the contractual fund shall segregate its property from the property of the contractual fund and shall draw up a separate balance sheet for it.

(7) The dematerialized securities in which the contractual fund invests shall be entered in the register of the Central Depository on the sub-account of the depository bank. The other assets of the contractual fund shall be kept on its behalf at the depository bank.

(8) The management company, which manages the contractual fund, the members of its management and supervisory bodies and the depository bank shall act in the interest of all owners of units in the contractual fund.

(9) The management company which manages the contractual fund and the depository bank shall not be liable to their creditors with the fund's assets. The creditors of a person under the preceding sentence, as well as the creditors of a participant in the contractual fund may satisfy themselves from the owned by these persons units in the contractual fund. The creditors of a participant in the contractual fund may not direct their claims against the fund's assets.

(10) In case of withdrawal of a license to pursue business, with withdrawal of the authorisation for management of a contractual fund under Art. 185 para 2 item 3 and 4, winding up or declaring in insolvency of the management company, the depository bank of the contractual fund shall carry out as an exception management activities under Art. 164a, para 1, sentence one, for a period not longer than one month until another management company is assigned under conditions and procedure provided for in an ordinance.

(11) The management company shall be responsible before the owners of units in the contractual fund for all damages, sustained by them as a result from failure to execute the obligations by the management company, including from incomplete, incorrect and untimely execution, when it is due to reason for which the company is responsible.

(12) In relation to the contractual funds, Art. 166 para (4) and Art. 170-173 shall apply accordingly.

Art. 178. (Am. – SG, iss. 39 in 2005; iss. 86 in 2006) A special regulation shall stipulate any other requirements for the operation, structure of the assets and liabilities and liquidity of investment companies and contractual funds aimed at protecting the interests of investors, including: maintenance and storing of reports by investment companies and contractual funds, annual and periodical accounts and their distribution, way and procedure for valuation of the assets and liabilities of the investment companies and the contractual funds, for determining the net asset value, calculation of the issue value and the redemption price, disclosure of information, contents of advertisements and publications relating to shares of the investment companies and units of the contractual funds, activities relating to the sale of shares, or units, contents of the contracts of the investment company with the management company and the depository bank, the content of the contracts of the management company with the depository bank in relation to the safekeeping of the contractual funds assets.

Art. 179. (Am. – SG, iss. 39 in 2005) The provisions respectively of Chapters Eight and Eleven, Division I, and for closed-end investment companies – also Chapter Eleven, Division II, shall apply to the issues which are not explicitly covered by the present chapter.

Chapter Fourteen

ISSUING AND WITHDRAWAL OF A LICENSE FOR AN INVESTMENT COMPANY

AND AUTHORISATION FOR A CONTRACTUAL FUND
Art. 180. (1) In order for a license to be issued to pursue the business of an investment company, an application form shall be filed with the Commission with an approved by the deputy chairman form, to which shall be enclosed:

1. the Articles of Association and the other constitutive instruments;
2. particulars about the capital subscribed and paid-in;
3. information about the members of the management and supervisory bodies or about the natural persons representing legal entities authorized to manage and represent the investment company, and information about their professional qualification and experience.
4. the contract with the management company, in accordance with Art. 168, and the contract for depository services;
5. (Am. – SG, iss. 39 in 2005) the names or business names of and particulars about the persons who hold, directly or indirectly 10 or more than 10 per cent of the voting shares of the applicant or may control it otherwise, as well as about the number of owned by them votes. The persons shall submit written declarations, in determined by the deputy chairman form, concerning the origin of the funds from which the contributions have been made for the shares subscribed, including whether these are loan funds, as well as about the taxes paid by the persons over the preceding 5 years;
6. (New – SG, iss. 39 in 2005) the rules for portfolio evaluation and determining the net asset value;
7. (New – SG, iss. 39 in 2005) the prospectus of an investment company of open-end type;
8. (New – SG, iss. 86 in 2006) the rules of risk management;
9. (Prev. item 6, am. – SG, iss. 39 in 2005, prev. item 8, iss. 86 in 2006) other documents and data as determined by an ordinance.

(2) In order for an authorization to be issued to organize and manage a contractual fund, the management company shall file an application in a model form, to which shall be attached:
1. the contractual fund’s rules;
2. decision of the competent body of the management company to organize a contractual fund;
3. the rules for portfolio valuation and determining the net asset value;
4. the contract for depository services;
5. the prospectus of the contractual fund;
6. (New – SG, iss. 86 in 2006) the rules of risk management;
7. (Prev. item 5 – SG, iss. 86 in 2006) other documents and data, as laid down in an ordinance.
8. (New – SG, iss. 39 in 2005) The company under Art. 164, para (3) must file an application for the issue of a license to pursue the business of an investment company within a two-month period after the expiry of the six-month period under Art. 164, para (3). Paragraph (1) shall apply accordingly.

(4) The Commission shall pronounce in accordance with Art. 63. Simultaneously with the issue of a license to an open-end investment company and 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.

Art. 181. (1) The Commission shall refuse to issue a license to pursue the business of investment company if:
1. the company’s Articles of Association and other constitutive instruments are not in conformity with the law;
2. the capital does not satisfy the requirements of Art. 166;
3. the contract with the management company under Art. 168 does not satisfy the requirements of this law or its implementing instruments;
4. members of the management and supervisory bodies fail to satisfy the requirements of sections 167;
5. (Am. – SG, iss. 39 in 2005) persons who hold, directly or indirectly 10 or more than 10 per cent of the voting shares or
may otherwise exercise control over the investment company, might prejudice the safety of investments through their activities or influence on decision-making;

6. (Am. – SG, iss. 39 in 2005) persons who hold, directly or indirectly 10 or more than 10 per cent of the voting shares of the investment company, have made contributions through borrowed funds;

7. (Am. – SG, iss. 39 in 2005) the depository bank or the contract therewith does not satisfy the requirements of the law or of its implementing instruments;

8. (New – SG, iss. 39 in 2005) the prospectus of the investment company of open-end type does not satisfy the requirements of the Law and its implementing instruments;

9. (Am. – SG, iss. 86 in 2006) according the law or its Articles of Association the investment company may not offer its shares on the territory of the Republic of Bulgaria;

10. (Prev. item 8 – SG, iss. 39 in 2005, prev. item 9, iss. 86 in 2006) the interests of investors are not guaranteed to a sufficient extent.

(2) (New – SG, iss. 39 in 2005; am. iss. 86 in 2006) The Commission shall refuse to issue an authorization to organize and manage a contractual fund if:

1. the applicant does not satisfy the requirements of the Law;

2. the contractual fund's rules do not satisfy the requirements of the Law and its implementing documents;

3. the depository bank or the contract with the depository bank does not meet the requirements of the Law and its implementing documents;

4. the prospectus of the contractual fund does not meet the requirements of this Law and its implementing documents;

5. (Am. – SG, iss. 86 in 2006) according the Law or its rules, the contractual fund may not offer its units on the territory of the Republic of Bulgaria;

6. (Prev. item 5 – SG, iss. 86 in 2006) investors interests have not been guaranteed to a sufficient extent.

(3) (Prev. para (2), am. – SG, iss. 39 in 2005; iss. 86 in 2006) In the cases under para. (1), items 1 - 4, 7 and 8, respectively under para (2), items 2, 3 and 4, the Commission may refuse to issue a license, or an authorization, only if the applicant has failed to remove the inconsistencies or to submit the documents required within the time limit set by the Commission which may not be less than one month.


Art. 182. (Am. – SG, iss. 86 in 2006) In the cases of refusal under Art. 181 the applicant may file a new request for a license, or an authorization, to be issued no sooner than six months after the decision to refuse has come into effect.

Art. 183. (1) (Prev. Art. 183, am. – SG, iss. 39 in 2005; iss. 34 in 2006) The Registry Agency shall enter the investment company in the commercial register after it has been provided with the corresponding license issued by the Commission.

(2) (New – SG, iss. 39 in 2005; am. iss. 34 in 2006) The investment company shall submit to the Commission a certificate of entry within 7-day period of the entry.

Art. 184 (Am. – SG, iss. 39 in 2005) (1) No one has the right to carry out activity under Art. 164 or 164a without having preliminarily obtained a license, or authorization from the Commission.

(2) A person which does not possess a license, or authorisation to pursue business under Art. 164 and 164a in compliance with the requirements if this Law may not use in its business name, advertising or any other activity the words "investment company", respectively "contractual fund", "investment fund" or other equivalent words in Bulgarian or in a foreign language, meaning the execution of such business.

Art. 185. (1) (Am. – SG, iss. 39 in 2005) The Commission may withdraw the license issued where the investment company:

1. (Am. – SG, iss. 39 in 2005) fails to commence the relevant business within 12 months as from the date on which the license is issued, explicitly renounces the issued license or has not been executing business for more than six months;

2. (Am. – SG, iss. 39 in 2005) has submitted false particulars which have served as a ground to issue the license;
3. (Am. – SG, iss. 39 in 2005) fails to satisfy the conditions under which the license has been issued;
4. fails to satisfy the requirements for a minimum capital and liquidity provided for in this law and in its implementing instruments;
7. systematically violates the provisions of this law or its implementing instruments.

(2) (New – SG, iss. 39 in 2005) The Commission shall withdraw the license issued to organize and manage a contractual fund:
1. if in the course of one year after the license obtaining, the balance sheet net asset value of the contractual fund does not reach 500 000 Leva;
2. in the cases under para 1, item 1-4;
3. if the management company withholds fees which have not been envisaged or exceed the rate of the fees envisaged in the contractual fund rules;
4. if this is necessary for protection of the investors interests.

(3) (Prev. Para (2), am. – SG, iss. 39 in 2005) In the cases under para.s (1) and (2), Art. 68, para.s (2) and (3), and Art. 69 shall apply.

Chapter Fifteen
PUBLIC OFFERING OF SHARES IN INVESTMENT COMPANIES AND UNITS IN CONTRACTUAL FUNDS
(Heading, am. – SG, iss. 39 in 2005)

Art. 186. (1) (Am. – SG, iss. 39 in 2005) The public offering of shares in an investment company and units in a contractual fund shall be allowed if a prospectus is published in the way and with the contents laid down in this law and in its implementing instruments.

(2) (Am. – SG, iss. 39 in 2005; iss. 86 in 2006) The prospectus may only be published if the Commission has issued a license to pursue the activity of an open-end investment company, respectively an authorization to organize and manage a contractual fund. The prospectus of an investment company of closed-end type is drawn up and published pursuant to Chapter VI.

Art. 187. (1) (Am. – SG, iss. 39 in 2005; iss. 86 in 2006) The prospectus of the open-end investment company shall consist of a full and attached to it simplified prospectus and shall contain the following particulars:

1. about the investment company:
   a) place where the company’s constitutive documents are accessible to the public;
   b) main objectives of the investment business and the investment policy, as well as the applicable investment restrictions under the law and the investment company’s Articles of Association;
   c) conditions and procedure for the issue and sale of shares;
   d) conditions and procedure for calculation of the issue value of the shares;
   e) conditions and procedure for calculation of the redemption price of shares;
   f) conditions and procedure for the redemption of shares and conditions under which redemption may be temporarily suspended;
   g) dividend distribution policy;
   h) rules for evaluation of the portfolio and determining the net asset value;
   i) the risk profile of the investment company;
2. name, registered office and address of the depository;
3. name, registered office and address of the management company;
5. other particulars laid down in an ordinance.

(2) (Am. – SG, iss. 39 in 2005) The prospectus of the contractual fund shall consist of a full and attached to it simplified prospectus and shall contain the particulars under para 1.
The prospectus of the investment company and of the contractual fund shall be updated with any change in the substantial particulars included therein and within 14-days period shall be filed in the Commission. If any incompleteness or discrepancies are found out in the updated prospectus, Art. 98a shall apply.

The simplified prospectus shall be provided free of charge by the investment or management company to any person, that subscribes shares or units, before the conclusion of the transaction with shares or units. On request by a person, who subscribes shares and units, a full prospectus shall also be provided free of charge, as well as the last published annual and the last drawn up interim statement.

Art. 187a. (New – SG, iss. 61 in 2002; iss. 86 in 2006) The members of the investment company’s management body, its procurator as well as the investment intermediary that has signed the prospectus, respectively the management company, shall be jointly and severally liable for damages caused by false, misleading or incomplete information in the prospectus. Any person under Art. 34, para. 1 or 2 of the Accountancy Act shall be jointly and severally liable with the persons under sentence one for damages caused by false, misleading or incomplete information in the financial statements of the investment company and the contractual fund, while the registered auditor shall be liable for damages caused by the financial statements certified by them.

Art. 188. (Am. – SG, iss. 39 in 2005) The Commission shall examine the prospectus of the investment company of closed-end type and shall confirm it or reject it in accordance with Art. 91 and Art. 92.


(2) All advertising materials relating to the offering of shares of an open-end investment company and units in the contractual fund shall contain:

1. information about the place where the prospectus and the constitutive documents are accessible to the public;
2. information that the value of the shares, respectively the units, and the income thereon may be lowered, that no profit is guaranteed and the investors are bearing the risk not to recover the full amount of the funds invested;
3. other information laid down in an ordinance.

Art. 190. (Am. – SG, iss. 39 in 2005; iss. 86 in 2006) An open-end investment company, or the management company of the contractual fund, shall announce at the Commission the issue value and the redemption price of the shares, or the units upon any determination, and shall publish these prices in the stated in the prospectus daily newspaper at least twice a month.

Art. 191. (Am. – SG, iss. 39 in 2005) (1) Chapter Six, Division IV shall apply respectively to investment companies and contractual funds. An investment company and the management company of the contractual fund shall submit to the Commission monthly balance-sheets, as well as other information specified in an ordinance.

(2) The annual financial statement of the investment company, or the contractual fund, shall be certified by a registered auditor.

(3) The results from the audit of the annual financial statement carried out by the auditor shall be reflected in a separate report in a model form, approved by the deputy chairman, which is to be included in the annual report.

(4) Article 76b shall apply respectively to investment companies and contractual funds.

Chapter Sixteen

OPEN-END INVESTMENT COMPANY AND CONTRACTUAL FUND

(Heading am. – SG, iss. 39 in 2005)

Art. 192. (1) In addition to the particulars required by the Commercial Code, the Articles of Association of an open-end investment company must contain:

1. the main objectives of and restrictions on the investment business, as well as the investment policy of the investment company;
2. the holding of shares of one type or another;
3. the rules to determine the remuneration of members of the company's management and supervisory bodies, and of the management company respectively;

4. the distribution of powers and duties between the company's management body and the management company;

5. the duration of the closed-end period, if such is envisaged;

6. the conditions and procedure to calculate the net asset value, the issue value and the redemption price of the shares and the amount of dividend, if such is to be paid out;

7. (Am. – SG, iss. 39 in 2005) the conditions and procedure for redemption of the shares and the conditions to suspend such redemption and the procedure to disburse dividend, when such has been envisaged or for its reinvestment;

8. (Am. – SG, iss. 39 in 2005) the conditions for replacement of the depository bank and the rules guaranteeing the interests of shareholders in case of such replacement;

9. the conditions for replacement of the management company and the rules guaranteeing the interests of shareholders in case of such replacement.

(2) The rules of the contractual fund must contain:

1. the name of the contractual fund;

2. information about the person that organizes and manages the contractual fund;

3. the main aims and restrictions of the investment activity, as well as the investment policy;

4. the conditions and procedure for calculation of the net asset value, the issue value and the redemption price of the units;

5. methods for valuation of the assets and liabilities;

6. the rights attached to the units;

7. the fees which are collected by the management company for management; the expenses that are withheld by the management company for sale and redemption of the units, as well as any other fees, if envisaged;

8. the rules for determining the remuneration of the depository bank;

9. the conditions and procedure for redemption of units and the conditions for termination of the redemption;

10. conditions and procedure for income distribution or for its reinvestment;

11. the conditions for replacement of the depository bank and the rules for guaranteeing the interests of owners of units in case of such replacement;

12. the conditions for replacement of the management company and the rules for guaranteeing the interests of owners of units in case of such replacement;

13. method for calculation of the management company's remuneration.

(3) Any amendment to the Articles of Association and to the other constitutive documents of the investment company, in the contractual fund's rules, replacement of the depository bank and the management company, change in the rules of risk management, rules of portfolio valuation and determination of the net asset value, and with the contractual funds – change in the contract for depository services shall be allowed after an approval by the deputy chairman.

(4) The deputy chairman shall approve or reject the changes under para. (3) within 14 days as from receipt of the application and the enclosures thereto, and where additional information has been requested - as from its receipt. In those cases articles 180, 181, and 183 shall apply accordingly.

(5) The Registry Agency shall enter the amendment to the investment company's Articles of Association in the commercial register only after it has been provided with the approval of the deputy chairman.

Art. 193. (1) An open-end investment company must permanently offer its shares to the investors at their issue price based on the net asset value and, upon request of its shareholders, to redeem those shares at the price based on the net asset value, under the conditions and procedure laid down in this law, its implementing instruments and the company’s Articles of Association, with the exception of the case under para. (8). The issue price and the redemption price shall be calculated at least twice a week.
(2) If provided for in the Articles of Association, the issue price may be higher than the net asset value per share with the amount to cover the cost of the issuance.

(3) If provided for in the Articles of Association, net redemption price may be lower than the net asset value per share with the amount to cover the cost of redemption.

(4) (Canceled – SG, iss. 86 in 2006).

(5) The obligation for redemption shall be performed within 10 days after filing the request in writing and at a price equal to the redemption price for the nearest day following the date on which the request is made.

(6) All orders to buy shares in an open-end investment company and all orders for redemption of its shares received between two issue price and redemption price quotations shall be executed at the same price.

(7) An open-end investment company may provide in its Articles of Association for a closed-end period which may not be longer than two years after its formation. The investment company shall not be obliged to redeem its shares during the closed-end period.

(8) An open-end investment company may temporarily suspend the redemption of its shares under the conditions and procedure provided for in its Articles of Association, but only in exceptional cases where the circumstances make this necessary and such suspension is justified in view of the shareholders' interests, including the following cases:
   1. where a regulated securities market on which a substantial portion of the investment company's assets are quoted or dealt in is closed or entering into transactions there is discontinued or subjected to restrictions;
   2. where the company's assets or liabilities cannot be valued accurately or the company may not dispose of them without prejudice to the interests of the shareholders;
   3. when a decision is taken to wind-up or transfer the investment company by means of a merger, acquisition, division or separation.

(9) (Am. – SG, iss. 39 in 2005, iss. 86 in 2006) In the cases under para. (8) the investment company shall notify the Commission and the relevant competent authorities of all member-states, in which it offers its shares, of its decision by the end of the working day, respectively shall notify the Commission of the resumption of the redemption by the end of the working day preceding such resumption.

(10) In taking a decision under para. (8) the investment company must discontinue the issuing of shares forthwith and for the period of temporary suspension of the redemption.

Art. 194. (1) The capital of an open-end investment company increases or decreases depending on the change in the net asset value, including as a result of the shares sold or redeemed. The provisions of sections 192 to 203 and Art. 246 of the Commercial Code shall not apply.

(2) An open-end investment company shall only issue dematerialized ordinary shares giving the right to one vote. Except in the case of forming the company, its shares shall be acquired at an issue price determined on the basis of the net asset value. The provisions of Art. 176, para.s (2) and (3) and sections 188 to 191 of Commercial Code shall not apply.

(3) The company may not issue bonds and other debt instruments.

(4) The issue price and the redemption price shall be calculated by the depository bank or by the management company, under the supervision of the depository bank.

(5) An open-end company shall issue, sell and redeem its shares through the management company, while applying accordingly the requirements for investment intermediaries.

Art. 195. (Am. – SG, iss. 61 in 2002, am. iss. 39 in 2005; iss. 86 in 2006) (1) The open-end investment company and the contractual fund may invest only in:
   1. securities and money market instruments, admitted to or traded on a regulated market under Art. 7;
   2. securities and money market instruments, dealt in on a regulated market, other than that under Art. 7 in the Republic of Bulgaria or another member-state, which operates regularly and is recognized and open to the public, as well as in securities and money market instruments, issued by the Republic of Bulgaria or another member-state;
3. securities and money market instruments, admitted to be dealt in on an official market of a stock exchange or dealt in on another regulated market in a third country, which operates regularly and is recognized and open to the public, included in a list approved by the deputy chairman or that has been envisaged in the contractual fund’s rules or the investment company’s articles of association;

4. recently issued securities, the conditions of whose issue include undertaking an obligation to seek admission and to be admitted within a period not longer than one year from their issue, to be dealt in on an official market of a stock exchange or another regulated market, which operates regularly and is recognized and open to the public, included in a list approved by the deputy chairman or that has been envisaged in the contractual fund’s rules or the investment company’s articles of association;

5. units of collective investment undertakings, authorized to pursue business according Council Directive 85/611/EEC and/or of other collective investment undertakings within the meaning of § 1, item 26 of the Additional Provisions, regardless whether they are with a registered office in a member state or not, provided that:
   a) the other collective investment schemes meet the following conditions:
      aa) they are authorized to pursue business under a law, which provides that they are subject to supervision, which the deputy chairman considers equivalent to that laid down in Community law, and that cooperation between the supervisory authorities is to an adequate extent ensured;
      bb) the level of protection for holders of units and the rules on assets allocation, for borrowing, lending, and uncovered sales of securities and money market instruments are equivalent to the rules and level of protection of the holders of units of collective investment undertakings, authorized to pursue activity in accordance with Directive 85/611/EEC;
      cc) they disclose regularly information, drawing up and publishing annual and half-yearly reports reflecting the assets, liabilities, income and operations carried out over the reporting period.
   b) no more than 10% of the assets of the collective investment undertakings, authorized to pursue business according Directive 85/611/EEC or the other collective investment undertakings, which are envisaged to be acquired, can according the instruments of incorporation or the rules of such collective investment undertakings, be invested in aggregate in units of other collective investment undertakings authorized to pursue business pursuant to Directive 85/611/EEC or other collective investment undertakings;

6. Deposits in banks, which are repayable on demand, or entitling to be withdrawn at any time and maturing in no more than 12 months, provided that the bank is with a seat in the Republic of Bulgaria, or other member state, or if with a seat in a third country, provided that it is a subject of prudential supervision, which the deputy chairman considers equivalent to the supervision according the Community law;

7. derivative financial instruments, including equivalent cash-settled instruments, dealt in on regulated markets referred to in item 1-3 and/or derivative financial instruments dealt in outside of the regulated markets under item 1-3, provided that:
   a) their underlying assets are securities, financial indexes, interest rates, foreign exchange rates or currencies, in which the open-end investment company, the contractual fund respectively, may invest according to its investment policy as stated in its rules or instruments of incorporation;
   b) derivative financial instruments dealt in outside of regulated markets that satisfy the following conditions:
      aa) the counterparty to transactions with these derivative financial instruments is subject to prudential supervision and meets the requirements laid down by the deputy chairman;
      bb) may be subject to valuation on a daily basis by generally accepted, verifiable methods and at any time can be sold, liquidated or closed by an offsetting transaction at their fair value at the initiative of the open-end investment company or contractual fund.

8. money market instruments other than those dealt in on a regulated market, if the issue or issuer of such instruments is itself supervised for the purpose of protecting investors and savings, and provided that they are:
a) issued or guaranteed by the Republic of Bulgaria or other member-state, by their regional or local authorities, by the
Bulgarian National Bank, by the central bank of another member-state, by the European Central Bank, European Union or the European Investment Bank, by a third country, and in the cases of a federal state – by one of the members of the federal state, by a public international body in which at least one member state is a member;
b) issued by an issuer, whose securities issue is dealt in on a regulated market pursuant to item 1-3;
c) issued or guaranteed by an establishment subject to prudential supervision, in accordance with criteria defined by
Community law, or by an establishment which is subject to and complies with rules approved by the relevant
competent authority, guaranteeing that the establishment meets requirements as stringent as the those laid down by
Community law;
d) issued by bodies other than those under letter “a”, “b” or “c”, satisfying criteria, determined by the deputy chairman,
guaranteeing that:

aa) investments in such instruments are subject to protection equivalent to the protection to which the investments under
letter “a”, “b” and “c” are subject;
bb) the issuer is a company whose capital and reserves are amounting to at least the BGN equivalence of 10 000 000
euro, and which presents and publishes annual audited accounts; a company which finances a group of companies in
which it participates and which includes one or several listed companies or a company which finances securitisation
vehicles of bank receivables.

(2) An open-end investment company and a contractual fund may invest not more than 10% its assets in securities and
money market instruments other than those referred to in paragraph 1.

(3) An open-end investment company may acquire movable properties and real estate, only to the extent that is of material
importance for the direct performance of its business.

(4) An open-end investment company and a contractual fund may not acquire precious (white) metals and certificates on
them.

Art. 196. (Am. – SG, iss. 61 in 2002; iss. 39 in 2005; iss. 86 in 2006) (1) An investment company may invest no more than
5% of its assets in securities or money market instruments issued by the same issuer.

(2) An investment company may not invest more than 20 % of its assets in deposits made with the same bank.

(3) The risk exposure of the investment company to the counterparty in the transaction with derivative financial instruments
dealt in outside of regulated markets may not exceed 10% of its assets when the counterparty is a bank referred to in Art.
195 para 1 item 6, and in the other cases - 5% of the assets.

(4) An investment company may invest up to 10% of its assets in securities or in money market instruments issued by a
single issuer, provided that the total amount of these investments does not exceed 40% of the investment company’s
assets. In the calculation of the total amount of the assets under sentence one, the securities and the money market
instruments under para 6 are not taken into account.

(5) The total amount of the investments under para 1-3 in securities or money market instruments issued by a single
body, deposits made with that body, as well as the exposition to the same body, arising from transactions in derivative
financial instruments dealt in outside of the regulated markets should not exceed 20% of its assets.

(6) An investment company may invest up to 35% of its assets in securities and money market instruments, issued by a
single issuer, if the the securities and the money market instruments are issued or guaranteed by the Republic of
Bulgaria, another member-state, by their local authorities, by a third country or by a public international organization to
which at least one of the member-states belongs.

(7) The total value of the investments under para 1-6 in securities or money market instruments issued by a single body,
deposits made with that body, as well as the exposition to the same body, arising from transactions in derivative
financial instruments, may not exceed 35% of the investment company’s assets.

(8) Entities which are included in the same group for the purposes of drawing up consolidated accounts, in accordance
with the recognized accounting standards, are regarded as a single body for the purposes of applying the limits under para 1-7.

(9) The cumulative investment in securities or money market instruments, issued by a single group may not exceed 20% of the investment company’s assets value.

(10) An investment company may not acquire:
1. more than ten per cent (10%) from the shares without voting right, issued by a single person;
2. more than ten percent (10%) from the bonds or other debt securities, issued by a single person;
3. more than twenty five per cent (25%) from the units of a collective investment undertaking, authorized to pursue business pursuant to Council Directive 85/611/EEC and/or of other collective investment undertaking within the meaning of § 1, item 26 of the Additional Provisions, irrespective of whether with a registered office in a member-state or not;
4. more than ten per cent (10%) from the money market instruments of a single person.

(11) An investment company may invest not more than 10% of its assets in the units of one collective investment undertaking, that has obtained an authorization to pursue business according Council Directive 85/611/EEC or another collective investment scheme within the meaning of § 1, item 26 of the Additional Provisions, irrespective of whether with a registered office in a member-state or not;

(12) The total amount of investments in units in collective investment undertakings within the meaning of § 1, item 26 of the Additional Provisions, irrespective of whether with a registered office in a member-state or not, other than a collective investment undertaking authorised to pursue business pursuant to Council Directive 85/611/EEC may not exceed 30 % from the investment company’s assets.

(13) The limit under para 1, 4, 6, 7 and 10 item 1 shall not apply where the investment company exercises rights of subscription, arising from securities and money market instruments, which are part of its assets.

(14) In case of violation of the investment restrictions due to reasons beyond the investment company’s control, as well as in the cases under para 13, it must within a 7-day period of establishing the violation to notify the Commission, proposing a program with measures for bringing the assets in consistence with the requirements of the Law within 6 months of the occurrence of the violation.

(17) The program under para 14 shall be approved by the deputy chairman. Article 177, para.s (3) and (4) shall apply accordingly.

Art. 197. (1) An investment company may not use loans except for cases under para. (2).

(2) (Am. – SG, iss. 39 in 2005) The deputy chairman may authorise an investment company to use a loan not exceeding 10 per cent of its assets where the term of the loan is not longer than three months and such loan is necessary to cover the liabilities relating to the redemption of the company’s shares. Art. 177, para.s (3) and (4) shall apply accordingly.

(3) (New– SG, iss. 86 in 2006) When an open-end investment company invests in units of collective investment schemes, that have obtained an authorization to pursue business according Council Directive 85/611/EEC and/or other collective investment schemes within the meaning of § 1, item 26 of the Additional Provisions, managed directly or by delegation by the same management company or by another company with which the management company is related with common management or control, or by a direct or indirect participation, the management company or the other company shall not be entitled to collect fees for sale and redemption on account of the investment company’s assets.

Art. 197a. (New – SG, iss. 39 in 2005; iss. 86 in 2006). In relation to the contractual fund Art. 193, Art. 194, para.s (4) and (5), Art.196 and197 shall apply accordingly.

Art. 197b. (New – SG, iss. 86 in 2006) (1) The investment company, respectively the management company when managing a contractual fund, shall adopt risk management rules with the purpose of continuous monitoring and measuring at any time the risk of each position and its contribution to the risk profile of the whole portfolio.

(2) Where the investment company, or the contractual fund, invests in derivative financial instruments, the rules of risk management shall also indicate the types of derivative financial instruments, the underlying risks, the quantitative limits and
the methods which are chosen to estimate the risk associated with such investments.

(3) The investment company, respectively the management company may not have an exposition, related to derivative financial instruments, exceeding its net asset value.

(4) The exposition shall be calculated taking into account the current value of the underlying asset, the risk of the counterparty to the transaction in the derivative financial instrument, future market fluctuations, as well as the required time to liquidate the position.

(5) The investment company, or the contractual fund may invest in derivative financial instruments, when complying with the limits laid down in Art. 196, para 7-9 and provided that the exposure of the underlying assets does not exceed in aggregate the limits laid down in Art. 196 para 1-9.

(6) Additional requirements to the contents of the risk management rules shall be laid down in an ordinance.

Chapter Seventeen
CLOSED-END INVESTMENT COMPANY

Art. 198. (1) (Am. – SG, iss. 39 in 2005) In addition to the particulars required in conformity with the Commercial Code, the Articles of Association of a closed-end investment company must contain the particulars under Art. 192, para. (1), items 1 to 4, 9 and 10, as well as:

1. (Am. – SG, iss. 39 in 2005) a prohibition to distribute dividends in advance before the adoption of the year-end financial statement;
2. the procedure for and way of distribution of dividends.

(2) A closed-end investment company may only issue dematerialised shares giving the right to one vote. The company may not issue bonds and other debt instruments.

(3) (Am. – SG, iss. 39 in 2005) Any amendment to the Articles of Association and to the other constitutive documents, change of the depository bank and the management company, as well as replacement of an investment adviser with a management company and vice versa shall be allowed after approval by the deputy chairman. In such case Art. 192, para.s (4) and (5) shall apply.

Art. 199. A closed-end investment company may not redeem its shares, except in accordance with the procedure in the Commercial Code.

Art. 200. (1) A closed-end investment company must file an application for the admission of its shares to a regulated securities market within six months after an entry is made in the commercial register in accordance with Art. 183.

(2) (Am. – SG, iss. 86 in 2006) Where the shares in a closed-end investment company are not admitted to trading on a regulated securities market within one year from the entry in the commercial register under Art. 183, the company shall be liquidated.

(3) (Am. – SG, iss. 39 in 2005) The conditions and the procedure for liquidation of a closed-end investment company shall be determined in the ordinance under Art. 177, para. (5).

Art. 201. (1) (Am. – SG, iss. 61 in 2002; iss. 86 in 2006) Article 195 shall apply to the assets of a closed-end investment company.

(2) (Am. – SG, iss. 39 in 2005; iss. 86 in 2006) The investment company may invest up to 25 per cent of its assets in securities and money market instruments issued by a single issuer, applying accordingly Art. 196, para (2)-(13).

(3) (New – SG, iss. 39 in 2005; am. issue 86 in 2006) In case of violations of the company’s investment restrictions, Art. 196, para.s (14) and (15) shall apply.


(5) (Prev. para (4), am. – SG, iss. 39 in 2005) The investment company may not use loans. The deputy chairman may authorise an investment company to use a loan amounting to up to 15 per cent of its assets where the term of the loan is
Chapter Eighteen

MANAGEMENT COMPANIES

Division I

General provisions

Art. 202. (1) "Management company" is a joint stock company which has obtained license under the conditions and procedure of this law and whose business consists in management of the activity of collective investment schemes and of investment companies of closed-end type, including:

1. investments management;
2. administration of the units or shares, including also legal services and accounting services in relation to assets management, requests for information of the investors, assets valuation and calculation of the units or shares price, control for compliance with the legal requirements, maintenance of the book of the unit owners or shareholders, distribution of dividends and other payments, issue sale and redemption of units or shares, execution of contracts, keeping records;
3. marketing services.

(2) The management company may also provide the following additional services:

1. management, in consistence with a contract concluded with the client of an individual portfolio, including such of an institutional investor, including securities at its own discretion without any special instructions by the client;
2. providing investment advise about securities.

(3) In respect to a management company, which provides services under para. 2, the provisions of the law in relation to investment intermediaries shall apply.

(4) The license under para. 1 may include the right to pursue the services under para 2. The license may not be issued only for providing the services under para 2, as well as for the providing of the services under para (2), Item 2 without the providing of services under para 2 item 1 to have been approved.

(5) The activity under para. (1) item 1 is performed by means of investment decisions and orders which shall be executed by investment intermediaries authorised by the investment company’s management body, respectively indicated in the contractual fund’s prospectuses, while observing the requirements of the law, except for the cases of initial public offering or transactions in securities and money market instruments under Art. 195, para 1, item 8 letter “a” and para 2, where the subscription of the securities, respectively the transactions in securities and money market instruments may be executed by the management company.

(6) In performing the activity under Art. 164 and 164a, related to the public offering of the shares, or the units, as well as their redemption, the management company acts on behalf of and for the account of the open-end investment company, or on its own behalf, indicating that it acts for the account of the contractual fund.

(7) A management company may not carry out any other commercial transactions unless this is necessary in order to pursue the business under para.s (1) and (2).

(8) A management company may not carry out the transactions under Art. 54, para. (2), item 2, except in the cases of para.s (5) and (6).

(9) In the fulfillment of its obligations under the contracts for management of the activity under Art. 164 and 164a, the management company shall be guided only by the interests of the shareholders of the investment company or the owners of units in the contractual fund.

(10) In cases where the license under para 1 covers the right to perform the services under para 2 item 1, and the management company holds cash or/and securities of those clients, and by this reason for it not longer than six months and such loan is necessary for acquisition of assets. Art. 177, para.s (3) and (4) shall apply accordingly.
liabilities may arise towards them, it shall make cash contributions to the Fund for Compensation of Investors in Securities under Art. 77m, para 2. The provisions of Chapter Five, section IV shall apply accordingly.

(11) (New – SG, iss. 61 in 2002, prev. para (6), am. iss. 39 in 2005, prev. para 10, am. iss. 86 in 2006) The Commission may issue a license for carrying-out of activities as a management company on the territory of the Republic of Bulgaria through a branch, to a legal entity from a third country under the terms of Art. 55, para. 5, items 1 and 2. In such cases Art. 55, para. 6 and 7 shall apply accordingly.

Art. 203. (1) (Am. – SG, iss. 39 in 2005; iss. 86 in 2006) The capital of a management company at any time may not be less than the BGN equivalence of 125 000 euro, whose structure and ratio to the balance sheet assets and liabilities of the company are determined by an ordinance.

(2) (New – SG, iss. 86 in 2006) If the management company manages the operation of collective investment undertakings, whose assets individually or in aggregate exceed the BGN equivalence of 250 000 000 euro, it must increase the amount of capital under para 1 with not less than 0,02 per cent of the sum, being the difference between their book asset value and the BGN equivalence of 250 000 000 euro. Sentence one shall not apply when the capital of the management company reaches the BGN equivalence of 10 000 000 euro.

(3) (Am. – SG, iss. 39 in 2005, prev. para 2 iss. 86 in 2006) At least 25% of the capital under Art. 1 should be paid in upon filing the application for granting license to pursue the business of a management company, and the rest should be paid within 14-day period of receiving a written notification by the Commission that its will issue the license after the full amount of the capital is paid in.

(4) (New – SG, iss. 39 in 2005, prev. para 3 iss. 86 in 2006) The management company must remove the indicated by the deputy chairman inconsistencies and any other discrepancies with the requirements of the law, including with the International Financial Reporting Standards, admitted in the reports on capital adequacy and liquidity, as well as in the financial statements, registers and other accounting documents within set by the deputy chairman sufficient term.


(7) (Prev. para (4), am. – SG, iss. 39 in 2005, prev. para 6 iss. 86 in 2006) Management companies shall issue only dematerialized shares giving the right to one vote.

(8) (Prev. para (5), am. – SG, iss. 39 in 2005, prev. para 7, iss. 86 in 2006) Art. 60 shall apply to the members of the governing and supervisory bodies of management companies as well as to any other person who has the right to enter into transactions either by himself or jointly on behalf of the management company.

Division II

Issuance and withdrawal of a license

Art. 204. (1) (Am. – SG, iss. 39 in 2005) In order to pursue the business of a management company, a written license from the Commission shall be required.

(2) (Am. – SG, iss. 39 in 2005) For the purposes of obtaining a license under para. (1) a formal application shall be filed and the following documents should be attached:

1. the Articles of Association and other constitutive documents;
2. particulars about the subscribed and paid-in capital;
3. (Am. – SG, iss. 39 in 2005; iss. 86 in 2006) particulars and other information about the persons under Art. 203, para. (8), respectively about the individuals representing legal persons, members of the management or supervisory bodies of the applicant or other persons authorised to represent him, as well as particulars about their professional qualification and experience;
4. (Am. – SG, iss. 86 in 2006) the general conditions applicable to management contracts with the investment companies or other investors;

5. (New – SG, iss. 39 in 2005) the rules for the personal transactions in securities of the members of the governing and supervisory bodies of the management company, of the investment adviser, working under a contract for the management company, the management company’s employees and related persons;

6. (Prev. item 5, am. – SG, iss. 39 in 2005) information about the persons who hold, directly or indirectly, 10 or more than 10 per cent of the votes in the general meeting of the applicant company or who may control it otherwise, as well as about the number of the owned by them votes. The persons shall submit written declarations in a model form set by the deputy chairman concerning the origin of the funds from which the contributions have been made for the shares subscribed, including whether these are loan funds, and about the taxes paid by those persons over the preceding 5 years;

7. (New – SG, iss. 86 in 2006) data of the persons, with whom the management company is a related person;

8. (Prev. item 6 – SG, iss. 39 in 2005, prev. item 7, iss. 86 in 2006) other documents and information, as specified in an ordinance.

(3) (Canceled – SG, iss. 39 in 2005, new iss. 86 in 2006) The Commission shall pronounce on the application after consultations with the competent authorities of the relevant member-states, if the applicant:

1. is a subsidiary of another management company, investment intermediary, credit institution or insurer, that have obtained authorization to pursue business by the competent authorities of another member-state;

2. is a subsidiary of the parent undertaking of another management company, investment intermediary, credit institution or insurer, that have obtained authorization to pursue business by the competent authorities of another member-state;

3. is controlled by natural or legal entities, that control another management company, investment intermediary, credit institution or insurer, that have obtained authorization to pursue business by the competent authorities of another member-state;


Art. 205. (1) (Am. – SG, iss. 39 in 2005) The Commission shall refuse to issue a license where:

1. the capital of the applicant does not satisfy the requirements under Art. 203, para. (1);

2. (Am. – SG, iss. 39 in 2005) some of the members of the company’s management or supervisory body or the persons under Art. 60, para.s (4) and (5) may not hold the position due to a statutory prohibition or fails to satisfy the requirements of this law;

3. (Am. – SG, iss. 39 in 2005) a person who holds, directly or indirectly 10 or more than 10 per cent of the votes in the general meeting or may otherwise control the applicant through its activities or its influence on decision-making, might prejudice the safety of the company or of its operations;

4. (Am. – SG, iss. 86 in 2006) the general conditions under Art. 204, para. (2), item 4 do not guarantee to a sufficient extent the interests of the investment company and of the other investors;

5. the applicant has submitted false particulars or documents with a false content;

6. (Am. – SG, iss. 39 in 2005) the persons who hold, directly or indirectly 10 or more than 10 per cent of the votes in the general meeting of the applicant company, have made contributions through loan funds;

7. (New – SG, iss. 86 in 2006) the applicant us a related person with one or more natural or legal persons and this relatedness creates obstacles for the efficient exercising of the supervisory functions of the Commission or of the deputy chairman;

8. (New – SG, iss. 86 in 2006) obstacles exist for the efficient exercising of the supervisory functions of the Commission or the deputy chairman, arising from or in relation to the application of a statutory or administrative act of a third country, regulating the activities of one or more persons, with whom the applicant is a related person;

9. (Prev. item 7 – SG, iss. 86 in 2006) the applicant fails to satisfy the other requirements laid down in the law and in its implementing instruments.

(2) (Am. – SG, iss. 39 in 2005; iss. 86 in 2006) In the cases under para. (1), items 1, 2, 4, 6 and 9 the Commission may
definitely refuse to issue a license only if the applicant has failed to remove the inconsistencies and to submit the documents required within the time limit set by the Commission, which may not be shorter than one month.

(3) (New – SG, iss. 39 in 2005, am. iss. 86 in 2006) Except in the cases under para 1, the Commission may refuse to 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, if it decides that the supervision exercised over the management company on consolidated basis by the relevant competent authority in the country where its registered office is located, does not satisfy the requirements laid down in this law.


(5) (New – SG, iss. 39 in 2005) In case of refusal, the applicant may file a new application for the issue of a license not earlier than six months after the coming into effect of the decision for refusal.

Art. 206. (1) (New – SG, iss. 39 in 2005) No one shall have the right to pursue the business of a management company without having preliminarily obtained a license from the Commission.

(2) (Prev. Art. 206, am. – SG, iss. 39 in 2005; iss. 86 in 2006) A person who does not possess a license to pursue the business of a management company in accordance with the requirements of this law, may not use in its business name, advertising or other activities, words in Bulgarian or in a foreign language denoting the carrying out of acts relating to the management of an investment company or a contractual fund.

Art. 207. (Am. – SG, iss. 39 in 2005, iss. 34 in 2006) The Registry Agency shall enter in the commercial register the company, respectively the right to pursue the business under Art. 202, in its scope of business, after it has been provided with the license issued by the Commission.

Art. 208. (1) (Am. – SG, iss. 39 in 2005) The Commission may withdraw the license issued under the conditions of Art. 68, para. (1),

(2) (Am. – SG, iss. 39 in 2005) The Commission shall notify the company of the withdrawal of the license in writing, within 7 days as from the date on which the decision is made.

(3) (Am. – SG, iss. 39 in 2005) After the decision to withdraw the license has come into effect, the Commission shall forthwith forward a copy thereof to the competent court in order for liquidation proceedings to be instituted against the company and shall take the necessary measures to inform the public.

Art. 209. (Am. – SG, iss. 39 in 2005) Art. 69 is applied for the management company accordingly. The decision of the Commission is published in two major daily newspapers.

Division III
Requirements towards the activities of management companies

Art. 210. (1) (Am. – SG, iss. 39 in 2005) A management company must have an appropriate managerial and accounting organisation and technical equipment satisfying the requirements of this law and of its implementing instruments and making it possible to ensure the separate management of the portfolios of the persons under Art. 164 and Art. 164a, which the management company intends to manage.


(3) (New – SG, iss. 39 in 2005) The management company is obliged to fulfil the investment policy with a view to achieving the investment objectives of the managed investment company and/or contractual fund, as well as to comply with the investment restrictions, provided for under this law, its implementing instruments, the investment company's Articles of Association, the contractual fund's rules, respectively.

(4) (New – SG, iss. 39 in 2005) The management company must comply with the rules for portfolio valuation and determining the net asset value of the investment company and the contractual fund, where the execution of these activities have been entrusted to it by the management contract, or where the contractual fund's rules envisage that they shall be executed by the management company.
(5) Prev. Para (3), am. – SG, iss. 39 in 2005; iss. 86 in 2006) Art. 70, para. (1), Art. 71, Art. 74 para.s (1) and (2), Art. 74a-74c, Art. 76b and Art. 191, para.s (2) and (3) shall apply for the management company accordingly.

Art. 211. (Am. – SG, iss. 39 in 2005) Other requirements towards the management companies activities, including the general conditions under Art. 204, para. (2), item 4, to the rules under Art. 204, para (2), item 5, to the natural persons working under a contract for the management company, shall be laid down in an ordinance.

Chapter Eighteen "a"
(New – SG, iss. 39 in 2005 in effect as of the date of coming into force of the Treaty of Accession of the Republic of Bulgaria to the European Union)

PURSUING OF BUSINESS BY MANAGEMENT COMPANIES IN A MEMBER STATE. PURSUING OF BUSINESS IN THE REPUBLIC OF BULGARIA BY MANAGEMENT COMPANIES WITH A REGISTERED OFFICE IN A MEMBER STATE. PUBLIC OFFERING OF UNITS OF COLLECTIVE INVESTMENT UNDERTAKINGS IN THE REPUBLIC OF BULGARIA.

(Heading am. – SG, issue 86 in 2006)

Division I

Pursuing business by management companies in a member state

Art. 211a. (1) (Am. – SG, iss. 86 in 2006) A management company which intends to establish a branch in a member state (hereinafter referred to as the "host member state") must preliminarily notify the Commission of it. All branches, established by the management company in one 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 management company intends to establish a branch, as well as its address;
2. program of operations, including information about the type and volume of the activities and services, which the management company 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 of its receiving, and where some additional information and documents have been requested – within one month of their receiving, as well as information about the acting in the country investor compensation scheme, in which the management company participates. The Commission shall immediately inform the management company of the submission of information under sentence one.

(4) (Am. – SG, iss. 86 in 2006) The Commission may refuse within the term under para 3 to provide the information under para 2 to the relevant competent authority of the host member state by a reasoned decision, if the administrative structure or the financial situation of the management company do not guarantee the investor interests. Art. 177, para (5) shall apply accordingly. The Commission shall inform the European Commission about the number and nature of the cases, in which it pronounced with a denial under sentence one.

(5) The management company may establish a branch and start to pursue business on the host member state's territory after receiving a notification by the relevant competent authority of the host member state, or after the expiry of two months of the notification to the relevant competent authority of the host member state according the procedure under Art. 3, if within that period it has not received any notification. If within the period under sentence one, the relevant competent authority of the host member state has not established by a reasoned decision, that the measures taken by the management company in relation to the offering of shares and units of the managed by it collective investment schemes in the host member state, do not satisfy the requirements of its legislature or do not ensure the required conditions for effecting payments in favour of the shareholders and owners of units, for redemption of their shares, or units and for providing at the investors’ disposal the information disclosed by the collective investment schemes on regular and ongoing
basis, the management company may start to offer in the host member state the shares and units of the collective investment schemes it manages.

(6) A management company which has set up a branch on the territory of the host member state, shall notify in writing the Commission, as well as the relevant competent authority of the host member state about any change in particulars and documents under para 2, at least one month before the change is made. Para.s (4) and (5) shall apply accordingly.

Art. 211b. (1) A management company which intends to pursue business in a host member state under the freedom to provide services, without opening a branch on its territory, must preliminarily notify so the Commission.

(2) The notification under Art. 1 shall contain:
1. indication of the host member state in which the management company intends to pursue business;
2. program of operations, including information about the type and volume of activities and services, which the management company shall carry out in the host member state;

(3) The Commission shall provide the information under para 2 to the relevant competent authority of the host member state within one-month of its receiving, as well as information about the acting in the country investor compensation scheme, in which the management company participates. The Commission shall forthwith notify the management company of the providing of the information under sentence one.

(4) The management company may start to pursue business on the territory of the host member state after it is notified of the submission of the information under para 3 by the Commission.

(5) The management company shall notify in writing the Commission, as well as the relevant competent authority of the host member state about any change in the program under Art. (2) item 2, at least one month prior to making the change.

(6) In case that the management company entrusts the sale and redemption of shares and units of the managed by it collective investment schemes to a third person on the host member state territory, it shall inform so the Commission beforehand.

211c. (Am. – SG, iss. 86 in 2006) (1) Where the relevant competent authority in the host member-state notifies the Commission of offences perpetrated by the management company, it shall undertake the necessary measures for discontinuance of the offence and shall inform about them the relevant competent authority in the host member-state.

(2) The Commission, or the deputy chairman, in exercising its supervisory powers may conduct an on-site inspection in the branch of the management company, after notifying of it in advance the relevant competent authority in the host member-state, or may request the carrying out of such inspection by the competent authority in the host member-state.

(3) The Commission shall forthwith inform the relevant competent authority in the host member-state of the withdrawal of the issued to the management company or to the managed by it open-end investment company license to pursue business, of the withdrawal of the authorization of the management company to manage a contractual fund, of imposition of a coercive administrative measure on the manager of the branch under Art. 212, para 1, item 6. as well as of the imposition of the respective measures under Art. 212 para 1 item 7 – 9.

Division II
Pursuing of business in the Republic of Bulgaria by management companies with a registered office in a member state.

(Heading am. – SG, iss. 86 in 2006)

Art. 211d. (Am. – SG, iss. 86 in 2006) A management company whose registered office is in a member state and which has obtained a license to pursue the business of a management company in compliance with the acquis communautaire from the relevant competent authority of this state, hereinafter referred to as “a management company 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. All branches, established by the management company in the Republic of Bulgaria shall be considered to be one branch.
211e. (1) Within a two-month period of receiving information from the relevant competent authority in relation to a management company from a member state, which intends to establish a branch on the territory of the Republic of Bulgaria, the Commission shall notify the management company of the information receipt, and if needed, shall indicate the rules which must be observed in pursuing activity in the country.

(2) (Am. – SG, iss. 86 in 2006) The management company from a member state may establish a branch and start to pursue business on the territory of the Republic of Bulgaria after receiving a notification by the Commission under para 1 or after expiry of the period under para 1, if it has not received a notification within that period. In such case Art. 202, para (11) shall not apply. If within the period under sentence one, the Commission has not established by a reasoned decision, that the measures taken by the management company from a member state in relation to the offering of units of the managed by it collective investment schemes in the Republic of Bulgaria, do not satisfy the requirements of this law and its implementing instruments or do not ensure the required conditions for effecting payments in favour of the shareholders and owners of units, for redemption of their units and for providing at the investors’ disposal the information disclosed by the collective investment schemes on regular and ongoing basis, the management company may start to offer in the country the units of the collective investment schemes it manages.

(3) The management company from a member state, which has established a branch and pursues business according to para 2, shall inform the Commission about any change in the particulars and documents under Art. 211a, para (2) at least one month before the change is made. Para. (2) shall apply accordingly.

(4) (Am. – SG, iss. 86 in 2006) The management company from a member state must comply with the requirements of this Law and its implementing instruments in regard to the regular and ongoing disclosure of information, which are applicable to its operation, as well as to execute sale and redemption of units of the collective investment schemes in consistence with the provisions, applicable to the activity of the local management companies and collective investment schemes, including also the provisions concerning the advertisement.

(5) (New – SG, iss. 86 in 2006) The competent authority in the home member-state of the management company, which pursues business on the territory of the Republic of Bulgaria through a branch, may, after informing the Commission, conduct on its own or through authorized for the purpose persons, an on-site inspection in the management company’s branch.

(6) (New – SG, iss. 86 in 2006) The competent authority under para 5 may request the carrying out of an on-site inspection by the Commission in the management company’s branch. The Commission, respectively the deputy chairman, within its powers may conduct the inspection on its own, by admitting the competent body that made the request or auditors or experts.

211f. (1) A management company from a member state which intends to pursue business in the Republic of Bulgaria under the freedom to provide services, without opening a branch on the country’s territory, may start to carry out activity after the Commission receives information from the relevant competent authority concerning the management company’s program of operations in the country. The Commission shall immediately inform the management company about the receiving of the information under sentence one, and if needed, shall state the rules that must be abided by in pursuing business in the country.

(2) A management company from a member state, which pursues business in the Republic of Bulgaria according para (1) must:

1. submit at the Commission and publish in Bulgarian language in the Republic of Bulgaria all documents and information with the same frequency with which it publishes them in its home member state;
2. publish the information outside of that under Item 1, which is required by this Law and its implementing instruments;
3. (Am. – SG, iss. 86 in 2006) comply with the provisions, including those under Art. 194, para 5, relating to the sale (issue) and redemption of units of the managed by it collective investment schemes and relations with clients;
4. inform in advance the Commission about all changes in the program of its operation, which it intends to undertake.
(3) The management company from a member state shall notify the Commission about any circumstances of importance for its activity. Art. 74, para.s (1) and (2) shall apply accordingly.

Art. 211g (Am. – SG, iss. 86 in 2006) (1) Where the deputy chairman establishes that the management company from a member-state violates the provisions of this Law and its implementing instruments, he/she shall order in writing the admitted violations and the harmful consequences thereof to be discontinued and removed within a set term.

(2) Where the violations are not eliminated within the set period, the deputy chairman shall inform of it and of the need to undertake relevant actions, the competent authority in the management company’s home member-state.

(3) If, in spite of the applied by the competent authority in the management company’s home member-state measures or if they have proved to be inadequate or inappropriate, the management company continues to perpetrate breaches of this Law and its implementing instruments, the deputy chairman may, after informing the competent authority in the management company’s home member-state, take the necessary actions for termination of the breaches or may impose sanctions, and if necessary, also ban the management company from pursuing activity on the territory of the Republic of Bulgaria. The Commission shall advise the European Commission of the number and nature of the cases, in which actions were taken under sentence one.

(4) In exceptional cases under para 1, with the purpose of investor interests protection, the deputy chairman may take coercive measure, without following the procedures under para 1 – 3, immediately informing of it the competent body in the management company’s home member-state and the European Commission. On request of the European Commission, the deputy chairman shall repeal or change the measures taken under sentence one.

(5) Where the Commission is informed by the relevant competent authority in the management company’s home member-state about the withdrawal of the authorization to pursue business issued to the management company, the Commission shall take the appropriate actions to prevent the carrying out of activity by the management company on the territory of the Republic of Bulgaria.

Division III
Public offering of units of collective investment schemes from a member state in the Republic of Bulgaria
(Heading am. – SG, iss. 86 in 2006)

Art. 211h. (1) (Am. – SG, iss. 86 in 2006) A collective investment scheme, with a registered office or whose management company is with a registered office in a member state (hereinafter referred to as "home member state" and satisfying the requirements of acquis communautaire, hereinafter referred to as "collective investment scheme from a member state", which intends to make a public offering of its units in the Republic of Bulgaria, must inform so the Commission and submit to it:

1. (Am. – SG, iss. 86 in 2006) a certified copy of the license to pursue the business of an investment company, issued by the relevant competent authority of the home member state or a document, certifying that the collective investment scheme and its management company meet the requirements of acquis communautaire and of the law concerning the collective investment schemes, applicable in the home member state;
2. a certified copy of the Articles of Association and the Rules of the collective investment scheme;
3. the full and simplified prospectus of the collective investment scheme;
4. the last certified by a registered auditor annual financial statement, as well as the last interim financial statement, if such has been prepared;
5. (Am. – SG, iss. 86 in 2006) information about the conditions and procedure for sale (issue) and redemption of the units of the collective investment scheme in the Republic of Bulgaria;
6. a certified copy of a contract with a bank having its headquarters in the Republic of Bulgaria or a bank with headquarters abroad, that has obtained an authorization by the Bulgarian National Bank to carry out activities in the Republic of Bulgaria through a branch, concluded in consistence with para 2;
7. other documents and information according an ordinance.

(2) A collective investment scheme from a member state, or its management company, shall conclude a contract with a person under para 1, item 6. The contract shall contain at least:

1. the conditions and the procedure for payment of the incomes from the securities, issued by the collective investment scheme;
2. the conditions and procedure for sale (issue) and redemption of the securities of the collective investment scheme, including the procedure and time-limits for payment of cash amounts in favor of the shareholders, or the owners of units, in the securities redemption;
3. the conditions and procedure for payment of the liquidation share to the shareholders, or to owners of units in winding up of the collective investment scheme;
4. an obligation of the person under para 1, item 6 to file in the Commission and publish all documents and information which the collective investment scheme publishes in the country in which it is registered, if such an obligation has been explicitly entrusted to the person under para 1, item 6 by the collective investment scheme or by its management company.

(3) The collective investment scheme from a member state shall inform forthwith the Commission of any change in the contract under para 2, as well as of replacement of the person under para 1, item 6 with another one.

Art.211i. (1) (Am. – SG, iss. 86 in 2006) A collective investment scheme from a member state, or its management company, may start to offer publicly its units in the Republic of Bulgaria after the expiry of a two-month period from filing in the Commission of the documents and information under Art.211h, para 1, unless within this period the Commission has established by a reasoned decision, that the actions taken in connection with the offering of units of the collective investment scheme in the Republic of Bulgaria, do not satisfy the requirements of this law and its implementing instruments or do not ensure the required conditions for effecting payments in favour of the shareholders or owners of units, for redemption of their units and for providing at the investors’ disposal the information disclosed by the collective investment schemes on regular and ongoing basis, including also if the contract under Art. 211h, para 2 does not meet the requirements of the law.

(2) (Am. – SG, iss. 86 in 2006) A collective investment undertaking from a member-state, in the public offering of its units in the Republic of Bulgaria may use the business name under which it pursues business in its home member-state, or its management company’s home member-state. If the use of that business name in the Republic of Bulgaria creates confusion, the Commission may obligate the collective investment undertaking to add on supplementary components or explanations to the name.

(3) (Prev. para 2, am. – SG, iss. 86 in 2006) The collective investment undertaking from a member state must comply with the requirements of this law and its implementing instruments, applicable to its activity related to the public offering of its units.

Art.211j. (1) (Am. – SG, iss. 86 in 2006) A collective investment scheme from a member state, which makes a public offering of its units in the Republic of Bulgaria, or its management company, shall publish in the Bulgarian language:

1. the full and simplified prospectus of the collective investment scheme;
2. the annual financial statement and the interim financial statements of the collective investment scheme;
3. the Article of Associations, or the rules of the collective investment scheme;
4. any information which the collective investment scheme publishes in the country in which it is registered;
5. other information, provided for in an ordinance.

(2) The collective investment scheme from a member state, or its management company, shall submit information on its operation in the Republic of Bulgaria to the Commission within one-month period after the end of each quarter and shall publish this information in one daily newspaper. The content of the information shall be determined by an ordinance.
Division IV

Public offering of units of collective investment undertakings from third countries in the Republic of Bulgaria

(Heading, am. – SG issue 86 in 2006)

Art. 211k. (1) (Am. – SG, iss. 86 in 2006) A collective investment scheme, with a registered office, or whose management company is with a registered office in a third country may publicly offer its units in the Republic of Bulgaria while complying with the provisions of Art. 141, 143 and 144.

(2) (Am. – SG, iss. 86 in 2006) The collective investment scheme under para 1 must sell (issue) and redeem its securities by a management company or a legal person from a third country that has obtained a license to pursue the business of a management company through a branch on the territory of the Republic of Bulgaria under the procedure of Art. 202, para (11).

(3) (Am. – SG, iss. 86 in 2006) A collective investment scheme under para 1, its management company respectively, shall conclude a contract with a person under Art. 211h, para 1, item 6. In respect to the contract under the previous sentence Art. 211h, para 2, second sentence shall apply accordingly.

(4) (Am. – SG, iss. 86 in 2006) The management company or a legal person from a third country that has obtained a license to pursue the business of a management company through a branch on the territory of the Republic of Bulgaria may not be one and same person or related person with the person under Art. 211h, para 1, item 6. In such case Article 173 shall apply.

Title Five

COERCIVE ADMINISTRATIVE MEASURES AND ADMINISTRATIVE LIABILITY

Chapter Nineteen

COERCIVE ADMINISTRATIVE MEASURES

Art. 212. (1) (Am. – SG, iss. 39 in 2005) When it is established that supervised persons, their employees, persons performing managerial functions under a contract or entering into transactions for the account of supervised persons, as well as persons holding 10 or more than 10 per cent of the votes in the general assembly of the supervised persons, have carried out or carry out activities in contravention of this law, its implementing instruments, the rules or other internal instruments of the regulated securities markets 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. oblige them to take specific measures needed to prevent and remove the offenses, their prejudicial effects or the threat to the interests of investors, within a time limit set by the Commission;
2. convene, with an agenda determined by the Commission, a general assembly and/or schedule a meeting of the governing or supervisory bodies of the persons supervised by the Commission in view of passing resolutions on the measures to be taken;
3. (Am. – SG, iss. 61 in 2002) inform the public of any activities that jeopardize investors’ interests;
4. (Am. – SG, iss. 86 in 2006) suspend, for a period of 10 consecutive working days or definitively, the sale or the carrying out of transactions in certain securities;
5. refuse to give a confirmation for the prospectus of a new issue of securities;
6. (Am. – SG, iss. 39 in 2005) order in writing a supervised person to remove one or more persons authorised to manage and represent the corresponding person and divest such person of his managerial and representation rights until his removal;
7. appoint quaestors in the cases provided for in this law;
8. (Am. – SG, iss. 39 in 2005) 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. The expenses shall be covered by the audited
person;

9. (New – SG, iss. 39 in 2005) take a decision for temporary suspension of the redemption of shares of an open-end investment company, or units of mutual funds.

(2) (New – SG, iss. 61 in 2002, am. iss. 39 in 2005) A coercive administrative measure shall also be the revocation of licenses to carry out activities, provided for in this law, except in the cases where a person has explicitly renounced the license issued.

(3) (Prev. para. 2 – SG, iss. 61 in 2002) The measures under para. (1), item 6 shall not apply to public companies and to the issuers of securities.

(4) (Prev. para. 3 – SG, iss. 61 in 2002, am. iss. 39 in 2005) Where it establishes that a bank carries out its activities in contravention of this law or of its implementing instruments, the deputy chairman may apply the measures under para. (1) items 1, may propose to the Commission the applying of the measures under para 1, item 5, as well as to propose to the Bulgarian National Bank to apply the measures under Art. 65, para. (2) of the Law on Banks. The Bulgarian National Bank must communicate its decision to the deputy chairman within one month as from receipt of the proposal of the deputy chairman.

(5) (Prev. para. 4 – SG, iss. 61 in 2002, am. iss. 39 in 2005) 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 law or of its implementing instruments.

(6) (Prev. para. 5 – SG, iss. 61 in 2002, am. iss. 39 in 2005) The deputy chairman may suspend, for a period of six months or definitively, the remote trading on regulated securities markets only if such trading is carried on in contravention of this law or of its implementing instruments, or of the Rules or some other internal acts of those markets and whenever the interests of investors are jeopardized.

(7) (Prev. para. 6 – SG, iss. 61 in 2002, am. iss. 39 in 2005; iss. 34 in 2006) Upon request from the Commission, respectively the deputy chairman, the Registry Agency shall enter in the commercial register the circumstances, respectively shall announce the acts under para. (1).

Art. 213. (1) (Am. – SG, iss. 39 in 2005) The proceedings for imposing the coercive administrative measures shall be started on the initiative of the deputy chairman, and in the cases under Art. 212, para (1), item 5, 6 and 7 - on the initiative of the Commission.

(2) The notifications and announcements into proceeding under para. (1) may be made via priority mail with delivery receipt, via telegram, over the phone, telex or fax. Notifications and announcements with registered mail with delivery receipt or telegram are verified by a message upon their delivery, those made over the phone - in writing by the person who delivered, and those by telex or fax - by written confirmation for the sent notification.

(3) (Am. - SG, iss. 8 in 2003, am. Iss. 39 in 2005) When the notifications and announcements about proceedings 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, the notifications and announcements are considered sent with their posting on a special place in the building of the Commission, for this purpose. The later is ascertained by a report prepared by officers appointed with an order of the deputy chairman.

(4) (Am. – SG, iss. 39 in 2005) The coercive administrative measures under Art. 212, para 1, item 1 - 4, 8 and 9 shall be applied by a written reasoned desion of the deputy chairman, and the coercive administrative measures under Art. 212, para 1, item 5, 6 and 7 by a written reasoned decision of the Commission, which shall be communicated to the person concerned within 7 days as of its pronouncement.


(2) (Am. – SG, iss. 61 in 2002, am. iss. 39 in 2005) The decision to apply a coercive administrative measure shall be subject to immediate enforcement, regardless of whether it has been appealed against.

Art. 215. (Am. – SG, iss. 86 in 2006) Unless special rules are provided for in the present chapter, the relevant provisions of the Law on Administrative Procedure Code shall apply.
Chapter Twenty

QUÆSTOR

Art. 216. (1) (Am. – SG, iss. 39 in 2005) The Commission may appoint one or several quaestors:

1. of a stock exchange, in the case of Art. 35, para. (3);

2. (Am. – SG, iss. 39 in 2005) of an investment intermediary, investment company and management company:
   a) by adopting a resolution to impose a sanction under Art. 212, para. (1), items 1 or 6 for a period of up to three months;
   or
   b) in case of withdrawal of the license to pursue business – until the court appoints a liquidator or trustee, respectively.

(2) (Am. – SG, iss. 39 in 2005) Where upon the expiration of the three-month time limit under para. (1), item 2, letter “a” the company’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) (Am. – SG, iss. 39 in 2005) The Commission may at any time terminate the powers of a quaestor and appoint another one in his place. The act shall not be subject to appeal.

Art. 217. (1) The quaestor must be a natural person.

(2) The quaestor must satisfy the conditions under Art. 60, para. (1), items 1, 2, 3 and 6, and:

1. not be a sole trader or member of an executive or supervisory body, or general partner in a company or co-operative, if insolvency proceedings have been instituted or if that company or co-operative has been terminated and there are unsatisfied creditors;
2. not be an insolvent debtor whose rights are not restored;
3. not be 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. 216, para. (1) whose powers are terminated with the act of appointment of the quaestor;
4. not have with the person under Art. 216, para. (1) or with his debtor relations which give good reasons to doubt the quaestor’s impartiality.

(3) (Am. – SG, iss. 39 in 2005) The quaestor shall declare in writing before the Commission the circumstances under para. (2). He must forthwith notify the Commission of any change in those circumstances.

Art. 218. (1) (Am. – SG, iss. 39 in 2005) After issuing the act of appointment of a quaestor the Commission shall forthwith serve it on the person under Art. 216, 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, respectively, of the person under Art. 216, para. (1), shall be terminated and shall be exercised by the quaestor, unless the act of appointment provides for some restrictions. The quaestor shall take all necessary measures to protect the interests of investors.

(3) During the management of the quaestor the general meeting of shareholders may only be convened by the quaestor and shall pass resolutions in accordance with the agenda announced by the quaestor.

(4) Acts and transactions carried out in the name of and for the account of the person under Art. 216, para. (1) without a preliminary license from the quaestor shall be void.

(5) (Am. – SG, iss. 39 in 2005) Where two or more quaestors are appointed, they shall make decisions unanimously and shall exercise their powers jointly, unless otherwise decided by the Commission.

(6) (Am. – SG, iss. 39 in 2005) The Commission may issue binding instructions to the quaestors in relation to their activities.

(7) (Am. – SG, iss. 39 in 2005) The quaestor shall report on his activities only to the Commission and, upon the latter’s request, shall forthwith submit a report on his activities.

Art. 219. (1) The quaestor shall have unrestricted access to and control over the offices of the person under Art. 216, para.
(1), the accounting and other documents and its property.

(2) Upon request from the quaestor the Public Prosecution and the authorities of the Ministry of the Interior shall render assistance for the exercise of the powers under para. (1).

Art. 220. (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 employees of the person under Art. 216, para. (1) must assist the quaestor in exercise of his powers.

(3) (Am. – SG, iss. 39 in 2005) The quaestor shall receive for his work remuneration for the account of the person under Art. 216, para. (1), which shall be determined by the Commission.

Chapter Twenty-One

ADMINISTRATIVE LIABILITY AND PENALTY PAYMENTS

Art. 221. (1)(Am. – SG, iss. 61 in 2002, iss. 8 in 2003, iss. 39 in 2005) Any person who commits or admits the committing of an offense under:

1. Art. 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, Art. 96, Art. 98, para. 1, Art. 98a, Art. 114b, para. 2, Art. 211j of this law and the implementing ordinances shall be liable to a fine from BGN 200 to BGN 1000;

2. (Am. – SG, iss. 84, 86 in 2006) Art. 23, para. 4, sentence 2, 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. 74b para 1 and 2, Art. 74c para 1 and 2, Art. 81, para. 1, Art. 82b para 1 and 2, Art. 84, para.s 2, 3 and 4, Art. 85 para 5, Art. 86 para 2 and 3, Art. 89, para. 3, Art. 92a, paras. 2, 5, 6 and 7 sentence 1, Art. 94, Art. 95, Art. 95a, Art. 99, para. 1, Art. 103, Art. 104, para.s 1 - 4, Art. 92d para 1, 3 and 4, Art. 109, para. 4, Art. 110, para 6 sentence 2 and Art. 9, Art. 111, para. 6, Art. 112b, para. 12, Art. 115, para. 1, sentence 1, para.s 2, 3 and 4, Art. 115b, para. 2 and 3, Art. 116, para.s 4, 5, 6 and 10, Art. 117, para. 1, Art. 122, para.s 3, 4, Art. 142, Art. 151, para. 3, Art. 173, para. 12, Art. 174, Art. 180, para. 3, Art. 183, para. 2, Art. 184, para. 2, Art. 187, para. 4, Art. 189, Art. 192, para. 3, Art. 196, para. 14 and Art. 206, para. 2 of this law shall be liable to a fine from BGN 200 to BGN 1000;

3. (Am. – SG, iss. 86 in 2006) Art. 21, para. 1 and para. 3, Art. 23, para.s 2, 6 and 7, Art. 33, para. 1, Art. 34, para. 1, Art. 35, para. 4, Art. 38, Art. 44, para.s 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 and 2, Art. 70, para. 1, 3, 4 and 5, Art. 71, para. 1 and 5, Art. 75, para. 1, 2, sentence 1 and para. 5, Art. 77m, para.s 1, 4 and 11, Art. 77x, Art. 80, para. 1 and 3, Art. 85, para. 1 and 2, Art. 89, para. 1, sentence 2 and para. 2, Art. 92a, para. 7, sentence 2 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, 111, para. 2, Art. 112b, para. 3, sentence 1 and para. 8, Art. 115b, para. 5, Art. 116b, Art. 116d, para. 1 and 5, Art. 119, para. 5, sentence 2 and para. 6, Art. 126, para. 2, Art. 126f, para. 4, Art. 126g, para. 1, Art. 127, para. 4, Art. 133, para. 1, sentence 2 and para. 3, Art. 135, para. 1, 141, para. 1 and 2, Art. 145, para. 1 and 4, Art. 146, Art. 148, Art. 149, Art. 150, para. 2, Art. 168, para. 3, Art. 170, para. 1, Art. 173, para. 1, sentence 1 and para. 5, Art. 177a, para. 6 and 8, Art. 187, para. 3, sentence one, Art. 190, Art. 191, para. 1, sentence 2, Art. 193, para. 9, Art. 196, para. 13, Art. 200, para. 1, Art. 202, para 9 and 10, Art. 210, Art. 211a, para. 1, 5 and 6, Art. 211b, para. 1, 4, 5 and 6, Art. 211e, para. 2, 3 and 4, Art. 211f, para. 1, 2 and 3, Art. 211h, para. 1 and 3, Art. 211i, para. 1-3, Art. 211k, para. 1, 2 and 4 , and § 5 and § 7, para. 2 and § 10, para. 5 of the Transitional and Final Provision shall be liable to a fine from BGN 2000 to BGN 5000;

4. (Am. – SG, iss. 86 in 2006) Art. 68a, para. 1 and 2, Art. 68b, para. 2, Art. 72, para. 1 and 3, Art. 78, para. 1, 2 and 3, Art. 79 para. 2, 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, Art. 169, Art. 170, para. 2, Art. 172, Art. 173, para. 6, Art. 175, Art. 176, Art. 186, Art. 193, para. 1, 5, 6 and 10, Art. 194, para. 3 and 5, Art. 195, Art. 196, para. 1 -7, 9-12, Art. 197 para 3 and 5, para. 1, Art. 199, Art. 201, para. 2, and 5, Art. 202, para. 7 and 8, Art. 203, para. 6 and § 8, of the Transitional and Final Provisions shall be liable to a fine from BGN 5000
to BGN 10,000.

(2) (New – SG, iss. 61 in 2002) 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 500 to BGN 2000;
2. for offenses under para. 1, item 2 - from BGN 2000 to BGN 5000;
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) (Prev. para. 2, am. – SG, iss. 61 in 2002, am. iss. 39 in 2005) Any person who carries out or allows the carrying out of transactions in and activities with securities by way of occupation without having obtained license, respectively authorization under the conditions and the procedure of this law shall be liable to a fine of 5000 to 50 000 Leva, if the act does not constitute a crime.

(4) (Prev. para. 3, am. – SG, iss. 61 in 2002) Any person who attracts or allows the attraction of moneys and/or other property rights through invitations (statements) addressed to more than fifty persons or to an indefinite number of persons, including through the mass media, without having complied with the requirements of this law and of the instruments issued for its implementation, shall be liable to a fine from 5000 to 50 000 Leva if the act does not constitute a crime.

(5) (Canceled, prev. para. 4, am. – SG, iss. 61 in 2002, iss. 8 in 2003, iss. 39 in 2005; iss. 84 in 2006) Any person who commits or allows an offense to be committed under Art. 26, para. 5 and 6, Art. 54, para. 5, Art. 69, para. 1, Art. 71, para. 2 and 4, Art. 77o, para 2 and 3, Art. 114, para. 1, 6 and 7, Art. 114a, para. 3 and 4, Art. 126c, Art. 133, para. 2 and 4, Art. 161a, Art. 184, para 1, Art. 206, para 1 shall be liable to a fine from BGN 20,000 to BGN 50,000 if the act does not constitute a crime.

(6) (New – SG, iss. 61 in 2002) In case of non-compliance with a coercive measure of the Commission under Art. 212, para. 1, items 1, 2, 4, 6 and 8, 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.

(7) (New – SG, iss. 61 in 2002) In the cases under para. 3, 4 and 5, those who aid, abet and conceal a crime shall also be penalized, taking into account the nature and extent of their involvement.

(8) (New – SG, iss. 61 in 2002) For offenses under para. 1 – 6 a property sanction shall be imposed on legal entities and sole traders as follows:
1. for offenses under para. 1, item 1 - from BGN 500 to BGN 2000 and in case of a repeated offense - from BGN 1000 to BGN 5000;
2. for offenses under para. 1, item 2 - from BGN 2000 to BGN 5000 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 BGN 10,000 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, para. 4 and para. 5 - 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. 6 - from BGN 10,000 to BGN 50,000.

(9) (New – SG, iss. 61 in 2002) The provisions of the previous paragraphs shall also apply to transactions and activities under § 1a carried out in violation of Chapters Three, Five and Nine of the law.

(10) (Prev. para. 6, am. – SG, iss. 61 in 2002) Incomes acquired from activities unlawfully carried out shall be confiscated in favour of the State to the extent to which the affected persons cannot be compensated.

Art. 222. (1) (Am. – SG, iss. 39 in 2005) The protocols for established offenses under Art. 221 shall be drawn up by
authorised 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.

ADDITIONAL PROVISIONS
(Head. am. – SG, iss. 61 in 2002)
§ 1. For the purposes of this law:
1. “Investor” means:
   a) a person who, for his own account exposes to risk money or other property rights by means of acquiring, holding and transferring securities without possessing the qualification and experience needed for that purpose (non-professional investor);
   b) a person who, for his own account, exposes to risk money or other property rights by means of acquiring, holding and transferring securities and who, due to his profession, service or any other reason possesses the professional qualification and experience for that purpose (professional investor);
   c) (Am. – SG, iss. 39 in 2005) a bank that does not operate as an investment intermediary, an investment company, contractual fund, insurance company, pension fund or any other company the objects of which require that securities be acquired, held and transferred (institutional investor).

2. (Am. – SG, iss. 61 in 2002; iss. 86 in 2006) “Financial instruments” means:
   a) securities
   b) instruments other than securities
      aa) money market instruments;
      bb) units of collective investment undertakings;
      cc) options, futures, swaps, forward contracts and other derivative financial instruments on securities, currency, interest rates, incomes, financial indicators, the obligations under which may be exercised by delivery or by cash settlement;
      dd) options, futures, swaps, forward contracts and other derivative financial instruments in relation to commodities, the obligations under which must be exercised by cash settlement or which entitle one of the parties to ask for cash settlement (except for the cases of non-execution or some other grounds for termination of the contract);
      ee) options, futures, swaps and other derivative financial instruments on commodities, the obligations under which can be executed by physical delivery when they are dealt in on a regulated market;
      ff) options, futures, swaps, forward contracts and other derivative financial instruments on commodities, which are not commercial papers, the obligations under which can be fulfilled by physical delivery and which, similar to the other derivative financial instruments are subject to clearing and settlement, including through recognized clearing houses or are used as collateral with margin purchases or short sales;
      gg) derivative financial instruments for credit risk transfer;
      hh) contracts for differences
   ii) any other derivative financial instruments in relation to assets, rights, liabilities, indexes, indicators other than those stated under item 1 – 8, which similar to the other derivative financial instruments are dealt in on a regulated market, are subject to clearing and settlement, including through recognized clearing houses or are used as a collateral with margin purchases or short sales.

3. “Rights” means securities giving the right to subscribe for a given number of shares in relation to a resolution passed for increase in the capital of a public company.

4. “Warrant” means a security which expresses the right to subscribe for a given number of securities at a price fixed in advance before the expiration of a fixed time limit.

5. (New – SG, iss. 86 in 2006) “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.

6. (New – SG, iss. 86 in 2006) “Futures” means 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 fixed date.

7. (New – SG, iss. 86 in 2006) “Contracts for differences” means 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.

8. (New – SG, iss. 61 in 2002) “Bulgarian depository receipts” means securities issued in the country that give rights derivative of the rights under other (basic) securities, where the rights under the basic securities are exercised to the benefit of the derivatives holders.

9. (Prev. it. 8 – SG, iss. 61 in 2002) “Issuer” means a legal entity, which issues or offers to issue securities.

10. (Prev. it. 9 – SG, iss. 61 in 2002) “Subscribing” means an unconditional and irrevocable statement of intention of the investor to acquire securities in the process of issuance and for payment of their issuance value.

11. (Prev. it. 10 – SG, iss. 61 in 2002) “Underwriting” exists where an investment intermediary by virtue of a contract with the issuer subscribes or is obliged to subscribe for his own account the whole issue of securities or part of it and offers the issue for initial sale. (firm commitment and standby underwriting).

12. (Prev. it. 11 – SG, iss. 61 in 2002) “Related persons” means:
   a) (Am. – SG, iss. 39 in 2005) persons one of which controls the other person or its subsidiary;
   b) persons the activities of which are controlled by a third party;
   c) persons who jointly control a third party;
   d) (Am. – SG, iss. 39 in 2005) spouses, relatives in the direct line without limitation and in the collateral line up to fourth degree inclusive, and relatives by affinity up to the fourth degree inclusive.

13. (Am. – SG, iss. 61 in 2002) “Control” exists where one person:
   a) holds including through a daughter company or under an agreement with another person more than 50 percent of the votes at the general meeting of a company or another legal entity; or
   b) (Am. – SG, iss. 39 in 2005) may appoint, directly or indirectly, more than half of the members of the governing or the control body of a legal entity; or
   c) may otherwise exercise a decisive influence on the decision-making in relation to the business of a legal entity.


15. (Prev. it. 14 – SG, iss. 61 in 2002) “Settlement” means the performance of the obligations under a transaction in securities, namely their delivery, including registration on the securities account of the acquiring party at the central depository, and payment therefor.

16. (Prev. it. 15 – SG, iss. 61 in 2002) “Term transactions” means transactions in options, futures and other transactions in securities which provide for a postponement of their settlement until a given date.

17. (Prev. it. 16 – SG, iss. 61 in 2002) “Systematic offense” exists when three or more administrative offenses under this law and/or its rules for implementation have been committed within one year.

18. (Prev. it. 17 – SG, iss. 61 in 2002) “Investment advice in relation to securities” means the provision of advice through oral statements, documents or in another manner concerning the value of securities, or an assessment of an investment in securities, including assessment of the type, positions and price of the securities which shall form the subject of investment, except for advice given through publications addressed to an indefinite number of people.

19. (Prev. it. 18 – SG, iss. 61 in 2002) “Stockbroker” means a person under Art. 61 who, by virtue of a contract of employment or service contract with a member of the stock exchange immediately carries out transactions in securities on the stock
20. (Prev. it. 19 – SG, iss. 61 in 2002) "Balance-sheet value of one share" means the quotient arrived at by dividing the value of the own capital according to the balance-sheet by the number of shares issued;

21. (Prev. it. 20 – SG, iss. 61 in 2002) "Administration of securities" means carrying out, by virtue of a contract with a public company or issuer of debt securities, and for their account, acts relating to the exercise of rights attaching to securities, such as distribution of dividends, interest, principal, rights, securities free of charge, effecting and controlling of payments relating to securities, dissemination of reports and information about general meetings and other acts relating to those listed above.

22. (Prev. it. 21 – SG, iss. 61 in 2002, iss. 39 in 2005) "Net asset value" is the sum of the market value or, where there is no market value, the balance-sheet value of the securities in the portfolio of an investment company, or the value calculated by principles and methods approved by the deputy chairman, the balance-sheet value of the claims for interest and dividends on those securities, the funds on bank accounts and in cash and other assets, reduced by the value calculated by principles and methods approved by the deputy chairman or by the balance-sheet value of the liabilities for management, for loans received, etc.

23. (New – SG, iss. 61 in 2002) "A national daily" shall be a newspaper published every working day and distributed throughout the whole country.

24. (New – SG, iss. 61 in 2002) A "repeated" offense shall be an offense committed within a year of the effective date of the penal order penalizing the offender for an offense of the same kind.

25. (New – SG, iss. 61 in 2002) "Market price" shall be the cash for which an asset may be sold as of the moment of valuation in a direct transaction between a buyer and a seller who are informed, independent and willing to conclude the transaction.

26. (Am. – SG, iss. 39 in 2005, am. iss. 86 in 2006) "Collective investment scheme" shall be an undertaking organized as an investment company, fund of contractual type or unit trust, which invests cash, raised through offering of units, in securities and money market instruments in the sense of Art. 164b, as well as in other liquid financial assets under Art. 195 and which acts on the principle of risk diversification and on request of the shareholders, respectively the owners of units, redeems its units at price based on its net asset value.

27. (New – SG, iss. 86 in 2006) "Money market instruments" are instruments, which are usually dealt in on the money market, such as short-term government securities (treasury bills), certificates of deposit and commercial papers with the exception of payment instruments;

28. (New – SG, iss. 86 in 2006) "Certificate of deposit" is a commercial paper, issued by a bank against fixed money deposit;

29. (New – SG, iss. 86 in 2006) "Depository receipts" are securities, which are issued based on securities of an issuer registered in another state and giving the right to their holders to exercise the rights, attached to the underlying securities.

30. (New – SG, iss. 86 in 2006) "Depository receipts for shares" are securities expressing the right of their owner to receive an income from the issuer in amount, depending on the amount of the earnings of the issuer from the shares of another issuer and the right to exchange the receipts for shares.

31. (New – SG, iss. 86 in 2006) "Units of collective investment undertakings" are financial instruments issued by a collective investment undertaking, which express the rights of their owners over the assets of the collective investment undertaking;

32. (New – SG, iss. 86 in 2006) "Offeror" is a person, which offers publicly securities, of which he is not an issuer.

33. (New – SG, iss. 86 in 2006) "Person asking for admission of securities to trading on a regulated market" is a person which for his own account files and application for admission of securities to trading on a regulated market.

34. (New – SG, iss. 86 in 2006) "Offset transaction" means a transaction, with which reversing of already existing transaction is executed with the purpose for its closing.
35. (New – SG, iss. 86 in 2006) “Member-state” means a state, which is a member of the European Union or another state, which belongs to the European Economic Area;

36. (New – SG, iss. 86 in 2006) “Third country” is a country, which is not a member-state within the meaning of item 35.

37. (New – SG, iss. 86 in 2006) “Branch of a management company” is a place of business activity, which is non-personified part of the management company and offers services for which the management company has obtained license;

38. (New – SG, iss. 86 in 2006) “Related persons” within the meaning of Title III, Chapter Five and Title IV are two or more natural or legal persons, related:
   a) by participation which represents holding directly or though control of 20 or more than 20 per cent of the votes in the general meeting or of the capital of a single company;
   b) by relation of control between the parent undertaking and the subsidiary, as well as by similar relations between every natural or legal person and a undertaking, and any subsidiary of a subsidiary shall also be considered as subsidiary of the parent undertaking, which is at the head of those undertakings;
   c) by relations of control lastingly with one and the same person.

39. (New – SG, iss. 86 in 2006) “Control” in the sense of item 38 exists where one entity (the parent undertaking):
   a) holds more than a half of the votes at the general meeting of another legal entity (subsidiary); or
   b) may appoint more than a half of the members of the governing or the control body of another legal entity (subsidiary) and is at the same time a shareholder or a partner in such entity; or
   c) is entitled to exercise a decisive influence on a legal entity (subsidiary) by virtue of a concluded with such entity contract or of its basic instrument or articles of association, if this is admissible according the legislation, applicable to the subsidiary, or;
   d) is a shareholder or a partner in a company, and:
      aa) more than a half of the members of the management or control body of such legal entity (subsidiary), which performed the relevant functions in the preceding and current fiscal year and until the time of preparation of the consolidated financial statements, have been appointed only as a result of the exercising of his/her voting right; or
      bb) who controls independently or by virtue of a contract with other shareholders or partners in such legal entity (subsidiary) more than half of the votes in the general meeting of this legal entity; or
   e) may otherwise exercise a decisive influence over the decision-taking in relation to the operation of another legal entity (subsidiary).

In the cases under letters “a” and “b” and “d” to the votes of the controlling entity shall be added also the votes of its subsidiaries over which it exercises control, as well as the votes of persons, acting in their own name, but for its account or for the account of its subsidiary.

§ 1a. (New – SG, iss. 61 in 2002) To transactions and activities with compensation notes and housing compensation notes under the Law on Compensation of Owners of Nationalized Property as well as to registered compensation vouchers under the Law on Ownership and Use of Farm Land and the Law on Restoration of Ownership over Forests and Land in the Forestry Reserve, Chapters Three, Five and Nine shall apply accordingly.

§ 1b. (New – SG, iss. 86 in 2006) (1) An investment intermediary, which has obtained a license to execute the services and activities under Art. 54, para 2 and 3 in relation to securities, shall have the right to execute those services and activities also in relation to financial instruments, other than securities.

(2) Para 1 shall not concern financial instruments, other than securities issued by the Minister of Finance.

(3) A regulated market, having obtained a license in relation to organization of trade in securities, shall have the right to organize also trade in financial instruments.

(4) To transactions and activities with financial instruments other than securities Chapter Three, Four, Five, Seven and Nine shall apply accordingly.

TRANSITIONAL AND FINAL PROVISIONS


§ 3. (1) The ordinances adopted by the Council of Ministers for implementation of the repealed Law on Securities, Stock Exchanges and Investment Companies shall preserve their effect, unless the former ordinances contradict this law.

(2) (Am. – SG, iss. 61 in 2002) The ordinance issued by the Minister of Finance and the Bulgarian National Bank on the grounds of Art. 91, para. (4) of the repealed Law on Securities, Stock Exchanges and Investment Companies shall preserve its validity to the extent to which it is not contrary to this law. Amendments and supplements to the ordinance shall be made by The Council of Ministers.

§ 4. Upon entry into force of the law the “The Securities and Stock Exchanges Commission” under the repealed Law on Securities, Stock Exchanges and Investment Companies is renamed “Bulgarian National Securities Commission”. The Chairman, the Vice-chairman and the members of the Securities and Stock Exchanges Commission preserve their rights until expiration of their term in office.

§ 5. (1) The licenses, confirmations and approvals issued in accordance with the repealed Law on Securities, Stock Exchanges and Investment Companies remain valid and the persons who have obtained the above and the banks which have obtained license to carry out transactions under Art. 1, para. (2), item 4 of the Law on Banks, must bring their organisation and activities in conformity with the requirements of this law within three months as from its entry into force.

(2) The persons authorized to perform activities under Art. 129, para. (1), item 2 of the repealed and under Art. 1, para. (2), item 7 of the Law on Banks, shall terminate the performance of these activities upon the enactment of the regulation of Art. 168, para. (1) of this law.

(3) The investment companies into which privatisation funds have re-organized their business must bring their assets in conformity with the requirements of Art.s 195 and 196, and of Art. 201, respectively, within one year as from the entry into force of this law.

(4) Existing investment companies must bring their capital in conformity with the minimum amount under Art. 166, para.s (1) or (2) within one year as from the entry into force of this law.

(5) (Into effect from 12.30.1999) The companies whose securities were traded in accordance with § 2a of the repealed Law on Securities, Stock Exchanges and Investment Companies without a prospectus on the official market of a stock exchange can be traded without a prospectus in accordance with Art. 102, para. (3) up to six months after entry into force of this law.

§ 6. The active proceedings on issuance of licenses, confirmations and approvals in accordance with the repealed Law on Securities, Stock Exchanges and Investment Companies shall continue under this law. Where necessary the deputy chairman in charge of Investment Activity Supervision Division shall specify a deadline for the affected persons to bring their organisation and activities in compliance with the regulations of this law.
§ 7. (1) The companies under Art. 83a, para. (1) of the repealed Law on Securities, Stock Exchanges and Investment Companies are public companies until they are deleted from the register of the deputy chairman in charge of Investment Activity Supervision Division under the procedure of Art. 119 of this law.

(2) The companies under Art. 83a, para. (1), item 2 of the repealed Law on Securities, Stock Exchanges and Investment Companies which, at the moment of entry into force of this law, are not registered with the deputy chairman in charge of the Investment Activity Supervision Division, shall file, within 14 days as from the entry into force of this law, documents for registration as determined by the deputy chairman in charge of Investment Activity Supervision Division. The registration is conducted according to the conditions and procedure set by this law.

§ 8. Until the deputy chairman in charge of Investment Activity Supervision Division gives an approval under Art. 46, trading in securities not accepted on the official market of a stock exchange shall only take place on a stock exchange under the conditions and procedure laid down in the stock exchange rules. Art. 44, para. (4) does not apply in this case.

§ 9. Existing non-public companies which have issued dematerialised securities must, within three months as from the entry into force of this law, register them at the central depository or pass a resolution on their conversion into materialised securities.

§ 10. (1) The provisions of this law concerning public offering and trading in securities shall not apply to:

1. (Am. – SG, iss. 61 in 2002) sale of shares in the cases of privatization, except where the sale is effected over a stock exchange or under the conditions of tender offering;

2. sale of shares indirectly owned by the state through the Bank Consolidation Company or through a holding which is controlled by the state, except if the sales is done on a regulated securities market.

(2) (Am. – SG, 28 in 2002, iss. 61 in 2002) Buyers of shares in privatization transactions and transactions with Bank Consolidation Company – AD Sofia shall not have an obligation under Art. 149, para. 1 if they are over the threshold of 50 percent of the votes at the general meeting of a public company through such transaction, just as no obligation under Art. 149, para. 6 arises if they exceed the threshold of 2/3 of the votes through such transaction. The exception under the previous sentence shall not apply if a transaction was concluded on a stock exchange.

(3) Article 113 shall not apply in the cases where as at the time of entry into force of this law, an existing privatization agreement explicitly provides for the capital of the company to be increased as stipulated in Art. 195 of the Commercial Code in favor of the buyer’s side in the agreement. In such cases the company shall notify, within 14 days as from the entry into force of this law, the deputy chairman in charge of Investment Activity Supervision Division and the regulated securities market, if shares issued by the company have been accepted for trading, about the existence of such an agreement.

(4) (Canceled SG, issue 28 in 2002)

(5) (Am. – SG, iss. 28 in 2002, iss. 61 in 2002) The issues of shares for which it has been decided to be sold partially or in total as stipulated in Art. 32, para. (1), item 4 of the Privatization and Post-privatization Control Law, are dematerialized and Art. 185, para. (2), second sentence of the Commercial Code does not apply to those shares, and it is not necessary for the changes to be embedded in the Articles of Association of the companies. The general meeting of a company that is no longer public may decide to convert its shares into materialized shares and to include terms for their conversion in the charter.

(6) (New – SG, iss. 61 in 2002) The restrictions under Art. 111, para. 4 about the issue of preferred shares by a public company shall not apply in cases of privatization of companies of national importance when the preferred shares are held by the state.

§10a. (New – SG, iss. 31 in 2003) (1) In the cases of privatization according Art. 32, para 1, item 1 of the Privatization and Post-privatization Control Law of a state-owned holding less than 50 percent of the capital, a tender offer under Art. 149a may be announced also in case that the offeror owns below 90 per cent, but not less than 2/3 of the votes in the general meeting of the company, the required majority under Art. 119, para 1, Item 3 in this case
being three fourths.

(2) The tender offer under para 1 can be made not earlier than the expiry of 12 months after the sale’s conclusion.

§ 11. (Am. – SG, iss. 8 in 2003) Existing persons under Art. 133, para. (2) shall sign the corresponding declarations within 14 days as from the entry into force of this law.

§ 12. The Law on Banks (published, State Gazette, issue 52 of 1997; supplemented, issue 15, 21, 52, 70 and 89 of 1998; issue 54 and 103 of 1999) is amended and supplemented as follows:

1. In Art. 1, para. (2):
   a) item 4 is modified as follows:
   “4. transactions under Art. 54, para. (1) of the Law on Public Offering of Securities;”
   b) item 7 is repealed.

2. In Art. 1, para. (5), item 6 is modified as follows:
   “6. transactions under Art. 54, para. (1) of the Law on Public Offering of Securities;”

3. In Art. 16, the following amendments are made:
   a) In para. (3) the words “and 7” are deleted and the words “The Law on Securities, Stock Exchanges and Investment Companies” are replaced with the words “The Law on Public Offering of Securities”;
   b) para. (4) is added:
   “(4) Before passing a decision on the application for transactions under Art. 1, para. (2), item 4, the Central Bank takes into consideration the written opinion of the Bulgarian National Securities Commission, if it is filed within a month from filing a written inquiry by the Central Bank in the Commission.”


1. In Art. 119, a new para. (3) is inserted:
   “(3) In order to enter in the commercial register the conduct of business operations of an investment intermediary, as well as other activities for which a separate law provides to be carried on with a license from a state authority, the corresponding license must be submitted.”

2. In Art. 174, a new para. (3) is inserted:
   “(3) In order to enter in the commercial register the conduct of banking and insurance business operations, business operations of a stock exchange, investment intermediary, investment company, management company, as well as other activities for which a separate law provides to be carried on with a license from a state authority, the corresponding license must be submitted.”

3. Para. (3) of Art. 187a is deleted.

4. Art. 187b is amended as follows:
   “Dematerialised shares”
   **Art. 187b.** A joint stock company may also issue dematerialised registered shares. The issuing and managing of dematerialised shares shall be governed by procedure laid down by law.

5. In Art. 192, a new para. (7) is inserted:
   “(7) In order for an increase in capital through subscription to be entered it shall be necessary to submit a confirmation for the prospectus, except in the cases where such prospectus is not required by the law.”

6. Art. 204, para.s (1) and (2) are amended as follows:
   “(1) A joint stock company may issue bonds at least 2 years after it is entered in the commercial register and if there are two annual financial reports approved by the general meeting.
   (2) The requirement under para. (1) does not relate to bonds issued or guaranteed by banks and by the state”

§ 15. The Privatisation Funds Act (Published, State Gazette, issue 1 of 1996; amended and supplemented, issues 68 and 85 of 1996; issues 39 and 52 of 1998) is amended and supplemented as follows:
1. In Art. 2, para. (1), the words “The Securities and Stock Exchanges Commission” are replaced with “Bulgarian National Securities Commission”.
2. Wherever mentioned in this law, the words “Law on Securities, Stock Exchanges and Investment Companies” are replaced with “Law on Public Offering of Securities”.

(2) (Am. – SG, iss. 67 in 2003) Upon the Commission’s proposal, the Financial Supervision Commission adopts regulations on:
1. the conditions and procedures for sale of securities not owned by the transferor;
2. the requirements to securities acquired by investors for the first time and not under the conditions of initial public offering, as well as requirements to transactions with the said securities;
3. preferential investment requirements, including investment in real estate, compared to the requirements set in Art. 175, Art. 195, Art. 196 and Art. 201 with an effective period of up to five years as from the entry into force of this law.
4. (Am. – SG, iss. 61 in 2002) the conditions and procedures for restitution to the injured persons of income unlawfully acquired pursuant to Art. 221, para. 10.
5. (New – SG, iss. 61 in 2002) the conditions and procedures for issuing, transfer and annulment of Bulgarian depository receipts under §1, item 8 and the requirements to the issuers thereof.
(3) (Canceled – SG, iss. 93 in 2002)

§ 17. (Am. – SG, iss. 8 in 2003) (1) This law shall enter into force one month after its publication in the “State Gazette” except for the provision of Art. 168, para. (1) which shall come into effect within six months as from the entry into force of this law. The provisions of Art. 68, para. (1), have retrospective effect as of 1 January 1999. The provisions of Art. 113, § 5, para. (5) come into force as of the date of publishing this law in the State Gazette.
(2) The regulated markets with license from the Bulgarian National Securities Commission (stock exchange and remote market) shall submit into the deputy chairman in charge of Investment Activity Supervision Division for approval their internal regulations, compliant to the law within 3 months of the date of publication of this law.

TRANSITIONAL AND FINAL PROVISIONS
of the Law on Amendment and Supplement to
the Law on Public Offering of Securities
(SG, iss. 61 in 2002)

§ 91. (1) The provisions of the law for an increase in the capital of a public company shall not apply if the decision of the general meeting to increase the capital is made before the effective date of the law but not more than one year before this date and the subscription for shares begins not later than 6 months of the effective date of the law.
(2) The provisions of the law for deletion of public companies under Art. 119 of the Law on the Public Offering of Securities shall not apply if the application for deletion with the attached necessary documents is filed with the Commission before the effective date of the law.
(3) The obligation to make a tender offering for persons who have acquired more than 2/3 of the votes at the general meeting shall not arise for the persons who have acquired the votes before the effective date of the law.
In cases of pre-existing proceedings regarding tender offers, the Commission, if necessary, shall determine a term within which the persons must make them compliant with the provisions of this law.

§ 92. Public companies shall be obligated to amend their charters and their Boards of Directors, respectively their supervisory boards, in compliance with the law at the first general meeting held after effective date of the law.

§ 93. (1) The terms, content and form of declaring the circumstances under Art. 145, para. 1 and 2 shall be set out in a decision of the Commission until the respective ordinance is adopted under Art. 145, para. 5.

(2) The Commission shall make the decision under para. 1 within 14 days of the effective date of this law and shall make it public through a news agency and its web page.

(3) The persons who, as of the effective date of this law, can under the terms of Art. 148 exercise 5 percent and more of the votes at the general meeting of a company whose shares are listed on a regulated market, shall be obligated, within 3 months of the expiration of the term under para. 2, to make a notification under Art. 145, para. 1 and 2 and declare the respective circumstances to the Commission. For failure to fulfill this obligation, the persons shall be liable under Art. 221, para. 5 of the law.

§ 94. The requirements for the application of valuation methods under Art. 122, para. 9, Art. 126c and Art. 150, para. 6 shall be laid down in a decision of the Commission until the respective ordinance is adopted.

§ 95. Throughout the law:

1. The words “accounting reports” and “the accounting reports” shall be replaced respectively with “financial statements” and “the financial statements”.

2. The words “certified by a certified public accountant or a specialized audit firm” and “certified by a certified public accountant or by a specialized audit firm” shall be replaced with “audited by a registered auditor”.

3. The words “certified by a certified public accountant” shall be replaced with “audited by a registered auditor”.

4. The phrase “Art. 40, para. 1 of the Accountancy Act” shall be replaced with “Art. 26, para. 1 of the Accountancy Act”.

TRANSITIONAL AND FINAL PROVISIONS
of the Financial Supervision Commission Act
(SG, issue 8 in 2003, effective as of 1 March, 2003)

§ 5. The secondary regulations adopted with regard to implementation of the Public Offering of Securities Act, the Insurance Act, the Mandatory Social Insurance Code, the Health Insurance Act, the Supplementary Voluntary Pension Insurance Act, the Act on Protection against Unemployment and Promotion of Employment shall keep their validity to the extent the same are not in conflict with this Act.

§ 8. The following amendments are made to the Public Offering of Securities Act (published in the State Gazette, Issue 114 of 1999; as amended in Issues 63 and 92 of 2000, issues 28, 61,93, and 101 of 2002):

2. Articles 9, 10, 11, 12, 13, 14, 15, 16, 16(a), 17, 18 and 19 and references to them in the Act are repealed.

3. Everywhere in the Act the word "commission" shall be replaced by “the Vice Chairman in charge of the Investment Activity Supervision Department “, with the exception of Chapter Two, Chapter Three, Sections II and IV, Chapter Five, Section II, Chapter Six, Section III, Chapter Seven, Section I, Chapter Eleven, Section II, Chapter Fourteen, Chapter Fifteen and Chapter Eighteen, Section II, where the word "commission" shall be replaced by “the Financial Supervision Commission”.

4. In cases of pre-existing proceedings regarding tender offers, the Commission, if necessary, shall determine a term within which the persons must make them compliant with the provisions of this law.

5. Public companies shall be obligated to amend their charters and their Boards of Directors, respectively their supervisory boards, in compliance with the law at the first general meeting held after effective date of the law.

6. The terms, content and form of declaring the circumstances under Art. 145, para. 1 and 2 shall be set out in a decision of the Commission until the respective ordinance is adopted under Art. 145, para. 5.

7. The Commission shall make the decision under para. 1 within 14 days of the effective date of this law and shall make it public through a news agency and its web page.

8. The persons who, as of the effective date of this law, can under the terms of Art. 148 exercise 5 percent and more of the votes at the general meeting of a company whose shares are listed on a regulated market, shall be obligated, within 3 months of the expiration of the term under para. 2, to make a notification under Art. 145, para. 1 and 2 and declare the respective circumstances to the Commission. For failure to fulfill this obligation, the persons shall be liable under Art. 221, para. 5 of the law.

9. The requirements for the application of valuation methods under Art. 122, para. 9, Art. 126c and Art. 150, para. 6 shall be laid down in a decision of the Commission until the respective ordinance is adopted.

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TRANSITIONAL AND FINAL PROVISIONS
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TRANSITIONAL AND FINAL PROVISIONS
of the Financial Supervision Commission Act
(SG, issue 8 in 2003, effective as of 1 March, 2003)

§ 5. The secondary regulations adopted with regard to implementation of the Public Offering of Securities Act, the Insurance Act, the Mandatory Social Insurance Code, the Health Insurance Act, the Supplementary Voluntary Pension Insurance Act, the Act on Protection against Unemployment and Promotion of Employment shall keep their validity to the extent the same are not in conflict with this Act.

§ 8. The following amendments are made to the Public Offering of Securities Act (published in the State Gazette, Issue 114 of 1999; as amended in Issues 63 and 92 of 2000, issues 28, 61,93, and 101 of 2002):

2. Articles 9, 10, 11, 12, 13, 14, 15, 16, 16(a), 17, 18 and 19 and references to them in the Act are repealed.

3. Everywhere in the Act the word "commission" shall be replaced by “the Vice Chairman in charge of the Investment Activity Supervision Department “, with the exception of Chapter Two, Chapter Three, Sections II and IV, Chapter Five, Section II, Chapter Six, Section III, Chapter Seven, Section I, Chapter Eleven, Section II, Chapter Fourteen, Chapter Fifteen and Chapter Eighteen, Section II, where the word "commission" shall be replaced by “the Financial Supervision Commission”.

TRANSITIONAL AND FINAL PROVISIONS
of the Financial Supervision Commission Act
(SG, issue 8 in 2003, effective as of 1 March, 2003)

§ 5. The secondary regulations adopted with regard to implementation of the Public Offering of Securities Act, the Insurance Act, the Mandatory Social Insurance Code, the Health Insurance Act, the Supplementary Voluntary Pension Insurance Act, the Act on Protection against Unemployment and Promotion of Employment shall keep their validity to the extent the same are not in conflict with this Act.

§ 8. The following amendments are made to the Public Offering of Securities Act (published in the State Gazette, Issue 114 of 1999; as amended in Issues 63 and 92 of 2000, issues 28, 61,93, and 101 of 2002):

2. Articles 9, 10, 11, 12, 13, 14, 15, 16, 16(a), 17, 18 and 19 and references to them in the Act are repealed.

3. Everywhere in the Act the word "commission" shall be replaced by “the Vice Chairman in charge of the Investment Activity Supervision Department “, with the exception of Chapter Two, Chapter Three, Sections II and IV, Chapter Five, Section II, Chapter Six, Section III, Chapter Seven, Section I, Chapter Eleven, Section II, Chapter Fourteen, Chapter Fifteen and Chapter Eighteen, Section II, where the word "commission" shall be replaced by “the Financial Supervision Commission”. 
ADDITIONAL PROVISIONS
of the Law on Amendment and Supplement to the
Law on Public Offering of Securities
(SG, issue 39 in 2005)

§ 134. In Art. 29, Art. 36, Art. 40 para (3), Art.90, Art. 92, Art. 93 para.s (1), (6) and (7), Art. 112d, Art. 140, Art. 149 para (1) Item 1 and para (4), Art. 149a para.s (2) and (3), Art. 149b, para.s (1) and (4), Art. 151, para.s (1), (2) and (3), Art. 157, Art. 157a, para (1), Art. 163 and Art. 209 the words “the Financial Supervision Commission” are replaced with the “the Commission”.

§ 135. In Art. 51 para.s (1) and (2), Art. 83, Art. 100 para (3), Art. 107 para (3), Art. 108 para (1), Art. 112a para (3) sentence 2, Art. 119, para.s (4), (5), (6) and (7), Art. 126f para (1), Art. 135 para (1), Art. 197 para (2), Art. 222 para (1) and § 1, item 22 of the Additional Provisions the words “deputy chairman, in charge of the Investment Activity Supervision Division” and “the deputy chairman, in charge of the Investment Activity Supervision Division” are replaced with the “deputy chairman” and “the deputy chairman” respectively.

§ 136. In Art. 44 para (2), Art. 47, Art. 51 para (3), Art. 52, Art. 76, Art. 78 para (2), Art. 79a para (2), Art. 84 para.s (1), (2) and (3), Art. 85 para.s (1) and (2), Art. 87, Art. 88, Art. 95 para (1), Art. 96, Art. 100 para (1), Art. 100b para (3), Art. 100f para (2), Art. 100g para (1) item 2 and para (2) item 1, Art. 107 para (2), Art. 112a para (3) sentence 1, Art. 114b para (1), Art. 115b para (2), Art. 116 para (10), Art. 116d para (3) item 4, Art. 141 para (3), Art. 142 everywhere, Art. 145 para.s (1), (4) and (6), Art. 193 para (9) everywhere, Art. 217 para 3 everywhere, Art. 218 para.s (1), (5), (6) and (7) and Art. 220 para (3) the words “deputy chairman in charge of the Investment Activity Supervision Division” are replace with the “Commission” and “the deputy chairman in charge of the Investment Activity Supervision Division” are replaced with the “Commission”.

§ 137. Everywhere in Chapter Three, Divisions I and II, Chapter Four, Chapter Five, Divisions I and II, Chapter Fourteen, Chapter Eighteen, Divisions I and II the words “authorization” and “he authorization” are replaced with “license” and “the license” respectively.

TRANSITIONAL AND FINAL PROVISIONS

§ 138. By 31 January, 2006 the investment intermediaries must file an application for the issue of a new license to pursue the business of investment intermediary in compliance with the services and activities under Art. 54, para.s (2) and (3), which they intend to carry out.

§ 139. The existing investment intermediaries, management companies and banks shall within 6 months after the coming into effect of this Law, register the issued by them registered shares or temporary certificates as dematerialized at the Central Depository.

§ 140. (1) The existing management companies shall bring their capital in compliance with the minimum amount under Art. 203, para (1) by 1 January, 2006.

(2) By 31 January, 2006 the management companies must file an application for the issue of a new license to pursue the business of management company in compliance with the services under Art. 202, para.s (1) and (2), which they intend to carry out.

§ 141 (1) Public are also these companies, which at the last day of the preceding two calendar years before the coming into effect of the Law had over 10 000 shareholders.

(2) The companies under para (1) shall bring their activity in compliance with the requirements of the Law within a 6-month period of the coming into effect of this Law.

(3) Within the term under para (2) the company must declare for entry in the Commission’s register the shares or temporary certificates issued by it and within a 7-day period of the entry in the register, to ask for their admittance for
trading on a regulated market.

§ 142 (1) The members of the Management Board of the Fund for Compensation of Investors in Securities shall be appointed within a three-month period of the Law's coming into effect, their term of office starting to run as from the Law’s coming into effect.

(2) The members of the first membership of the Management Board of the Fund for Compensation of Investors in Securities, formed according this Law, shall be appointed with the following mandate:

1. The Chairperson – for 5 years;
2. The Deputy Chairperson – for 4 years;
3. the other members – for 3 years.

§ 143. The amount of the compensations under Art. 77d, para 1 is determined as follows:

1. By 31 Dec., 2006 – BGN 12 000;
2. From 1 Jan., 2007 to 31 Dec., 2007 – BGN 24 000;
3. From 1 Jan, 2008 to 31 Dec, 2009 – BGN 30 000;

§ 144 (1) The investment intermediaries, which at the time of the Law's coming into effect have a license (authorization) granted to them for pursuing business, must make an entry contribution to the Fund for Compensation of Investors in Securities within one month from the appointment of the members of the first membership of the Fund’s Management Board.

(2) The persons under para 1 are obliged to make an annual premium contribution in the Fund for Compensation of Investors in Securities for year 2005 by 31 January, 2006. The annual premium contribution for year 2005 shall be at the rate of 0.5 percent of the total cash amount and 0,1 per cent of the total amount of the other clients assets for the last quarter of year 2005, determined on an average monthly basis.

§ 153. The sub-statutory acts, envisaged in this Law shall be issued within 6-month period of its coming into effect.

§ 154. The provisions of § 17, 18 and 19, as well as any references to the amended by them provisions shall become effective as of 1st January, 2006, except for the requirement to pay up the whole capital within a 14-day period of receiving the notification under Art. 63, para (2).

§ 155. The provision of § 52 in relation to the requirements for the public companies under Art. 94, para.s (1) and (2), Art. 95 and Art. 98a shall come in force as of 1st January, 2006.

§ 156 (1) The provisions of § 34 and § 126 shall become effective as of the date of coming into force of the Treaty of the Republic of Bulgaria’s accession to the European Union.

(2) Until the coming into effect of the provisions under para 1, a foreign collective investment scheme, with a registered office in or whose management company is with a registered office in a member-state of the European Union or in some other state belonging to the European Economic Area, may offer publicly its securities in the Republic of Bulgaria while complying with the provisions of Art. 211k, para.s (1) and (3).

(3) The foreign collective investment schemes which at the time of the coming into force of this Law offer publicly their securities in the Republic of Bulgaria are mandated to bring their activity in compliance with Art. 211k, para.s (1) and (3), within 9 months after the coming into effect of the Law.

LAW on Amendement to the Commercial Register Act
(SG, iss. 80 in 2006, in effect from 3 Oct., 2006)

§1. In §56 of the Transitional and Final Provisions the words “1 October, 2006” shall be replaced with “1 July, 2007”.
TRANSITIONAL AND FINAL PROVISIONS to the Law on Amendment and Supplement of the
Law on Public Offering of Securities
(SG, iss. 86, in effect from 1 January, 2007)

§ 145. The existing procedures for the issue of approval of prospectus shall continue under the provisions of this Law. The Commission shall set a time-limit for the interested persons to comply with the provisions of the Law.

§ 146. For year 2006 the investment intermediaries – banks shall pay the contribution under Art. 77m para 2 in the Fund for Compensation of Investors in Securities within the term and under the procedure of Art. 77m para 4.

§ 147. In the Bank Deposits Guarantee Act (promulgated SG iss. 49 in 1998; am. iss, 73, 153 and 155 in 1998; iss. 54 in 1999; iss. 109 in 2001; iss. 92 and 118 in 2002; issue 31and 39 in 2005; issue 59 and 64 in 2005) in § 1 item 1 from the Additional Provisions the words “except for the clients assets in the sense of Art. 77b para 2 from the Law on Public Offering of Securities” shall be deleted.

§ 149. This Law comes into effect from 1 January, 2007, except for § 8, § 9, § 38, § 40 – 42, § 74, § 84 and § 104, item 3, which come into force three days after the promulgation of the Law in State Gazette.