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RULES OF PROCEDURE OF CENTRAL DEPOSITORY AD

(Approved by Resolution No 537-CD dated 10 July 2013 of the Deputy Chairperson of the Financial Supervision Commission in charge of the Investment Supervision Division, effective from 1 January 2014, amendments approved by Resolution No 758-CD dated 25 August 2014)

Part One
General provisions

Chapter One
General principles and guidelines

Article 1. (1) These Rules shall regulate the terms and conditions for performance of the operations of Central Depositary AD (the Central Depository, the CD) pursuant to the Act on the Public Offering of Securities Act (APOS), its implementing acts and the other legislation applicable in relation to the Central Depository.
(2) The Rules of Procedure of the Central Depository (the Rules) shall regulate:
1. the general operating principles of the CD;
2. the conditions and procedures for acceptance of members and for their temporary or final exclusion;
3. rights, obligations and requirements to the members of the CD;
4. the terms and procedures for performance of the activities under Article 127, paragraph 2 of APOS and Ordinance No 8 dated 12 November 2003 of the Financial Supervision Commission (FSC) on the Central Depository (Ordinance No 8);
5. the organisation of the internal control function;
6. the conditions and procedures for the imposition of sanctions on the members of the CD;
7. the operating rules of the system with settlement finality and the character of the arrangements of the settlement system managed by the CD;
8. the conditions and procedures for provision of information on the provided services, the requirements regarding the keeping of CD registers and the control on the compliance with these requirements;
9. the conditions and procedures for fund-raising and management of guarantee fund under Article 132 of APOS and for payment of compensations out of this fund;
10. other issues related to the activity of the CD in compliance with the current legislation.

Article 2. (1) Amendments and supplements of the Rules shall be adopted by the Board of Directors (BD) of the CD and shall be subject to the preliminary approval of the Deputy Chairperson of the Financial Supervision Commission in charge of the Investment Supervision Division (FSC Deputy Chairperson) following the procedures set out in APOS.
(2) The BD of the CD shall adopt operating rules – instructions, procedures and guidelines, which shall ensure the operation of the systems and registers managed by the CD and which shall be obligatory for the members and participants in the systems.
(3) The forms of documents set out in these Rules shall be confirmed by the Executive Director of the CD and shall be published on the website of the CD.
(4) The Central Depository shall issue a periodic newsletter about its operations in electronic format.
(5) The Central Depository shall notify its members about its resolutions by means of the newsletter and/or electronically. The publication of the information in the newsletter of the CD or its electronic submission shall be considered as an official notification.
(6) Amendments and supplements in the Rules of the CD which concern its members, as well as amendments in the rules under paragraph 2, shall be adopted by the BD of the CD after they have been coordinated with the member of the CD. The CD shall publish the draft amendments on its website and the CD members shall be provided with sufficient time to submit proposals and opinions on the draft.

**Article 3.** (1) The Central Depository shall set up and manage the national electronic registration system for dematerialised financial instruments (registration system, register) and shall further carry out the following activities:
1. opening and keeping of accounts for dematerialised financial instruments in the registration system;
2. registration of issues of dematerialised financial instruments;
3. administration of dematerialised financial instruments, including keeping of lists of the holders of dematerialised shares and bonds, distribution of dividends, interests and other payments;
4. registration and servicing of corporate actions on registered issues;
6. blocking and de-blocking of dematerialised financial instruments;
7. immobilisation of financial instruments in the cases set out by the law.
(2) The Central Depository shall set up and manage a clearing and settlement system (CSS, the settlement system) for dematerialised financial instruments with settlement finality, including by performing the following activities:
1. opening and keeping of accounts for dematerialised financial instruments in the CSS;
2. registration and providing the finality of transactions in dematerialised financial instruments;
3. keeping of cash accounts and carrying out of payments related to transactions in financial instruments;
4. registration of repo and reverse repo transactions in financial instruments;
5. management of a Guarantee Fund for settlement of transactions in financial instruments;
6. management of a centralised information system for intermediary services (pool) in financial instruments lending.
(3) The Central Depository shall maintain and keep registers of:
1. dematerialised financial instruments;
2. registered pledges on dematerialised securities;
3. compensation instruments within the meaning of the Act on Compensation Instruments Transactions (ACIT);
4. repo and reverse repo transactions;
5. other registers in the cases set out in the current legislation.
(4) Orders for the execution of operations in the CSS shall be submitted by the participants in the system in compliance with the operating rules of the system.
(5) The CD shall record in the registration system any ownership changes resulting from the registration of the finalised transactions in the CSS, based on the information received from its members, following the procedure set out in Part Four of these Rules.
(6) The CD shall perform the functions of a National Numbering Agency regarding the setting up and keeping of a register of the codes of securities issues – ISIN (International Securities Identification Number).
(7) The CD shall liaise with foreign depository institutions for the purposes of double listing and cross listing and cross-border settlements.

**Article 4.** (1) The CD shall collect fees according to a Tariff adopted by the Board of Directors for its services related to its Central Depository function. The Tariff shall be published on the website of the CD.
(2) Fees in accordance with the Tariff shall be payable for all services provided by the CD through the registration system and the clearing and settlement system, with the exception of the cases specifically set out in a legislative act.
(3) Article 2, paragraph 6 shall apply to any amendments in the Tariff relevant to the members of the CD.

**Article 5.** (1) The Central Depository shall provide its members with mechanisms for settlement of transactions in dematerialised financial instruments in its capacity of an operator of the settlement finality system in compliance with Article 109a of APOS and Chapter Five “a” of the Act on the Payment Services and Payment Systems (APSPS).
(2) The Central Depository shall provide to companies with issues of dematerialised financial instruments mechanisms for:
   1. registration of issues of financial instruments;
   2. execution of corporate activities and recording of changes in the registration system;
   3. deregistration of issues of financial instruments.
(3) The Central Depository shall provide to its clients mechanisms for access to and recording of data in the registers which it shall maintain in compliance with the requirements of the current legislation.

**Article 6.** The activities of the Central Depository shall be carried out in compliance with the following principles:
1. provision of a level playing field for access and participation in the clearing and settlement system for all of its members, subject to the chosen type of membership;
2. provision of a level playing field for all issuers of financial instruments of the same type and class;
3. application of uniform rules for the registration and execution of corporate actions;
4. application of uniform rules for finalisation of transactions in and transfers of financial instruments;
5. application of objective standards, fairness and impartiality with regard to the various clients and members of the CD and their clients when processing the operations ordered by them.
6. provision of unbundled services;
7. unbundling and relative independence of the services provided by the CD relating to the registration system and the clearing and settlement system for transactions in dematerialised financial instruments.

Chapter Two
Membership in the CD
Section I
General provisions

Article 7. (1) A member of the Central Depository shall be a legal entity which meets the conditions for membership according to these Rules and which has signed a membership agreement with the CD.
(2) Members of the CD may be participants in the settlement system in compliance with Article 109a, paragraph 2 of APOS.
(3) All members of the CD shall be of equal standing and shall have equal rights and obligations, according to the type of membership.
(4) The members of the CD shall be obliged to comply with the provisions of these Rules, the applicable legislation and the membership agreement.
(5) The CD shall provide access to the clearing and settlement services and the settlement system to or via its members or participants.
(6) The choice of the type of membership shall be voluntary and shall be determined by the applicant, provided that the applicant meets the criteria for the respective type of membership.
(7) A change of the type of membership shall be allowed in the following cases:
1. the entity no longer meets the criteria for the respective type of membership;
2. at the request of the respective member, provided that the relevant requirements are met.

Article 8. (1) The types of membership in the Central Depository shall be:
1. a clearing member;
2. a direct member;
3. a non-clearing member.
(2) Clearing members shall carry out the settlement system operations indicated in Article 9, paragraph 2 on their behalf and for their account, on behalf and for the account of their clients, as well as on behalf and for the account of non-clearing members and/or their clients. Clearing members may carry out operations on behalf and for the account of non-clearing members in the cases where non-clearing members conclude transactions in dematerialised financial instruments for their account and/or for the account of their clients.
(3) Direct members shall carry out the settlement system operations indicated in Article 9, paragraph 3 on their behalf and for their account and on behalf and for the account of their clients.
(4) Clearing and direct members of the CD shall carry out operations in the CSS in the capacity of direct participants in the system.
(5) Non-clearing members may carry out the settlement system operations indicated in Article 9, paragraph 4 only via a clearing member on the basis of contractual relations. Non-clearing members shall be indirect participants in the settlement system.
(6) Clearing and direct members of the CD may also carry out activities in the following capacities:
1. a register operator – an activity regarding the recording in the registration system of ownership changes resulting from the registration in the CSS of finalised transactions in financial instruments;
2. a registration agent – an activity regarding the registration of transfers of financial instruments related to transactions, donations and inheritance operations concluded at an earlier time between the parties.

Article 9. (1) The members of the CD shall carry out their functions in compliance with their license and the chosen type of membership:
(2) Clearing members may carry out, on their behalf and for their account, on behalf and for the account of their clients, as well as on behalf and for the account of non-clearing members and/or their clients, operations concerning:
1. finalization of transactions in dematerialised financial instruments;
2. opening and keeping of accounts for dematerialised financial instruments and registration of clients;
3. opening and keeping of cash accounts and carrying out of payments related to transactions in dematerialised financial instruments;
4. registration and deposition of dematerialised financial instruments;
5. representation in ordering and executing corporate actions, including regarding the fulfilment of cash and non-cash obligations of an issuer of dematerialised financial instruments to owners of financial instruments and to the CD;
6. custodian services – safekeeping of financial instruments and cash of clients in a depository institution and related services;
7. other functions related to the operation of the CD according to these Rules.
(3) Direct members may carry out on their behalf and for their account, as well as on behalf and for the account of their clients, operations concerning:
1. finalisation of transactions in dematerialised financial instruments;
2. opening and keeping of accounts for dematerialised financial instruments and registration of clients;
3. opening and keeping of cash accounts and carrying out of payments related to transactions in dematerialised financial instruments;
4. registration and deposition of dematerialised financial instruments;
5. representation in ordering and executing corporate actions, including regarding the fulfilment of cash and non-cash obligations of an issuer of dematerialised financial instruments to owners of financial instruments and to the CD;
6. custodian services – safekeeping of financial instruments and cash of clients in a depository institution and the related services;
7. other functions related to the operation of the CD according to these Rules.
(4) Non-clearing members may carry out, via clearing members, operation concerning:
1. finalisation of transactions in dematerialised financial instruments;
2. opening and keeping of accounts for dematerialised financial instruments and registration of clients;
3. opening and keeping of cash accounts and carrying out of payments related to transactions in dematerialised financial instruments;
4. registration and deposition of dematerialised financial instruments;
5. representation in ordering and executing corporate actions, including regarding the fulfilment of cash and non-cash obligations of an issuer of dematerialised financial instruments to owners of financial instruments and to the CD;
6. custodian services – safekeeping of financial instruments and cash of clients in a depository institution and the related services;
7. other functions related to the operation of the CD according to these Rules.

(5) In case of an order for operations under paragraph 4, the clearing member shall indicate the relevant non-clearing member on behalf of which the operation is being carried out.
(6) Register operator activities within the meaning of these Rules may only be carried out by clearing and direct members of the CD.
(7) Registration agent (RA) activities within the meaning of Chapter Six of Ordinance No 38 of FSC on the requirements to the activities of the investment intermediaries (Ordinance No 38) may only be carry out by clearing and direct members of the CD.
(8) Management companies under the Act on the Activity of Collective Investment Schemes and other Collective Investment Undertakings (AACISOCIU) shall execute operations only in the capacity of direct members of the CD.

**Article 10.** (1) A register operator shall carry out the activities set out in these Rules by submitting messages with instructions for operations to the registration system, as follows:
1. opening and closing of accounts in the registration system;
2. registration of clients;
3. recording of changes in the registration system resulting from the activities of the CSS participants;
4. establishing links between the client accounts in the registration system and the CSS.
(2) A register operator may also carry out operations in the registration system on behalf of other members of the CD.
(3) A registration agent shall carry out the activity under Article 56 of Ordinance No 38 by submitting messages for registration of:
1. transactions in financial instruments concluded at an earlier time directly between the parties;
2. transfers of financial instruments in cases of donation and succession;
3. changes of data about the holders of financial instruments, corrections of erroneous data, issuance of copies of certification documents and information about portfolios of financial instruments.
(4) The clearing and direct members of the CD shall have the right to carry out the activities under paragraph 1 and paragraph 3 after the submission, respectively approval, of an order to the CD via the electronic data exchange system.

**Section II**

**Membership conditions and requirements**
**Article 11.** (1) Members of the Central Depository shall be the entities indicated in Article 131, paragraph 1 of APOS, accepted by the Board of Directors of the CD in compliance with the conditions and procedures set out these Rules.
(2) Clearing members the CD shall be only banks which have obtained a license to carry out investment activities from BNB or which have the right to carry out such activities in the territory of the Republic of Bulgaria under the conditions of mutual recognition pursuant to the Act on the Credit Institutions.
(3) The clearing and direct members shall meet the financial, technical and operative requirements set out in Articles 12, 13 and 14.
(4) Non-clearing members shall meet the financial requirements of Article 12.

**Article 12.** (1) The financial requirements for membership shall constitute:
1. payment of the instalments due for damages to the guarantee fund and of the instalments due to the settlement guarantee fund in the applicable cases;
2. maintenance of the required cash balances in the declared cash settlement accounts;
3. maintenance of the required cash balances in accounts for covering of obligations to the CD arising as a result of provided services.
(2) At the end of each month, the accounts under paragraph 1, item 3 shall have positive balances.
(3) The members the CD shall have paid all of their financial obligations to the CD no later than the end of the first business day after the end of the reporting month.

**Article 13.** (1) The technical requirements for membership shall constitute:
1. availability and operable maintenance of the information systems interconnecting with the systems of the CD;
2. compliance of the information systems with the technical rules and communication standards established by the CD;
3. compliance with the exchange of information procedures set out in these Rules and the technical rules for data exchange.
4. established security and protection procedures, including management and information tools, for use of the systems operated by the CD.
(2) The CD shall establish general rules and shall define uniform standards for communication with all of its members, including for electronic data and messages exchange.
(3) All electronic messages and notifications on behalf of the CD shall have absolute application.
(4) The CD may issue instructions to its members regarding the technical parameters for execution of the communications.
(5) The CD shall conduct tests to verify the technical and information aptitude for interconnection with its systems.
Article 14. The operative membership requirements constitute:
1. availability of the internal organisation and qualified personnel needed to ensure the fulfilment of the obligations to the CD according to the requirements of the current legislation;
2. the employees authorised with access to the systems for communication with the CD shall be qualified and receive regular training on the security and protection procedures.

Section III

Procedure for acceptance of members and change of the type of membership

Article 15. (1) An application form shall be submitted for acceptance of new members and for change of the type of membership.
(2) (Amendment - Record No 6 dated 19 June 2015) The following data shall be enclosed with the membership application:
1. an SIC (Single Identification Code) or an equivalent identification code (if no SIC is available);
2. a copy of the license to carry out the activity issued by the Financial Supervision Commission (FSC), respectively by the Bulgarian National Bank (BNB). Entities licensed in a Member State shall produce a copy of the notification from the relevant competent body to carry out the respective activity in the territory of the Republic of Bulgaria;
3. a declaration for the numbers of the bank account into which the funds from corporate actions shall be deposited;
4. a declaration for the numbers of the bank accounts for participation in the settlement system;
5. an consent for direct debit, in compliance with the statutory requirements, for carrying out payments under transactions in dematerialised financial instruments through the Real-Time Interbank Gross Settlement System (RINGS) – for the participants in the CSS;
6. (Repealed - Record No 6 dated 19 June 2015);
7. a declaration for the communication channels through which the applicant will interconnect with the CD, with indicated usage priorities and the organisation established to ensure the fulfilment of their obligations to the CD;
8. other documents as set out in the secondary legislation.
(3) Documents certifying that the conditions for the relevant type of membership are met shall be enclosed with the application for change of the type of membership.
(4) The application shall indicate whether the applicant intends to carry out functions as a register operator and/or as a registration agent.
(5) In the cases of submission of documents on behalf of foreign depository and clearing institutions under Article 131, paragraph 1, item 5 of APOS or foreign entities under Article 78 of the APSPS, documents equivalent to those indicated in paragraph 2 shall be provided. Documents written in a foreign language shall be presented with a Bulgarian translation and legalized in compliance with the current legislation.
(6) Copies of documents enclosed with the application shall be certified with the signature of the legal representative of the company and a "true copy" stamp.
Article 16. (1) Applications for acceptance of new members or for change of the type of membership shall be reviewed and approved by the Board of Directors of the CD.
(2) In case that the submitted documents are incomplete or irregular or additional information is needed, the CD shall send a notice to the applicant about the established omissions and irregularities or about the required additional information and documents.
(3) The Board of Directors shall pass a resolution on the application within 30 days of its receipt, and when additional information and/or documents have been requested, within 30 days of their provision.
(4) The applicant shall be informed of the resolution in writing within 3 days of the ruling of the Board of Directors.
(5) (New - Record No 6 dated 19 June 2015) Within three days period upon announcement of the decision approving the application for membership, the applicant shall submit the affiliation cash installment, and the corresponding contributions to the provided in these Rules funds.
(6) (Previous paragraph 5 - Record No 6 dated 19 June 2015) The Board of Directors shall rule a refusal if:
1. the provisions of the secondary legislation or the requirements of these Rules have not been met;
2. the applicant has provided false data or documents with false content;
3. the applicant has not remedied the established omissions and irregularities or has not provided the required additional information and documents within the term indicated by the Board of Directors.
(7) (Previous paragraph 6 - Record No 6 dated 19 June 2015) The refusal of Board of Directors to accept the entity as a member or to approve the requested change of the type of membership shall be motivated in writing and may be appealed before the Court of Arbitration of the CD within 7 days of its announcement, in compliance with the Rules of the Court of Arbitration.
(8) (Previous paragraph 7 - Record No 6 dated 19 June 2015) The CD shall publish information about the members and their functions on its website.

Section IV
Membership agreement and obligations of the members of the CD

Article 17. (1) The membership in the CD shall become effective upon the execution of a written membership agreement.
(2) The agreement under paragraph 1 shall be standardised and shall contain the specific rights and obligations for the relevant type of membership.
(3) The membership agreement shall be concluded after the Board of Directors has passed a resolution to approve the membership application, respectively after a ruling of the Court of Arbitration of the CD repealing a refusal of the Board of Directors to accept a new member.
(4) In the applicable cases, the membership agreement may also include the clauses of an agreement for participation in the system with settlement finality managed by the CD.
(5) The participants in the settlement system shall obtain access to the CSS after the execution of the agreement for participation and after the other conditions set out in these Rules have been met.
(6) The members of the CD shall inform via the electronic data exchange system the register operator/s through which any ownership changes resulting from concluded transactions will be recorded in the registration system in the following cases:
1. after the execution of a membership agreement for participation in the system;
2. upon occurrence of a change in the declared data.

**Article 18.** (1) The members of the CD shall be held responsible for the actions carried out by them, including regarding the data and information provided by them while carrying out operations in the systems managed by the CD.
(2) The CD shall not be held responsible for the legality of the actions of the members and for the truthfulness of the data provided by them. The CD shall not be a party to the contractual relationship between the members of the CD and their clients or third parties.
(3) The CD shall not be responsible for damages related to the registration and settlement of transactions in dematerialised financial instruments caused as a result of incomplete, untrue or incorrect information provided by the members of the CD.

**Article 19.** (1) The members of the CD shall be obliged to immediately inform the CD about the occurrence of changes in the information contained in the documents on the grounds of which they have been accepted as members, as well as about any changes in the data related to execution of the operations ordered by them.
(2) The CD may request from its members to provide the requisite information and documents concerning to their activities under these Rules at any time.
(3) The members shall be obliged to provide the requisite information and documents within the term indicated by the CD and if they fail to fulfill this obligation, the CD may impose the sanctions set out in these Rules.
(4) The CD may request assistance from the FSC and its bodies to carry out inspections and/or impose administrative measures within their competence.

**Section V**

**Membership suspension and termination**

**Article 20.** (1) Membership in the CD shall be terminated by a resolution of the Board of Directors (BD) in the following cases:
1. upon a written application by the member for termination of the membership;
2. upon withdrawal of the license to carry out the activity by the relevant competent authority;
3. upon imposition of the sanction “termination of the membership in the CD” following the procedures set out in these Rules.
(2) The CD shall notify the member of the membership termination within 3 days of the respective resolution.
(3) The membership termination date, respectively the agreement termination date, shall be the date of the resolution of the BD for membership termination or the date explicitly indicated in the resolution.
**Article 21.** (1) The membership termination shall result in the exclusion of the member from the registers of the CD. The resolution of the BD shall come into force from the date of its announcement, unless the CD resolves otherwise.

(2) In the cases under Article 20, paragraph 1, item 1, the BD shall terminate the membership after arrangement of the relations of the respective member with the remaining participants and its clients.

(3) In the cases under Article 20, paragraph 1, items 2 and 3, the resolution of the BD shall indicate a term for arrangement of the relations of the respective member with the remaining participants and its clients.

(4) Before the membership is terminated, all financial instruments in the clients’ accounts of the respective member shall be transferred to accounts with other members or to personal accounts in the CD.

(5) Until the date of the resolution of BD for membership termination, the respective member shall be responsible for payment of all applicable charges, defined and imposed under the Tariff on the Charges of the CD.

(6) Within 3 business days of the notification date of the resolution of the BD for membership termination, the respective member shall present to the CD information about the amount of the paid/outstanding dividends to its clients.

(7) The termination of the membership shall not lead to an exemption from the obligations to the CD.

(8) The operations and corrections ordered via the system by the respective member before the date of the resolution of the BD for membership termination shall be carried out with a view to their finalisation.

**Article 22.** The BD shall have the right to temporarily suspend a membership in the cases of and following the procedures set out in Chapter Three of these Rules.

**Article 23.** (1) For the period of the suspension and in case of a termination of a membership, the CD shall only execute operations for transactions concluded before the date of the suspension, as well as actions to correct errors occurring before this date.

(2) In case of a suspension, the execution of orders for transfer of balances in clients accounts to other members shall be allowed but without a change of ownership.

(3) In the cases under paragraph 1, the respective member of the CD shall carry out the necessary actions with respect to already initiated operations relating to corporate actions and shall submit a report to the CD within the term set by the BD.

(4) In case of a terminated membership, suspension or withdrawal of a license to carry out the activity, the CD may permit or carry out official transfers of assets from client accounts to personal accounts in the CD in case of a proven and justified inability of the relevant member to carry out the transfers.

(5) (New – Record No 9 dated 28 July 2014) A registration of ordered transfers of financial instruments without change of ownership in the system of the CD in the cases of paragraph 2 and paragraph 4 shall be carried out upon the submission of:

1. an application by the owner of the financial instruments;
2. a document for the notification of the respective member of the CD, custodian of respective financial instruments;
3. (Amendment - Record No 6 dated 19 June 2015) in cases of transfer to client's account - document for confirmation of the transfer and for the opening of a client account by the respective member of the CD where the financial instruments will be kept under custody;
4. other data and documents necessary to implement the registration and establish proper legitimacy and commissioning.

(6) (Previous paragraph 5, Record No 9 dated 28 July 2014) In case of recovery measures or winding up or liquidation procedures regarding a member of the CD or a participant in the settlement system, the procedures set out in Article 78d et seq of the APSPS shall apply.

(7) (Previous paragraph 6, Record No 9 dated 28 July 2014) The member of the CD shall notify its clients of the suspension or termination of its membership.

**Article 24.** The CD shall announce the information regarding the suspension or termination of a membership on its website.

**Article 25.** Any entity whose membership has been terminated following the procedures set out in these Rules may apply for a member of the CD after expiry of 6 months starting from the date of the resolution of the BD of the CD for termination of the membership.

**Chapter Three**

**Sanctions**

**Article 26.** (1) The following sanctions may be imposed to members of the Central Depository:
1. suspension or restriction of the executed operations in the clearing and settlement system;
2. temporary membership suspension;
3. termination of the membership;
4. financial sanctions.
(2) Sanctions shall be imposed:
1. by a resolution of the BD;
2. automatically by the CD system in the cases set out in these Rules.
(3) Sanctions shall be imposed in the following cases:
1. a failure to fulfil settlement obligations;
2. violation of the requirements and obligations set out in these Rules and/or of the obligations under the membership agreement/agreement for participation in the CSS;
3. in case of a refusal, delay or provision of untrue or incomplete information required by CD;
4. in case of an enforcement of an administrative measure imposed by a supervisory body;
5. other cases endangering the security and normal operation of the settlement system for transactions in financial instruments.
(4) When determining the sanction, the BD shall take into consideration the severity of the violation, the circumstances under which it was committed, its consequences for security and the normal operation of the systems and registers administered by the CD.
(5) No members of the BD who are interested parties shall participate in the discussion and voting of the sanction.
(6) An interested party under the previous paragraph shall be:
1. members of the management and supervisory bodies of a member of the CD, procurators and employees;
2. persons who hold directly or indirectly at least 25 (twenty-five) percent of the votes in the general meeting of the member of the CD or who control it;
3. other persons who will benefit, directly or indirectly, from the imposition or non-imposition of the sanction.

(7) The resolution for the imposition of the sanction shall be announced to the member within 3 days of its passing.
(8) In case of objective circumstances, the BD may repeal the imposed sanctions.
(9) The resolution of the BD for imposition of sanctions under Article 26, paragraph 1, items 1-3 may be appealed before the Court of Arbitration of the CD within 7 days of its announcement, in compliance with the Rules of the Court of Arbitration.

**Article 27.** (1) In case of outstanding financial liabilities of a member of the CD in relation to the activity, the member shall be suspended from operations in the CSS until the liabilities are repaid. The suspension according to the previous sentence shall constitute a restriction of the rights to enter instructions into the CSS, with the exception of instructions for transactions currently being settled. The financial liabilities shall be regarded as outstanding when a negative balance is registered in the analytic account of the member.
(2) All operations ordered before the occurrence of the financial liability shall be executed following the procedures set out in these Rules.
(3) The imposition and repealing of a sanction constituting a suspension of a member's rights to execute operations in the system shall be performed by the clearing and settlement system automatically;
(4) The CD shall not be held responsible for the non-execution of operations after the imposition of the sanction under paragraph 1.

**Article 28.** (1) In the cases indicated in Article 26, paragraph 3, the BD of the CD may temporarily suspend a membership for a period of up to 90 (ninety) days or for a longer period corresponding to a measure imposed by a supervisory body. The resolution for a temporary suspension of the membership shall outline the conditions for reinstatement of the rights of the respective member of the CD.
(2) Within 10 days after the expiry of the membership suspension term, the BD shall pass a resolution on the reinstatement of the membership if the relevant conditions have been met. In case that the suspension has resulted from an imposed administrative measure, the membership shall be reinstated after the submission of a statement from the relevant supervisory body.
(3) The BD may extend the membership suspension term, respectively change the conditions for reinstatement of the membership, in case that additional relevant evidence emerges.

**Article 29.** In addition to the cases indicated in Article 26, paragraph 3, the BD may terminate a membership when:
1. after the expiry of a membership suspension term, the conditions for reinstatement of the membership have not been met;
2. the license to carry out the activity has been withdrawn;
3. it is established that the entity has ceased to meet the respective requirements;
4. in case of repeated violations of these Rules.

**Article 30.** (1) In case of a delay (postponement) of the settlement of transactions in financial instruments, the following financial sanctions shall be imposed for the period of the delay on the members of CD causing the delay:
1. 1 day – 0.05% of the transaction amount for each delayed transaction;
2. 2 days – 0.2% of the transaction amount for each delayed transaction;
3. 3 days – 0.4% of the transaction amount for each delayed transaction;
4. 4 days – 0.6% of the transaction amount for each delayed transaction;
   For each day after the 4th day of delay, a sanction of 0.1% shall be imposed.

(2) In case that the amount of the imposed sanction is less than BGN 1 (one), a sanction of BGN 1 (one) shall be imposed.
(3) The sanctions under paragraph 1 shall be applied automatically after the finalisation of the transactions. The amounts of the sanctions imposed during the current month shall be automatically officially from the settlement accounts in the system at the beginning of the following month.
(4) In case of repeated violations resulting in settlement delays, the BD may pass a resolution for the imposition of sanctions under Article 26, paragraph 1, items 2 and 3 of the Rules. More than a total of 20 days or more of delays of transactions within a period of 6 months shall be regarded as a repeated violation resulting in settlement delays.
(5) In case of a delay of transactions in financial instruments caused by a register operator, the sanctions under paragraph 1 shall apply.
(6) The amounts of the imposed sanctions for delays of transactions in financial instruments shall be contributed to the Guarantee Fund for settlement of transactions in financial instruments.

**Chapter Four**

**Arbitration**

Article 31. (1) There shall be a Court of Arbitration within the Central Depository.
(2) The Court of Arbitration of the CD shall be an independent jurisdictional institution for extrajudicial settlement of disputes, established pursuant to Article 127, paragraph 8 of APOS.

Article 32. The general meeting of shareholders of the CD shall adopt Rules of the Court of Arbitration and shall elect its president and vice-president.

Article 33. (1) The Court of Arbitration shall consider and settle disputes:
1. between members of the CD;
2. between the CD and its members;
3. between participants in the settlement system;
4. between the CD and the participants in the settlement system operated by the CD.
5. in case of a refusal of the CD to accept a new member.
(2) The members of CD and the participants in the settlement system shall sign an agreement that the disputes under paragraph 1 shall be referred to the jurisdiction of the Court of Arbitration.
(3) The Court of Arbitration shall also settle other disputes related to the activities carried out by the CD.

Part Two
Registration of dematerialised financial instruments. Corporate actions servicing

Chapter Five
General provisions

Article 34. (1) The CD shall maintain a register of the dematerialised and immobilised financial instruments (registration system of dematerialised financial instruments).
(2) The registration system shall consist of electronic records of the issues of dematerialised financial instruments.
(3) For each registered issue of financial instruments which give equal rights, the CD shall open an account for financial instruments of the company issuer of financial instruments and accounts of the financial instruments holders. In relation to the accounts under the previous sentence, the register shall maintain the data indicated in Articles 23 and 24 of Ordinance No 8.
(4) The register of the concluded repo or reverse repo transactions shall record the data indicated in Article 22a, paragraph 2 of Ordinance No 8.
(5) Access to the registers maintained by the CD shall be provided under the conditions and procedures set out in Article 133 of APOS.

Article 35. (1) The initial registration of an issue of financial instruments and the changes in the circumstances recorded in the register shall be carried out on the basis of an application form (published on the website of the CD) submitted by:
1. a company with an issue of financial instruments (issuer);
2. a member of the CD;
3. the Privatisation and Post-privatisation Control Agency (PPCA);
4. other bodies and persons in the cases set out by the law.
(2) The documents indicated in these Rules or other legislative act, and a document for a paid fee under the Tariff on the charges collected by the CD shall be enclosed with the applications.
(3) In the cases where the document for registration and changes of recorded circumstances are submitted by a member of the CD, a certified copy of a contract for underwriting/servicing of the issue or an explicit power of attorney for the performance of the respective activities as per the registration shall be enclosed.
(4) The applications shall be submitted electronically or in hard copy. When submitting an application electronically via the website of the CD, it is obligatory to have a valid electronic signature of the legal representative of the applicant or of a person authorised by the legal representative.
(5) The electronic submission of documents shall be carried out in compliance with the technical requirements (procedure) for electronic recording published on the website of the CD.
(6) The applications shall be signed by the legal representative of the company or by an expressly authorised person.
(7) Copies of documents enclosed with the application shall be certified with the signature of the legal representative of the company, with a "true copy" stamp.
(8) The CD may request documents and information from the applicants where it is needed to carry out a registration or a change in the register.

Article 36. (1) The CD shall not be held responsible for damages related to the setting up and management of the registration system caused as a result of incomplete, untrue or incorrect information, provided by its members or by issuers of financial instruments.
(2) The CD shall not be held responsible for the truthfulness of the data provided by its members, issuers and other official bodies and persons, as well as for the legality of their actions related to recordings in the registration system.

Chapter Six
Registration of issues of financial instruments

Section I
Registration of issues of dematerialised financial instruments
ISIN code assignment

Article 37. (1) The CD, in its capacity of a national numbering agency, shall issue ISIN codes for the issues of dematerialised and materialised financial instruments of issuer companies.
(2) For each issue of dematerialised financial instruments providing equal rights to their holders, an ISIN code shall be assigned.
(3) For the assignment of an ISIN code an application form shall be submitted, enclosed with a document certifying that the relevant fee is paid.
(4) The CD shall perform the registration of the ISIN code within 2 (two) business days. After the registration, the CD shall issue an ISIN code certificate which shall be provided to the legal representative of the company or to an expressly authorised person.
(5) In case of a change in the rights attached to financial instruments for which an ISIN code has been assigned, upon receipt of a written application by the issuer company, the CD shall assign a new ISIN code to the financial instruments to which the change refers.

Initial registration of issues of financial instruments

Article 38. (1) The registration of an issue of financial instruments shall be carried out on the basis of an application form, the which the following shall be attached:
1. an SIC (Single Identification Code) or an equivalent identification number/code (if there is no SIC);
2. a certificate for the ISIN code of the issue;
3. a resolution of the competent body of the issuer for the issuance of the financial instruments;
4. data about the financial instruments (number and type);
5. a list of the holders of dematerialised financial instruments in hard and soft copy with the following data:
   a) for local natural persons – full name of the shareholder, PIN, address, number of financial instruments;
   b) for local legal entities – company name, headquarters and central office, SIC, number of financial instruments;
   c) for foreign natural persons – full name, official number assigned by the CD, address, number of financial instruments;
   d) for foreign legal entities – company name, legal form, registration number of the record in the register of the relevant country/SIC (if any), central office, address of registration, number of financial instruments.
6. agreement for administration of the issue under Article 42 of the Rules, signed in 2 copies by the legal representative/s of the company;
7. a document for a paid registration fee;
8. other documents as set out in legislative act.

(2) In case there are no personal data available about the holders of the financial instruments, such financial instruments shall not be registered in individual accounts but in a deposit account of the company.

(3) After the provision of the requisite personal data, the financial instruments shall be transferred from the deposit account of the company into an individual account of the respective holder.

**Article 39.** (1) On the basis of the provided documents, the CD shall decide whether the registration conditions have been met. If the provided data and documents are incomplete or incorrect or additional information or evidence about the truthfulness of data is needed, the CD shall send a notice regarding the established omissions and inconsistencies or regarding the required additional information or documents.

(2) The CD shall carry out the registration within 5 business days of its receipt and where additional information or documents have been requested, within 5 business days of their receipt.

(3) The registration of an issue of debt securities shall be carried out within 1 business day of receipt of the complete a set of documents necessary for the registration.

(4) The CD may refuse to register the issue of financial instruments if:
   1. not all necessary data (documents) are available or they have not been submitted following the due procedure;
   2. any of the indicated requisites in the documents are missing or there are inaccuracies and contradictions in the provided data;
   3. there are statutory prohibitions or restrictions.

(5) In the cases under paragraph 4, items 1 and 2, the CD may refuse to register the issue only if the applicant has not remedied the irregularities in compliance with the provided instructions within the set term.

(6) The CD's refusal to register financial instruments shall be motivated in writing.

(7) The applicant shall be notified in writing within 3 days about the resolution passed.
Registration in case of transfer restrictions

Article 40. (1) In case of share transfer restrictions set out in the statute of the respective company, an additional application form shall be submitted to block the shares of the issue and containing data about the persons authorised to provide consent for the transfers.

(2) The orders for transfer of shares under paragraph 1 shall be submitted by the members of the CD in the CSS in compliance with the general procedure. The members of the CD shall provide a written application containing data about the client and the number of the submitted transfer order. A consent form by the respective company for unblocking and execution of the transfer shall be enclosed with the application.

(3) On the basis of the received transfer instructions and the provided documents under paragraph 2 and in case of compliance between them, the CD shall unblock the relevant shares and process the transfer orders. After the transfer, the shares shall be blocked in relation to the restrictions under paragraph 1.

Section II
Registration of issues of materialised financial instruments

Article 41. (1) The CD shall register materialised securities after their immobilisation under these Rules.

(2) An application form shall be submitted for the immobilisation and registration of an issue of materialised securities. The originals of the documents materialising the securities, respectively the temporary certificates under Article 167 of the Commercial Act (CA), shall be enclosed with the application.

(3) The handing over of the original documents materialising the securities shall be certified with an acceptance certificate. The acceptance certificate shall contain the following information:
1. data about the holders;
2. type of the securities;
3. denomination numbers;
4. denomination structure of the securities – number, nominal value and total nominal value;
5. serial numbers of the securities.

(4) The acceptance certificate shall be signed by a representative of the applicant and an authorised official of the CD.

(5) The CD shall record all encumbrances on the issue of financial instruments imposed before the immobilisation and registration in the CD on the basis of an application form.

(6) The CD shall register the holders and shall transfer the relevant number of securities from the company account into the individual accounts of the holders.

(7) After the transfer under paragraph 6, the CD shall issue a registration certificate and certification documents for the owned financial instruments under these Rules.

Section III
Issue administration agreement.
Certificates Agreement
Article 42. (1) After the registration of the issue of financial instruments, the company shall sign a written agreement with the CD for administration (maintenance and safekeeping of the data) of the issue and for provision of related services. (2) The agreement shall be standardised and shall be terminated after the deregistration of the issue of financial instruments from the registration system and the issuance of a deregistration certificate.

Certificates

Article 43. (1) After the registration of an issue of dematerialised financial instruments, the CD shall issue a registration certificate in the form of an abstract from the data recorded in the register which contains information about: 1. the issue of the financial instruments; 2. a list of the holders of financial instruments; 3. the number of the financial instruments. (2) The registration certificate shall be provided to the legal representative of the company or to an explicitly authorised person.

Article 44. Upon request by the company, the CD shall issue certification documents to the holders of financial instruments with personal accounts.

Article 45. Upon payment of the relevant fee under the Tariff on the fees collected by the CD, the CD shall issue documents certifying the recorded data in the registers kept by it.

Chapter Seven
Registration and servicing of corporate actions

Section I
General provisions

Article 46. (1) In case of changes in the data of an issue of financial instruments and forthcoming corporate actions, the issuer company shall notify the CD of such changes or forthcoming actions after the competent body the issuer has passed the relevant resolution. (2) The registration of changes and/or corporate actions shall be carried out on the basis of an application form with enclosed updated documents regarding the respective changes and a document certifying the payment of the respective fee. The application shall indicate an SIC or another identification number (if there is no SIC). (3) The registration of the changes shall be carried out after they are recorded in the Commercial Register, except in the cases set out in the current legislation. The applicant shall indicate the record number of the relevant circumstances under the lot of the company in the Commercial Register. (4) The registration of the changes shall be carried out within 5 business days of receipt of the application, provided that no other time frames have been set out in a legislative act.
(5) In case of encumbrances recorded for the respective financial instruments, the applicant shall declare the fulfillment of the measures and procedures for protection of the creditors set out in the current legislation. In these cases, the application and the enclosed documents shall be submitted to the CD after execution of the instructions received by the creditors.

(6) In case that a legislative act provides for a consent or another document by a creditor or executive agent (in case of recorded encumbrances) to be submitted to the CD, these documents shall be enclosed with the application following the procedure set out in these Rules.

(7) The CD shall carry out the registration actions or the servicing of corporate actions on the basis of the data submitted by the applicant, except in the cases set out in these Rules.

(8) After the registration of the changes, the CD shall issue certificates following the procedure set out in these Rules.

(9) Article 38 and Article 39 shall apply respectively.

Section II
Registration of changes in the capital
Registration of capital increases through issuance of new shares

Article 47. (1) The CD shall register a capital increase through issuance of new shares after the recording the resolution for the capital increase in the Commercial Register.

(2) The registration shall be carried out on the basis of an application form with enclosed:
   1. a resolution of the competent authority of issuer company for the capital change;
   2. a list of the shareholders who have acquired new shares from the capital increase in hard and soft copy.

(3) Upon a capital increase by means of a subscription of shares through the system of the CD, the new shares shall be registered in client accounts with the investment intermediary – member of the CD through which the subscription has been carried out.

(4) In case of a capital increase where the subscription of shares is not carried out through an investment intermediary and through the system of the CD, the new shares shall be registered in individual accounts of the shareholders.

Article 48. (1) In case of a capital increase through issuance of new shares, without the share value paid in, the issuer company of the new dematerialised shares may declare the capital increase in compliance with the declared capital recorded in the Commercial Register.

(2) In these cases, the applicant shall instruct that the new dematerialised shares be blocked in the shareholders’ accounts. The CD shall unblock the new shares upon an instruction of the issuer company after the whole amount of instalments from the capital increase is paid in and this circumstance is recorded in the Commercial Register.

Registration of a capital increase through increase of the shares’ nominal value

Article 49. (1) The registration of the capital increase through increase of the nominal value of shares shall be carried out on the basis of an application form with enclosed:
   1. a copy of the resolution for the capital change of the competent body of the issuer;
2. a notification of the closeout of the capital increase procedure.

(2) In case that the shareholders have not paid in the value of the shares from the capital increase within the specified terms and hence they need to be cancelled, the following documents shall be enclosed with the application:
1. a list of the shareholders whose shares are to be cancelled with information about the shareholders and the number of the shares to be cancelled;
2. a copy of the document declared in the Commercial Register for subscription and payment of additional instalments from the capital increase;
3. a declaration by the legal representative of the issuer company regarding the fact that the shareholders have not paid in the shares of the capital increase within the specified term.

Registration of the capital increase through issues of rights and subscription of shares against rights

Article 50. (1) The registration of the capital increase through an issue of rights and subscription of shares against rights shall be carried out on the basis of an application form. (2) Upon an initial capital increase of a shareholding company with a special investment purpose (SCSIP), the rights shall be registered to the account of a CD member (underwriter of the issue), or to a client issue account of the issuer with the member of the CD servicing the capital increase.

Article 51. (1) The issuer company may request issuance of certification documents for the rights registered in its own accounts through a member of the CD. The documents shall be provided to the holders in the manner indicated by the company. (2) In case that the issuer company does not request the issuance of certification documents, it shall notify the CD of the conclusion of a contract between the issuer company and a member of the CD for the servicing of the investors with personal accounts for FI (rights), including a clause authorising the respective member of the CD to request information from the CD and to issue a document certifying the owned rights. The certification document shall contain the following requisites:
1. the name of the CD member issuing the document;
2. the number of the document and date of issuance;
3. the full name and PIN, or respectively name and BULSTAT/SIC, of the rights owner;
4. the number of the account of the rights owner (title holder);
5. the number of rights available in the account at the moment of verification;
6. the ISIN code of the rights issue;
7. name of the company issuing the rights.
(3) The verification of the owned rights and the issuance of a document shall be carried out only through a member of the CD with which the company has signed a contract. The verification shall be carried out via the communication system of the CD.
(4) The members of the CD may provide information about the result from the verification and a document for the owned rights only to the rights holder or to a person explicitly authorised by rights holder on the basis of a presented power of attorney with a notary certification of the signature.
**Article 52.** (1) After the registration of the rights issue, the CD shall issue a registration certificate.
(2) The exercising of the rights and the acquisition of shares against them shall be carried out through a member of the CD.
(3) The exercising of the rights – subscription of shares against the rights and/or their sale shall be carried out from a client account of the holder with a member of the CD.

**Subscription of shares against rights**

**Article 53.** (1) The members the CD shall submit information about each client interested in subscribing shares against the owned rights.
(2) The subscription of shares against rights shall be carried out by means of a bilateral confirmation by the member servicing the capital increase and the member whose client is subscribing the shares.
(3) In case the data matches, the CD shall block in the account from which the subscription has been made the respective number of rights equal to the number of shares subscribed by the client.
(4) The payment of the shares may be carried out simultaneously with their subscription. In these cases, the CD members shall provide data on the amount and on the accounts.
(5) After the completion of the capital increase procedure, the issuer or the member of the CD servicing the capital increase shall notify the CD within 3 (three) business days.

**Registration of rights on subscribed shares**

**Article 54.** (1) In the cases where the Prospectus for capital increase of a public issuer company envisages issuance of rights against subscribed shares under Article 112b, paragraph 13 of APOS, the company shall apply at the CD for issuance of an interim ISIN code and registration of an interim issue of securities for the period from the completion of the subscription to the registration of the capital increase.
(2) The issuer company shall notify the CD about the results on the day following the completion of the subscription.
(3) The members of the CD shall report the subscribed shares in the capital increase and the payments made.
(4) On the basis of the received information, the CD shall issue a report to the issuer company on the subscribed shares in the capital increase and the payments made.
(5) The rights on the subscribed shares shall be registered in clients sub-accounts for each person subscribing shares from the capital increase according to the ratio defined in the Prospectus in compliance with the instructions received by the CD members. Transactions in rights on subscribed shares shall be registered in the CSS following the general procedure.
(6) Upon registration of the capital increase, the shares from the capital increase shall be distributed in compliance with the registered rights on the subscribed share after which the rights issue on the subscribed shares shall be deregistered.
(7) The registered encumbrances on the rights on subscribed shares shall be recorded in the register upon registration of the capital increase.
Registration in case of a sale of rights under the conditions of an open auction under Article 112b. paragraph 7 of APOS

**Article 55.** (1) The issuer company or the CD member servicing the capital increase shall notify the CD about the forthcoming auction not later than 3 business days before the date of the auction and shall apply for the issuance of a certificate for the exercised and non-exercised rights from the CD.

(2) The members of the CD servicing the capital increase shall open a client account for the rights issue of the respective issuer company.

(3) On the following business day (two business days before the auction), the CD shall issue a certificate for the exercised and non-exercised rights, which shall indicate the number of rights against which shares were subscribed at the end of the previous business day, including the rights with initiated succession procedures recorded in the portfolio of the legator for which no transfer instructions have been issued.

(4) Upon the preparation of the report for these certificates, the rights included in reports for portfolios related to initiated succession procedures for which no transfer instructions have been issued shall be unblocked. The rights included in the report for which, subject to a succession procedure, transfer instructions have already been issued, shall remain blocked until the completion of the transfer.

(5) All rights included in the certificate shall be transferred by means of an ex-officio transaction to the client’s account of the issuer company.

(6) After completion of all transactions concluded during the auction, the issuer companies or the members of the CD servicing the capital increase shall apply to the CD for the issuance of a certificate for the cash amounts transferred to the account of the CD due to the sale of rights.

(7) Upon an instruction for distraint of assets, including rights, the executive agent who has ordered the distraint shall be notified about the availability of rights in the portfolio of the debtor.

(8) The competent executive agent shall give a permission for disposal of the rights prior to the auction. Upon subscription of shares against rights, the distraint shall be transferred to the shares.

(9) Transaction concluded during the auction shall be completed in the CSS following the general procedure set out in these Rules.

**Article 56.** (1) In case that not all rights are sold during the auction, the distribution of the total number of unsold rights shall be carried out on the basis of an algorithm described in an instruction published on website of the CD.

(2) The rights not sold during the auction and distributed according to the algorithm shall be returned to the accounts of their holders on the business day following the settlement of all the auction transactions.

(3) The issuer company or member of the CD servicing the capital increase shall apply to the CD for the issuance of a report on the subscribers of rights. The report shall be prepared within 2 business days.

(4) After the registration of the capital increase, the CD shall transfer the cash amounts from the sale of rights to the accounts of the members of the Depository through which the sale has
been made. The cash amounts received from the sale of rights under individual accounts which have been sold at the auction shall be transferred to an account specified by the issuer company.

(5) The registration of the shares acquired against rights shall be carried out following the procedure for registration of the capital increase, with the following data to be provided additionally:
1. a list of the shareholders, which has to contain, in addition to the basic data, the names and global numbers of the members the CD through which the rights for each shareholder have been subscribed.
2. a list of the shareholders who have subscribed rights but have not paid in the complete amount of their due shares from the capital increase.
3. a list of the shareholders who have subscribed rights but have not paid in the shares from the capital increase.

Registration in case of an initial public offering

Article 57. (1) Upon registration of an issue of financial instruments in case of an initial public offering, an interim issue of shares/bonds shall be registered at the CD.
(2) The interim issue shall be registered under the general procedure for initial registration of issues financial instruments and the following documents shall be enclosed with the registration application:
1. a copy of the resolution of the issue company's competent body for a capital change through initial public offering;
2. a copy of the resolution of the FSC confirming the Prospectus for initial public offering;
3. a certificate from a servicing bank for an open and blocked account under Article 89, paragraph 1 of APOS;
4. an agreement for the servicing of the capital increase or an explicit power of attorney to carry out the registration actions.
(3) The acquired financial instruments from the interim issue shall be registered in clients’ accounts at the members of the CD through which they have been bought.
(4) After the registration of the interim issue, the CD shall issue a registration certificate which shall contain data about the issue, a list of the names of the holders of dematerialised financial instruments and the instruments held by them.
(5) After the recording the capital increase in the Commercial Register, the CD shall register the underlying issue of financial instruments following the general procedure.
(6) The shares of the capital increase shall be registered in accounts of the persons who have acquired financial instruments from the interim issue with the same members of the CD with which the accounts for the interim issue have been opened.
(7) The CD shall register the issue with a permanent ISIN and shall issue the relevant certification documents.

Article 58. (1) In case of an unsuccessful initial public offering, the issuer company or the member of the CD through which the offering is carried out shall notify the CD to that effect in writing within the term under Article 89, paragraph 89 of APOS and shall request the preparation of a list containing data of the persons who have acquired financial instruments
from the interim issue, the number of the acquired financial instruments, the cash amount paid by them for the acquisitions and the member of the CD through which they have acquired them.

(2) The CD shall prepare and submit lists to all members through which there are acquired financial instruments from the interim issue with data about the clients which have acquired financial instruments and the sums which are to be recovered.

**Article 59.** (1) All transactions for acquisition of financial instruments from the interim issue shall be processed and completed in the CSS following the general procedure. 
(2) The CD member servicing the public offering shall submit instructions for each sale of financial instruments from the interim issue with data about the account under Article 89, paragraph 1 of APOS.

**Registration of capital increases through conversion of bonds into shares**

**Article 60.** (1) The CD shall register a capital increase of an issuer company by means of conversion of bonds into shares through subscription under Article 112b, paragraph 11 of APOS and through direct conversion, after the relevant resolution of the general meeting of the bondholders/shareholders.
(2) The CD shall register the new shares in an interim issue until recording the capital increase in the Commercial Register.
(3) The bond issue shall be deregistered following the general procedure.

**Article 61.** (1) A registration of a capital increase through conversion of bonds into shares shall be carried out through a CD member on the basis of an application form to which the following documents shall be attached:
1. a copy of the resolution of the general meeting of the bondholders, where applicable;
2. a copy of the resolution of the competent body of the company for conversion of the bonds into shares, where applicable;
3. a power of attorney for the relevant registration actions.

**Subscription of shares against bonds**

**Article 62.** Subscriptions of shares against bonds shall be carried out through the CD members in compliance with the following procedure:
1. the CD members shall provide information to the CD about each of their clients which intends to subscribe shares against the bonds held by it and the number of the shares to be acquired;
2. after completion of the shares subscription, the relevant CD member shall submit an application for issuance of a certificate for the subscribed shares and a list of the bondholders who have subscribed shares. The certificate shall be prepared by the CD within one business day;
3. after the maturity of the bond issue, the CD shall register the subscribed shares in an interim issue until the recording of the capital increase is recorded in the Commercial Register on the basis of the blocked bonds;
4. the payment of the principal to bondholders who have not subscribed shares against the bonds held by them shall be carried out according to the procedure for payments of interests and/or principals under bond issues.

**Direct conversion**

**Article 63.** (1) In case of capital increase by means of direct conversion of all issued convertible bonds into shares mandatory for the bondholders, the issuer company shall notify the CD in writing and shall submit an application with an enclosed copy of the resolution of the competent body for capital increase through direct conversion of bonds into shares.
(2) After the capital increase is recorded in the Commercial Register, the issuer company shall submit an application form for registration of the capital increase following the procedure set out in Article 47 of the Rules.
(3) After the registration of the capital increase, the CD shall deregister the bond issue.

**Registration of warrants and capital increase through issue of warrants**

**Article 64.** (1) The registration of an issue of warrants shall be carried out following the general procedure for initial registration of an issue of financial instruments.
(2) The registration of a subscription of shares against warrants shall be carried out on the basis of an application by a CD member which has a signed agreement with the issuer company for servicing of the warrants issue.
(3) The conversion of warrants into shares shall be carried out through registration of a interim issue where the subscribed shares from the capital increase shall be indicated.

**Article 65.** (1) The holders of warrants who intend to exercise their right to subscribe shares against such warrants shall declare this via a CD member.
(2) Within 3 (three) business days after the completion of the procedure for conversion of warrant into shares, the CD member servicing the capital increase shall notify the CD to that effect in writing.
(3) For the registration to be effected, the consent of the executive agent which has instructed the recording of distraint on the warrants of the issue through which the capital increase is carried out shall be provided. The consent for participation in the capital increase, respectively the number of the account where the funds from the sale are to be transferred, shall be provided no later than 3 business days before the end of the subscription term.
(4) After completion of the procedure for subscription of shares against warrants, the CD member servicing the capital increase shall submit to the CD an application for registration of the shares from the capital increase, following the general procedure for registration of capital increases through issuance of new shares.
(5) The CD member servicing the capital increase shall request from the CD the preparation of a report on the persons who have subscribed shares against the warrants held by them. The report shall be prepared within 1 business day.

(6) After the expiration of the term for which the warrants issue is registered and after the registration of the capital increase, the company issuing the warrants or the relevant CD member shall submit an application for deregistration of the issue.

Registration of non-monetary contributions of dematerialised financial instruments

Article 66. (1) The registration of a non-monetary contribution of dematerialised financial instruments shall be carried out on the basis of an application form to which the following documents shall be attached:
1. a resolution of the competent body of the company/client of the holder for participation in the establishment of another company or in the capital increase through a non-monetary contribution of shares held;
2. a resolution for an amendment of the company's statute with a full description of the contribution and the contributor;
3. a written consent by the contributor/holder with a description of the contribution under Article 73, paragraph 1, sentence 2 of the Commercial Act.
(2) In case of a capital increase through a non-monetary contribution of dematerialised financial instruments, Article 47 of the Rules shall apply.

Registration of capital increases through reorganisation by merger

Article 67. (1) The registration of a capital increase by means of a merger shall be carried out on the basis of an application form to which the following documents shall be attached:
1. a copy of the resolution of the competent body of the companies subject to reorganisation.
2. a list of the holders of dematerialised securities in hard and soft copy, containing the following data:
   a) for local natural person – full name, PIN, address according to the identity document, number of shares;
   b) for local legal persons – name, seat and address of management, SIC, number of shares;
   c) for foreign natural persons – full name, persons number (PIN, insurance number), permanent address and number of shares;
   d) for foreign legal persons – name, registration number according to the register in the respective country/SIC (if any), seat, address according to the registration and number of shares.
(2) The CD shall carry out the registration of the capital increase after the recording under Article 263c of the Commercial Act.
(3) In order to verify to the Commercial Register the reorganisation declaration under Article 262u, paragraph 5 of the Commercial Act, the representative/s of the company shall submit the application under paragraph 1 in order to obtain a reference number by the CD.
The requirements for issuance of new shares shall be applied accordingly.

Registration of capital decreases through cancellation of shares

**Article 68.** The registration shall be carried out on the basis of an application form to which the following documents shall be attached:
1. a copy of the resolution of the company's competent body for the capital decrease;
2. a list of the persons whose shares shall be cancelled with included shareholder data and the and number of shares of each shareholder to be cancelled.

**Article 69.** (1) In case of cancellation of shares through redemption by the company, the CD member servicing the redemption shall open a client account of the company in which all shares redeemed by the company shall be collected.
(2) The company shall notify the CD about the redemption in writing, attaching the following documents:
1. a copy of the resolution of the competent body for the redemption of shares with the purpose of their subsequent cancellation;
2. a written notification by the applicant about the start of the redemption;
3. an application for issuance of a certificate about the number of redeemed shares.

**Article 70.** (1) During the redemption process, the shares shall be registered in a company account with the CD member servicing the redemption.
(2) After the expiry of the redemption term, an application form shall be submitted for cancellation of the shares with an attached copy of the resolution of the company's competent body for cancellation of the shares.
(3) After the completion of the procedure, the CD shall issue a registration certificate for the new capital amount.

Registration of capital decreases through reduction of the nominal value of shares

**Article 71.** The registration of a capital decrease through reduction of the nominal value of the shares shall be carried out on the basis of an application form with an attached copy of the resolution of the company's competent body for the capital decrease.

Registration of splits

**Article 72.** The registration of a split shall consist of operations reflecting the simultaneous increase of the nominal value and reduction of the number of shares or the simultaneous increase of the number of shares and reduction the nominal value of the shares. Each of the operations shall be carried out separately.

**Article 73.** (1) The registration of a split shall be carried out on the basis of an application form with the following documents attached:
1. a resolution of the company's competent body for a change in the issue data;
2. an application for a trading suspension for the respective period to the Bulgarian Stock exchange (BSE) due to the registration of a split of a public company;
3. an order for suspension of the trade on an OTC market for a term of no less than one business day after the longest settlement cycle;
3. a list of the holders of financial instruments with indicated exact number of financial instruments for each shareholder.

(2) The application shall define a date for registration of the split.
(3) The registration of the changes shall be carried out after the settlement of all current transactions and instructed transfers initiated before the suspension of the trade, on the date set by the company with the period of suspension always preceding the date of registration.
(4) The procedure for registration of the changes shall be carried out within one business day.

Registration of consolidated issues of dematerialised shares without capital changes

**Article 74.** (1) The registration of consolidated issues of different classes of shares shall be carried out on the basis of an application form.
(2) The ISIN of the initially registered issue shall be assigned to the consolidated issue of shares.

**Section III**

**Registration of changes related to the reorganisation of a company issuing dematerialised financial instruments**

**Article 75.** (1) An application form, indicating the type of the new accounts - personal and client accounts, shall be submitted for the registration of a reorganisation a company, including in case of a change of its legal form, by the company or the CD member with which the company has signed an agreement for servicing of the issue. The application shall have attached:
1. a resolution of the company's competent body which has passed the resolution for reorganisation – for all companies included in the reorganisation;
2. an agreement or reorganisation plan demonstrating the exchange ratio and the distribution of the shares after the reorganisation;
3. a list of the holders of financial instruments with the shares held by them after the reorganisation.

(2) Upon registration of the reorganisation, the CD shall transfer the shares acquired in exchange together with the registered encumbrances on them, if any, in compliance with Article 261d, paragraph 2 of the Commercial Act.

(3) *(Amendment - Record No 9 dated 28 July 2014, Record No 6 dated 19 June 2015)* The registration of a reorganization by means of a change of the legal form of a client company (holder of financial instruments) shall be carried out with an application form, enclosing the following documents:
1. Decision for transformation, taken by the competent authority;
2. Document for paid fee;
3. Declaration (sample) for notification of the pledge creditors in the cases of registered collaterals on FI.
Article 76. In the cases of Article 262u, paragraph 5 of the Commercial Act, the application shall be signed by a representative of the management body, and when the application is submitted by a CD member, it shall be signed by the representative of the investment intermediary and by a representative of the management body.

Article 77. In case of a capital decrease of a company by means of splitting and spinning-off, the rules for cancellation of shares set out in these Rules shall apply.

Article 78. (1) In case of a reorganisation of a client with a change of the legal form of a joint-stock company with dematerialized shares, the general provision for initial registration of an issue of dematerialised shares shall apply.
(2) In case of a reorganisation with a change of the legal form of a company issuing an issue of dematerialised shares in another type of capital company, the rules for deregistration of an issue of dematerialised shares shall apply.

Article 79. In case of a reorganisation through merger, the newly -established company shall be registered under the procedure for an initial registration set out in these Rules.

Section IV
Registration of a transfer of shares in case of a tender offer for purchase under Article 157a of APOS

Article 80. (1) The investment intermediary servicing the tender offer shall submit a written notification to the CD for the acquisition of 95% of the capital shares of the company on behalf of the person under Article 157a, paragraph 1 of APOS.
(2) The notification shall contain information about the start of the procedure for acquisition of the remaining shares under Article 157a of APOS and the term set for the acquisition of the voting shares of the other shareholders. A copy of the approval of the FSC of the proposal for acquisition of the shares following the procedure set out in Article 157a of APOS shall be enclosed with the notification.
(3) After the submission of an application, the CD shall issue a certificate for the company's capital structure, indicating the number of shares and the number of shareholders in the company after the expiry of the term of the initial tender offer and a certificate for the number of shares held by the person who has made the tender offer.
(4) (Amendment - Record No 6 dated 19 June 2015) The respective CD member shall submit an application on behalf of the person under Article 157a, paragraph 1 of APOS for registration of the transfer of the shares of the other shareholders to an account opened with the CD before that of the company - issuer. The application shall be submitted within four business days after the publication of the tender offer for acquisition of the shares following the procedure set out in APOS.
(5) The CD shall notify its members about the received application under paragraph 4 and shall suspend the announcement of positions and the registration of instructions for transactions regarding the relevant issue until the application is executed.
(6) The application under paragraph 4 shall be executed after the completion of the transactions currently being settled at the time of its submission.

(7) The CD shall issue to the applicant under paragraph 4 a certificate for the shares held by other shareholders and data on the account opened ex-officio with the CD for the purposes of the transfer.

Article 81. (1) The relevant investment intermediary shall instruct the share transfer to the client account of the person under Article 157a, paragraph 1 of APOS under DVP conditions.

(2) The CD shall ensure the distribution of the funds of shareholders – clients of the investment intermediary to the relevant accounts with the custodians, and the sum remaining after the distribution shall be transferred to the account of the investment intermediary servicing the tender offer for acquisition.

(3) After the transfer, the person under Article 157a, paragraph 1 of APOS may apply, through the relevant CD member, for the issuance of a certificate with data on the shares transferred to his/her account and on the funds distributed under paragraph 2.

Section V
Deregistration of an issue of dematerialised financial instruments

Article 82. The deregistration shall constitute deletion of the financial instruments from the issue from the company's account and clearance of the account.

Article 83. (1) The deregistration of an issue of financial instruments shall be carried out by the CD after the submission of an application form by the company issuing the financial instruments. A document certifying that the deregistration fee has been paid shall be enclosed with the application.

(2) At the time of submission of an application for deregistration, the relevant company must have paid all of its financial obligations to the CD.

Article 84. (1) Upon deregistration in case of a change of the type of shares from dematerialised to materialised, the following documents shall be enclosed with the application:

1. a resolution of the issuer company's competent body about the issue deregistration;
2. a document issued by the FSC for deregistration of the issue from the register under Article 30, paragraph 1, item 3 of the Act on the Financial Supervision Commission, where applicable.

(2) In case of a deregistration under paragraph 1, the CD shall keep a register of the dematerialised financial instruments until their deregistration under the conditions and following the procedures set out in these Rules and in the agreement signed with the issuer.

(3) In case of a deletion of a company from the Commercial Register, the deregistration of the issue from the register of the CD shall be carried out before the recording of the deletion in the Commercial Register kept by the Registry Agency. Deregistration shall be carried out on the basis of an application by the representative of the company/liquidator.
Article 85. In case of registered encumbrances on the issue which is to be deregistered, a declaration form shall be enclosed with the application by the representatives of the company confirming their obligation to register the encumbrances in the materialised shares list.

Article 86. (1) In case of a deregistration of an issue of debt financial instruments, the relevant issuer company shall submit an application form after the maturity of the issue. (2) The CD shall carry out the deregistration after the due fee has been paid. (3) After the issuance of a certificate for deregistration of the bond issue, the issuer company and the trustee bank may apply to receive a report on the date, type and size of the payments made on the deregistered issue. The application for the report shall not be form-based and shall include the name and SIC of the company issuing the financial instruments and the ISIN of the bond issue. The report shall be issued within 1 business day after submission of the application.

Article 87. The CD shall issue a deregistration certificate which shall indicate the holders of the financial instruments from the respective issue and the number of the instruments held by them at the time of deregistration.

Section VI
Payments through the system the CD. Notifications for general meetings. Payments of dividends and payments under bond issues

Article 88. (1) The issuer of dematerialised financial instruments shall notify the CD about forthcoming payments of dividends and under bond issues after the relevant company body has passed a resolution. (2) The payments of dividends and payments under bond issues shall be carried out through the system of the CD following a signed agreement between the relevant company and the CD, after an application has been filed. (3) The issuer shall transfer to a CD account the sum to be paid through the system of the CD after deduction of the due taxes, within the terms set out in Ordinance No 8 and these Rules. (4) The issuer shall transfer the sum under paragraph 3 after implementation of the measures for creditor protection set out in the Commercial Act and in compliance with the instructions received from the creditors.

Article 89. (1) Payments of dividends shall be carried out following the procedure set out in these Rules after receipt of a notification of the general meeting's resolution on the total amount of the dividend and the execution of an agreement between the CD and the relevant issuer company. (2) Payments under bond issues shall be carried out after fulfillment of the conditions for payment of interests and/or principals under the respective bond issue and after the execution of an agreement between the CD and the relevant issuer company. (3) For the respective payments, a special account shall be opened, declared to the CD for receipt of the sums for payments of dividends/interests and principals under bond issues,
which shall be different from the settlement account opened by CD members with client accounts.

(4) The CD shall open a special account for payment of the amounts under this Section.

Article 90. The CD shall distribute the dividends, interests and principals to an account of the CD members, and where the securities in relation to which the payments are made are held in a personal account – in accordance with the agreement signed between the CD and the issuer or in accordance with instructions received from the issuer company.

Conditions for payment of dividends through the system of the CD

Article 91. (1) The issuer company or the authorised CD member shall submit an application for dividend distribution which shall contain the following information as a minimum:
1. identification of the issue – ISIN code, number of shares, nominal value per share and the total sum of the dividend;
2. the amount of the dividend per share;
3. the date on which the shareholders list is defined under Article 115c, paragraph 1 of APOS (Record Date).
The CD shall carry out the dividend payment service on the specified date and shall not be held responsible if it does not comply with the requirement of Article 115c, paragraph 1 of APOS;
4. the starting date for the dividend payment.
(2) The following documents shall be enclosed with the application:
1. the minutes of the general meeting at which the resolution for dividend payment has been passed;
2. a signed agreement for payment services between the company issuing the dematerialised shares and the CD.

Dividend payment procedure

Article 92. (1) The shareholders entitled to receive dividends shall be defined on the date specified in the application under Article 91. At the request of the issuer company, the CD shall issue a list of the shareholders as of this date.
(2) After the shareholders’ list is issued, the CD shall provide to the company information about any encumbrances on the issue – distraints, pledges and financial collaterals.
(3) On the basis of the shareholders’ list and the information about clients accounts, the CD shall prepare lists for the amount to be paid, as follows:
1. a list of the shareholders, natural and legal persons, with personal accounts;
2. a list of the shareholders, natural and legal person, with clients accounts.
(4) The lists under paragraph 3 shall contain the following information:
1. identification of the issue - ISIN;
2. information on each shareholder – full name of the natural person or name of the legal person, PIN (foreign resident number) or SIC;
3. data on the amount to be distributed to each shareholder;
4. signature field.
(5) The lists under paragraph 3 shall be provided to the company.
(6) After coordination and approval by the issuer company, the lists shall be certified and provided to the CD for execution of the payment.

**Article 93.** Upon deduction of the due taxes, the issuer company shall transfer the dividend amount to be paid to a CD account no later than 4 business days before the starting date for dividend payment.

**Article 94.** The issuer company shall transfer the dividend amount to a CD account after completion of the procedure under Article 73c of the Commercial Act.

**Article 95.** (1) On the basis of the data from the issuer company and the information about the client sub-accounts, the CD shall prepare lists of the dividend amount to be paid distributed by investment intermediaries.
(2) The lists shall be provided to each investment intermediary, with client sub-accounts of the shareholders using the established procedure for communication between the CD and its members.
(3) Upon receipt the dividend amounts to be distributed, the CD shall transfer them to the accounts of the custodians with opened client sub-accounts on the day indicated by the issuer.
(4) The investment intermediaries shall execute the dividend payments to their clients within the terms set out in Article 39 of Ordinance No 8.
(5) The CD members shall report the dividend payments executed to their clients within 10 business days from receipt of the dividend amount to be distributed and shall provide to the CD lists of the paid and unpaid dividends in electronic form and shall declare the total unpaid amount.
(6) The unpaid due dividend amounts shall be returned to the CD account by bank transfer.
(7) For shareholders with personal accounts, the CD shall provide to an authorised company representative a list of the dividend distribution by shareholders.
(8) Within 5 business days after the provision of the report under paragraph 5, the unpaid sums shall be returned to the CD account. The CD shall return the unpaid sums to an account of the issuer company announced in advance.

**Bond issue payments**

**Article 96.** The CD shall effect payments under bond issues through the CSS to bondholders with client accounts and shall provide to the company lists of the bondholders with personal accounts for payment of interests/principal.

**Article 97.** (1) Payments under bond issues shall be carried out on the basis of an application submitted by the issuer company or a CD member authorised by the company, which shall contain the following information:
1. identification of the issue – ISIN, number of bonds, nominal bond amount;
2. amount of the due payment per bond and the total payment amount;
3. the date on which the bondholders list is to be defined;
4. the maturity date of the payment;
(2) A separate application shall be submitted for each payment of interest or principal, including when the dates of both payments coincide. The payments shall be executed independently of each other.

(3) The application under paragraph 1 shall provide the following information regarding the subsequent bond payment:
   1. date and type of payment;
   2. applicable interest rate.

Article 98. The issuer company shall apply to the CD for the issuance of a bondholders list as of the Record Date.

Article 99. (1) On the day following the payment day, the issuer company shall inform the CD about the date of the next payment on the bond issue and the amount of the interest for the next period.
(2) In case of changes in the parameters of the bond issue, the issuer company shall inform the CD on the day following the resolution for the change.

Article 100. Upon receipt of an application for execution of the payment and for preparation of a bondholders list, the CD shall provide to the issuer company information about any existing encumbrances on the issue – distrains, pledges and financial collaterals.

Article 101. The issuer company may order blocking of the bond payment amounts until the completion of the creditor protection procedures.

Article 102. (1) The issuer company shall transfer to a CD account the net amount for distribution after deduction of the due taxes and shall provide a final list with the amounts to be distributed to each bondholder, certified by the representatives.
(2) The issuer company shall transfer the payment amount to the CD account no later than 4 business days before the payment day.
(3) On the basis of the data contained in the application and the information on the client accounts, the CD shall prepare lists with distribution of the bond payment amounts.
(4) The lists shall be provided to each of the investment intermediaries with open client accounts of bondholders as of the Record Date.
(5) The lists shall be sent following the established procedure for communication between the CD and its members. The lists shall contain the following information:
   1. identification of the issue – ISIN, nominal value;
   2. information on each bondholder – full name of a natural person or name of a legal person, PIN or BULSTAT/SIC;
   3. client number of the bondholder with the investment intermediary;
   4. amount due to each bondholder.
(6) On the business day following the receipt of the total payment amount into the CD account, the CD shall transfer the relevant amounts to the accounts of the investment intermediaries with the respective client accounts.
Article 103. (1) The investment intermediaries shall be obliged to pay the amounts to the bondholders in accordance with the list of the maturity dates for the respective payments, within the terms set out in Article 39 of Ordinance No 8.

(2) For bondholders with personal accounts, the sums may be paid on the day following the receipt of the payment sum by the CD:
1. to a bank account specified by the company. In this case, the CD shall provide to the servicing bank a list of the bondholders with personal accounts.
2. at a cash desk of the issuer company. In this case, the CD shall provide the payments distribution list for bondholders with personal accounts to an authorised company representative.

Notifications for general meetings convocation (meeting notices)

Article 104. (1) In case of a received notification for general meeting convocation by the company issuing of dematerialised financial instruments, the CD shall notify the market participants about the general meeting through its electronic system.

(2) Upon a received notification by the issuer company for resolutions of the general meeting for changes in the circumstances in the register kept by the CD, the CD shall notify the market participants about the resolutions passed through its electronic system.

(3) The submission of information under the previous paragraphs by the issuer company to the CD shall be carried out in writing or in electronic form through the CD information system.

Section VII
“Management of corporate action pending transaction (Transaction Management)”

(Title amendment - Record No 6 dated 19 June 2015)

General provisions

Article 105. (1) (Amendment - Record No 6 dated 19 June 2015) The rules in this section are applied on pending settlement transactions with financial instruments on a regulated market, where the settlement is to be completed on or before the Record Date.

(2) (Amendment - Record No 6 dated 19 June 2015). The transaction management should be performed as follows:
1. Market claim – the procedure by which ex-officio transactions for financial instruments and cash are executed in order to satisfy a claim from buyer to seller in relation to the corporate action proceeds - dividend distributions, payment of interest on bonds, capital increase and other distributions of rights and / or assets.
2. Transformation – a procedure by which pending transactions still unsettled by the end of Record Date, are canceled and replaced ex-officio in accordance with the terms of reorganization.
3. Buyer Protection – a procedure by which buyer instructs seller in order to exercise the rights in case of corporate action with options.
(3) (New - Record No 6 dated 19 June 2015) The implementation of transaction management procedure is carried out in accordance with specified in Art. 129 of the Rules and procedure of CDAD regarding irrevocability of transfer orders and settlement finality.

**Market claims**

**Article 106.** (1) (Amendment - Record No 6 dated 19 June 2015) In cases under Article 105, para 2, item. 1, CDAD shall announce the counterparties of pending transaction on a market claim detection, based on CSS records.  
(2) (Amendment - Record No 6 dated 19 June 2015) The market claim situation is detected automatically in CSS at the end of Record Date in case when the information on the corporate action is announced in the CDAD registers or at the moment of execution of the corporate action in other cases. This information is communicated to the CDAD participants on the next working day following the market claim detection.  
(3) (Amendment - Record No 6 dated 19 June 2015) The submission of standard transfer instruction in CSS in regards to the underlying transaction authorizes CDAD to exercise the marketing claim procedure, unless a prior refusal under Art. 106, para. 4 of these Rules has been stated.  
(4) (New - Record No 6 dated 19 June 2015) The CSS participants may declare a prior refusal for market claim procedure execution by including a special identificator in the submitted orders as per CSS operational instructions.  
(5) (New - Record No 6 dated 19 June 2015) CSS participants may suspend the execution of the procedure upon submission of waiver form completed bilaterally (Request). The Request shall be submitted to CDAD no later than 16.30 on the day the participants were notified on the market claim detection.  
(6) (New - Record No 6 dated 19 June 2015) An activate procedure for market claim execution shall authorize CDAD to perform the following actions:
  1. with respect to cash distribution:
     a) CDAD shall mark the market claim circumstances in the shareholders’ list based on the CSS registers, as the counterparties involved in these transactions are accordingly included in it. The respective cash amounts are recalculated on the base of the sold financial instruments. This adjustment is done in the following way: for sellers, from the total account balance the number of sold financial instruments (subject to MC transactions) is subtracted and for (each) buyer, the amount corresponding to the financial instruments that should be transferred in his/hers account at the end of Record Date is recorded.  
     b) the cash amount received from the issuer shall be transferred to the CSS participants accounts, acting on behalf of buyers of financial instruments, that are subject to pending settlement transactions.
  2. with respect to financial instruments, received from a corporate action:  
     a) At the corporate action initial registration the CDAD credited the seller’s account with financial instruments.
b) For market claim execution, CDAD generates ex-officio transaction: from the seller account CDAD shall transfer to the buyer account the corresponding number financial instruments, received as per the corporate action. The ex-officio transaction is for the same financial instruments (number and type) received by the seller as a result of the pending transaction.

(7) (New - Record No 6 dated 19 June 2015) When the result of corporate action (the outturns) generates fractions the number of outturn shares should be rounded down to the nearest whole number.

(8) (New - Record No 6 dated 19 June 2015) When the issuer compensates the fractions in cash, an additional (independent) cash transaction (payment free of delivery) shall be created with a cash amount equal to the number of residual fractions multiplied by the applicable price and credited to the buyer (beneficiary).

(9) (New - Record No 6 dated 19 June 2015) Transfers, pursuant to market claim procedure is executed under the following conditions:
1. The settlement of underlying transaction is completed
2. The corporate action service and its assets distribution are performed via the CDAD CSS.

(10) (New - Record No 6 dated 19 June 2015) In case the required conditions are not met within business 20 days from market claim detection, the CDAD does not generate the ex-officio transfer transaction.

(11) (New - Record No 6 dated 19 June 2015) CDAD reports to CSS participants on the transfers upon the market claim execution process.

**Transformation**

**Article 107.** (1) (Amendment - Record No 6 dated 19 June 2015) In cases under Art. 105, para 2, item 2 when reorganization of financial instruments issue is executed, CDAD shall announce the counterparties involved in the pending settlement transaction.

(2) (Amendment - Record No 6 dated 19 June 2015) Detection of situation under para 1 shall be performed automatically in CSS at the end of Record date.

(3) (New - Record No 6 dated 19 June 2015) The submission of standard transfer instruction in CSS in regards to the underlying transaction authorizes CDAD to exercise the transformation, unless a prior refusal under Art. 107, para. 7 of these Rules has been stated.

(4) (New - Record No 6 dated 19 June 2015) In cases of Mandatory reorganization at the end of Record Date CDAD undertakes the following actions:
1. Ex-officio cancelation of the pending transactions instructions.
2. In cases when underlying security is replaced partially or completely with cash, CDAD transfers the transaction amount from seller to buyer. In the Report on cash distributions the sellers shall be included with “null” amount and buyer – with the amount equal to the cash value of financial instruments that should have been transferred at his hers account at the end of Record Date and should have been cash compensated.
3. with respect to financial instruments, result of corporate action:
a) Upon corporate action initial registration, CDAD shall credit the new financial instruments to the seller’s account under the terms of the corporate action.
b) CDAD shall generate an ex-officio transaction transferring the financial instruments from seller’s account of the underlying transaction to buyer’s account as per the terms of the corporate action and in accordance with the number of financial instruments that should have been registered at the account of the buyer at the end of Record Date. The ex-officio transaction shall be for the same financial instruments (number and type), received from the seller as a result of pending transaction.
(c) Upon execution of the ex-officio transaction, the underlying transaction shall be marked in the CSS as completed.

(5) (New - Record No 6 dated 19 June 2015) When the result of corporate action (the outturns) generates fractions the number of outturn shares should be rounded down to the nearest whole number.

(6) (New - Record No 6 dated 19 June 2015) When the issuer compensates the fractions in cash, an additional (independent) cash transaction (payment free of delivery) should be created with a cash amount equal to the number of residual fractions multiplied by the applicable price and credited to the buyer (beneficiary).

(7) (New - Record No 6 dated 19 June 2015) The CSS participants may declare a prior refusal for the transformation procedure by including a special identificator in the submitted orders as per CSS operational instructions.

(8) (New - Record No 6 dated 19 June 2015) CSS participants may suspend the execution of the procedure upon submission of waiver form (request) completed bilaterally. The request shall be submitted to CDAD no later than 16.30 on the day the participants were notified of the occurred situation.

(9) (New - Record No 6 dated 19 June 2015) In the case when as the result of the transformation multiple ex-officio transactions are generated, each of them shall be allowed to settle irrespective of the others (incl. the underlying transaction).

(10) (New - Record No 6 dated 19 June 2015) CDAD reports to CSS participants on the transfers upon the execution of the transformation procedure.

**Buyer protection**

**Article 108.** (1) (Amendment - Record No 6 dated 19 June 2015) In cases under Art. 105, para 2, item 3, concerning corporate actions with options, CDAD shall announce the counterparties involved in the pending settlement transaction.

(2) (Amendment - Record No 6 dated 19 June 2015) CDAD participant acting on behalf of buyer shall submit to the seller and to the CSS a unified message containing instructions for exercising the rights related to corporate action. CDAD shall record this message in a particular archive.
The message under para 2 shall be submitted not later than 17.30 on the day defined as deadline day for choosing an option (buyer protection deadline).

Upon receipt of the message under para 2, the seller shall notify the issuer or respective CDAD member for buyer’s choice. In case the corporate action concerns financial instruments reorganization the transaction shall be canceled under the standard procedure.

Upon registration of a corporate action with options in CDAD CSS, depending on chosen option by the buyer the following procedure shall be implemented:

1. with regards to cash – the seller transfers the received cash amount to an account specified by the buyer.
2. with regards to financial instruments, received by respective corporate action – the counterparties shall send amending instructions for financial instruments transfer to the buyer’s account.
3. with regard to financial instruments, reorganized from the underlying issue, the counterparties shall submit amending instructions for financial instruments transfer to the buyer’s account.

Upon execution of the transfers under para 5, the underlying transaction is marked in the CSS as completed.

In case of issued Buyer protection instruction but the pending transaction is finally settles before Record Date, settlement of the Underlying transaction should be allowed and the respective Buyer protection instruction should be void.

In case of unexecuted Buyer protection procedure (buyer fails to provide respective instructions within the period under para 3) the default option set by the issuer is activated or instructions submitted by the seller under the standard procedure are executed.

Section VIII
Abstracts from the register
Statements from the register

Article 109. (1) The CD shall prepare statements on the circumstances recorded in the maintained registers, as follows:

1. certificates of the capital structure of companies;
2. statements of registered transfers under the lot of an issuer company;
3. portfolios of companies/clients;
4. statements of shareholding percentages;
5. statements of capital amounts and registered encumbrances on issues;
6. statements of paid dividends/interests and principals;
7. other statements.

(2) The statements shall be elaborated on the basis of an application which shall contain: data on the company, type of and information on the requested statement requisites, format of the requested information, date of issuance.
(3) The applications for the statement elaboration shall be submitted in hard copy or electronically by means of completion of an electronic form.

(4) The statements shall be provided as per the requirements of Article 133 of APOS and Article 43, paragraph 4 of Ordinance No 8 on the provision of information by the CD.

(5) The statements shall be received by the applicant or by an authorised person upon provision of a document certifying that the fee for the statement preparation has been paid.

(6) The CD shall develop and manage an automated electronic system (portal) for provision of statements to state authorities and other entities with functions assigned by the State and entitled to access to the information in the CD registers pursuant to a legislative act.

(7) The electronic portal under paragraph 6 shall allow registration of applications, issuance and provision of statements in electronic form and their electronic submission as per the requirements of the Act on the Electronic Documents and Electronic Signature (AEDES).

(8) The CD shall provide access to the electronic portal for automated registration of applications for issuance of statements via a protected information channel by means of a universal electronic signature.

(9) The provision of information under paragraph 6 shall be carried out in compliance with the statutory requirements and the procedures for disclosure of the relevant information, as follows:
   1. information about the bodies specified in Article 133, paragraph 5 of APOS and Article 35, paragraph 6 of MFIA (the bodies of the FSC, NRA, CIAF, etc.) shall be provided by the CD free of charge;
   2. information about other entities entitled to access pursuant to a legislative act (state and private enforcement agents, etc.) shall be provided by the CD against payment, with the amount and procedure determined in the Tariff on the fees collected by the CD.

(10) The terms and procedures for interconnection and data exchange with the entities under paragraph 6 shall be set out in individual technological procedures.

(11) After the commissioning of the system under paragraph 6, the relevant information about all type of statements, with the exception of those not covered by the system's functionality, shall be provided by the CD only electronically, in compliance with the requirements of AEDES.

**List of the holders of dematerialised financial instruments**

**Article 110.** (1) The Central Depository shall provide the list of the holders of financial instruments to the issuer at the request of the issuer's representative. The CD shall provide the list of the bondholders at the request of the trustee representing them.

(2) The preparation of a list of the holders of dematerialised financial instruments shall be requested as of a specific date in a pre-selected format. For this purpose, the authorised persons under paragraph 1 shall submit a written application form to the CD in situ, by mail, fax or e-mail.

(3) The application shall contain the following data:
   1. name of the company, SIC, seat and management address;
   2. the date as of which the list of the holders of dematerialised financial instruments is to be issued;
(4) The application may be submitted via the Internet through the electronic system of the CD by filling in an electronic form following the procedure for registration published on the website of the CD.

(5) In case of a change of the data under paragraph 3, a new application for elaboration of the statements shall be submitted. Each submitted application shall be processed separately.

(6) Hard copies of the lists of the holders of dematerialised financial instruments shall be received by the representative of the applicant or by an explicitly authorised person. In order to obtain the list, the following documents have to be provided:
1. a power of attorney, in case that the list is to be received by an authorised persons;
2. an identity document of the recipient;
3. a document for paid fee.

Article 111. (1) The CD shall prepare and provide a list of the holders of dematerialised financial instruments as well as the statements under Article 109 concerning information recorded in the register maintained by the CD after an official verification for the existence of due and outstanding liabilities of the applicant company regarding fees for administration of the relevant issue of financial instruments.

(2) In case of outstanding liabilities for fees under the Tariff on the fees collected by the CD, the applicant shall be notified about the size and grounds for the amounts due.

(3) In the cases under paragraph 2, the issued by CD documents, statements and abstracts about recorded circumstances in the register shall be provided to the entitled persons upon provision of a document certifying the payment of the due fees.

Part Three
Opening and maintenance of accounts

Chapter Eight
General provisions

Article 112. (1) The CD shall open and maintain accounts for financial instruments under the conditions and procedures set out in these Rules and in compliance with the current legislation.

(2) Financial instruments shall be registered to the accounts of:
1. holders of dematerialised financial instruments – personal or client accounts;
2. holders, holding in general account on their behalf dematerialized financial instruments of two or more other persons.

(3) Operations with personal accounts for financial instruments may be ordered only with regard to transfers of financial instruments from and to the client account of the relevant holder.

(4) Operations with financial instruments in the CSS shall be ordered from and to client accounts in the CSS.

(5) Upon opening of client accounts, the type of the service performed by the CD member for the client for whom the account is requested shall be indicated, namely:
1. investment intermediary;
2. custodian;
3. underwriter;
4. management company;
5. other, if the nature of activity requires it.

**Article 113.** (1) The accounts for financial instruments shall be maintained by the CD and its members in compliance with the following principles:
1. double-entry bookkeeping;
2. separate registration of each financial instrument;
3. completeness;
4. correlation;
5. clarity.

(2) Principle of double-entry bookkeeping – each operation with financial instruments shall be registered in at least two accounts. The entry or the sum of entries in one account shall be balanced through a corresponding and opposite entry in another account. In special cases, these entries may be made in one account only, when they refer to a change in the status of the financial instruments in the same account.

(3) Principle of separate registration – the financial instruments of one issuer which grant identical rights to their holders shall be registered in a separate deposit account and all operations with these financial instruments shall be registered by the CD members in specially opened for this purpose personal and/or client accounts.

(4) Principle of completeness – all operations with financial instruments shall be registered.

(5) Principle of correlation – the operations with financial instruments shall be registered completely and substantially with regard to facts.

(6) Principle of clarity – the entries shall reflect the financial instruments registered in the accounts unambiguously and correctly.

**Chapter Nine**

Financial instruments accounts

**Article 114.** (1) The CD shall open accounts for dematerialised financial instruments on the basis of received unilateral orders.

(2) The accounts for financial instruments in the registration system shall be opened by order of a register operator, issuer of financial instruments and other authorised bodies and persons.

(3) Accounts for financial instruments in the CSS shall be opened by order of the direct participants in the system (clearing and direct CD members).

(4) Non-clearing members may open accounts by submitting an order through a clearing member.

(5) In the cases set out in the legislation, the CD may also open accounts by order of authorised bodies and persons.

(6) The accounts for financial instruments shall be separated down by issue, holder and number.

(7) Each holder of financial instruments may have more than one account for the same issue with each CD member.

(8) IBAN coding shall be used in order to set up the relevant account numbers.
Article 115. The CD shall open and maintain accounts for financial instruments as follows:
1. in the registration system:
   a) personal accounts for financial instruments of holders of financial instruments outside the client registers maintained by the CD members;
   b) clients accounts for financial instruments opened by the CD members in the name of their clients;
   c) clients accounts of holders of general accounts for financial instruments of two or more other persons. In case of issuance of bondholders/shareholders lists, the existence of such accounts and their balances shall be recorded in the list.
   d) issue accounts for financial instruments of companies with issues of financial instruments;
   e) accounts containing bookmarking for collaterals in regard to margin purchases, short sales, registered pledges, financial collateral contracts and repo transactions;
   f) special accounts opened by the CD in the name of its members for temporary safekeeping of financial instruments until the receipt of specific instructions.
2. in the settlement system:
   a) settlement accounts for financial instruments – personal accounts of the CD members and client accounts in the CSS of the holders of financial instruments related to the accounts in the registration system. The balances in these accounts shall reflect the number of financial instruments designated for trade in the account of the same holder maintained by the relevant member in the register.
   b) collective settlement accounts of clients maintained by a CD member – accounts for financial instruments aggregating financial instruments of one issue held by different holders. The balances of the collective accounts shall represent the sum of the total number of financial instruments designated for trade.
   c) collective settlement accounts for management of financial instruments of foreign clients and other members – accounts recording the total number of financial instruments designated for trade by the clients of another CD member;
   d) accounts for margin purchases and short sales.

Chapter Ten
Cash accounts

Article 116. (1) The CD members shall declare to the Depository the following cash accounts:
1. settlement cash accounts – cash accounts of CD members – participants in the CSS opened with a bank – participant in RINGS and declared to the CD with a consent for direct debit. Settlement cash accounts may be debited only through:
   a) an order for settlement of DVP transactions through the CD settlement system;
   b) an application to the CD for a cash transfer in relation to a settled transaction for sale of financial instruments and settlement with an end client.
2. other cash accounts under general management used for:
   a) payments between the CD members and their clients after settlement of transactions for sale of financial instruments;
b) receipt of cash from corporate actions. The accounts shall be in the currency in which the issues of financial instruments with upcomming or completed corporative action payments have been registered;
c) payments on margin purchases and short sales. For margin purchases and short sales, the CD members shall open cash accounts and shall declare consent for direct debit in the CSS of the Depository, in compliance with the requirements of Ordinance No 16 issued by the FSC. Cash funds related to margin purchases or short sales shall be credited to such accounts.

(2) All cash accounts shall be opened with the bank branch administering the settlement cash account of the respective CSS participant.

Part Four
Settlement of transactions in dematerialised financial instruments and operations with dematerialised financial instruments

Chapter Eleven
Operational rules of the settlement system

Section I
General provisions

Article 117. (1) The Central Depository shall set up and manage the clearing and settlement system for transactions in dematerialised financial instruments carried out by its members and it shall:
1. adopt technical procedures for operation of the CSS and provide the participants with access to them;
2. exercise control to ensure compliance with the operational rules and procedures for the system;
3. adopt internal operational rules for the CSS in order to ensure a level of protection of the system and of the information and operational reliability;
4. have the right to temporarily restrict and suspend a participant in the CSS under the conditions and procedures set out in these Rules;
5. maintain the operation of the CSS by providing fair access to the participants in compliance with the system rules and procedures;
6. administer and provide to the participants access to the system on the basis of reliable mechanisms for access protection of the incoming and recorded information in the CSS;
7. provide a reliable information system for the operation of the CSS in a protected communication environment;
8. notify all participants in advance when executing adjustments to the operation of the system and ensuring sufficient time for preparation and testing of participants' systems for interconnection with the CSS.
(2) The rules for operation of the settlement system shall also cover:
1. the conditions for access to the CSS;
2. the conditions for deregistration or suspension of a participant from the CSS;
3. the manner of submission of transfer instructions in the settlement system and the requirements to the format and structure of the provided information for execution of operations with the settlement accounts;
4. the operational principles of the system for settlement of financial instruments, the interconnections with the payment system, the interconnections between different systems for settlement finality, the interrelation with clearing houses, as well as the interconnection with the national registration system;
5. the periods of time during which the system for settlement of financial instruments accepts orders;
6. moment of irrevocability of a transfer order accepted by the settlement system;
7. the manner of provision of the cash funds and financial instruments for completion of the settlement of the transfer orders submitted to the settlement system;
8. the currency/ies with which the settlement system operates;
9. the potential financial, operational and technical risks for the participants in the system, as well as the risk management measures;
10. the rules and technical arrangements for information protection against illegal access or use;
11. emergency rules.
(3) Separate instructions and procedures for the CSS shall be provided to define the technical operation and organisation, the manner and procedures for data exchange with the participants in the system as regards transaction settlement.
(4) The CD shall draw up a written agreement for the settlement system managed by it. The agreement shall contain provisions regarding:
1. the relations between the parties with regard to the registration and settlement of transactions in dematerialised financial instruments pursuant to the legal requirements;
2. the rights and obligations of the parties related to the opening and maintenance of accounts, the submission of transfer instructions and the execution of operations in the system;
3. the operational and technical requirements for execution of operations with the settlement accounts;
4. the responsibility of the parties in relation to the registration and settlement of transactions in dematerialised financial instruments;
5. resolving disputes related to the operation of the CD by the Court of Arbitration of the CD;
6. the applicable law in relation to the operations in the system.
(5) The services provided through the CSS shall be paid pursuant to the Tariff under Article 4 of these Rules.
(6) The participants in the settlement system may be the CD members and the other legal entities indicated in Article 78c of APSPS which have signed the agreement for the settlement system.
(7) An applicant for participation in the CSS shall submit to the CD a written application for provision of access to the system. The CD shall conduct tests on the technical, technological and information capability of the applicant for participation into the system.
(8) Access to the CSS shall be provided after a successful test completion, signing of the agreement for participation in the settlement system and payment of the contributions and fees due to the CD under the Rules and the Tariff.
The rules of Chapters Two and Three of Part One of these Rules shall apply to the conditions and procedures for suspension or termination of participants from the CSS and to the imposition of sanctions on them.

The CD, in its capacity of a system operator, shall maintain an electronic connection with the Real-Time Interbank Gross-Settlement System (RINGS) following the electronic data exchange procedure defined by the BNB. The CD may also participate in other systems which provide settlement finality under the conditions of the current legislation.

**Article 118.** (1) The settlement of transactions in dematerialised financial instruments may involve:

1. cash transfers according to the DVP principle (delivery versus payment), where under transfers of financial instruments from the account of the transferor to the account of the transferees and respective transfers of cash from the account of the transferees to the account of the transferor are interrelated. The transfer of financial instruments shall be carried out on a gross basis and the transfer of cash shall be carried out on a net basis (DVP – Model 2);
2. no cash transfers (DFP - delivery free of payment), where the parties to the transaction shall settle their payments among themselves.

(2) The transaction settlement shall be carried out in accordance with the principle of bilateral notification – one request for finalisation of the transaction by each of the parties.

(3) The registration of transactions in dematerialised financial instrument shall be carried out on the basis of:

1. for transactions settled on a regulated market – data provided by the regulated market and by the parties to the transaction through a CD member;
2. for OTC transactions – data provided by the parties to the transaction through a CD member.

(4) The participants in the settlement system shall be obliged to provide the required cash funds and financial instruments for the settlement of the concluded transactions in dematerialised financial instruments.

(5) The participants in the settlement system shall be responsible for fulfilment of the financial obligations arising from the submitted transfer orders.

(6) The operational currency of the CSS shall be BGN.

**Article 119.** (1) The settlement in the CSS shall be carried out as follows:

1. for DVP transactions - the payment account of the transferee shall be debited and the payment account of the transferor shall be credited with the amount indicated in the transaction order and at the same time the account for financial instruments of the transferor shall be debited and the account for financial instruments of the transferee shall be credited with the nominal value of the financial instruments subject of the transaction;
2. for DFP - the account for financial instruments of the transferor shall be debited and the account for financial instrument of the transferee shall be credited with the nominal value of the financial instruments subject of the transactions.

(2) The settlement of payments requested for settlement in RINGS shall be carried out in compliance with “Operational Rules and Procedures of the Real-Time Interbank Gross-Settlement System (RINGS)”. 
(3) The principles, organisation and technology for settlement of interbank and internal bank payments of transactions in financial instruments shall be regulated with instructions of the CD and the BNB.

**Article 120.** (1) The CSS shall:
1. receive, process and execute transfer orders submitted by the participants in the system;
2. following a predetermined schedule and format, it shall submit to RINGS requests for net settlement of the results obtained from the re-calculation on a multi-lateral basis of the mutual obligations of the participants in the system;
3. upon receipt of information for a successfully processed request for net settlement, it shall transfer the financial instruments subject of the transaction to the relevant settlement account;
4. submit to every participant in the system information about the results of the settlement for the executed orders.

(2) The CD may refuse to accept a given transfer order for settlement in case that:
1. the account balance of the parties to the transaction is insufficient for execution of the transaction operation within the settlement time frame;
2. there are inconsistencies in the data provided by the parties of the transaction;
3. there are statutory prohibitions or restrictions;
4. other cases set out in the current legislation.

(3) The CD shall record the data on the settled transactions in the registration system on the basis of the information received from its members under Section IV of Chapter Eleven.

**Article 121.** (1) The settlement shall be carried out following a predetermined schedule for operation of the system (schedule for the CSS system day), which shall be approved by the Board of Directors and shall be published on the website of the CD. A system day shall be any business day between 8 am - 7 pm.

(2) Changes of temporary nature in the schedule (up to 5 days) may be approved by the Executive Director of the CD. The CD shall promptly notify the CSS participants about changes in the schedule through the electronic data exchange system.

**Section II**

**Receiving and processing of information**

**Article 122.** (1) The communication between the CD, in its capacity of a system operator of the CSS, and the CSS participants regarding submitted requests for execution of operations in the system shall be carried out electronically.

(2) The direct participants in the system shall submit electronic messages, which shall contain orders and/or instructions for execution of operations in the CSS via the communication channels defined in the technical instructions for operation of the system. The messages shall be based on standard ISO 15022.

(3) The structure, form at, registration rules and manner of submission of the message shall be defined in the technical instructions for operation of the system.

(4) The CSS shall carry out syntactic checks of the messages for compliance with the required standard and shall return the check results. Non-compliant messages shall be excluded from further processing.
(5) Transfer orders shall be considered as registered upon their registration in the CSS.
(6) The transfer orders shall contain the following mandatory requisites as a minimum:
1. sender;
2. date of formation of the order;
3. intended settlement date (in case of DVP);
4. number of financial instruments;
5. cash amount – per unit and in total;
6. ISIN;
7. counterparty to the transaction (CD member).
(7) Additional requisites for the individual types of transfer orders shall be indicated in the templates attached to the technical instructions for system operation.

Article 123. Messages which require bilateral confirmation shall be matched for compliance in the CSS by the following requisites:
1. intended settlement date;
2. total number of financial instruments;
3. cash amount – per unit;
4. total amount in cash;
5. number of stock-exchange transaction;
6. ISIN;
7. counterparty to the transaction (CD member);

Article 124. (1) Upon a successful matching of the messages, the data from them shall be collected in a transfer with the number of the message submitted by the transferor.
For a stock-exchange transaction, the transfer number is to be the one assigned by the regulated market.
(2) Messages submitted unilaterally and do not require matching of requisites shall be processed as independent instructions.

Section III
Conditions for settlement of transactions and settlement finality

Article 125. (1) DVP transactions shall be settled if there is sufficient availability of free dematerialised financial instruments in the account of the transferor and cash in the payment account of the transferee.
(2) DFP transactions shall be settled in case of sufficient availability of free financial instruments in the account of the transferor.
(3) Partial transfer of financial instruments and partial payment shall not be allowed.
(4) The banks shall submit data about the balance in the accounts no later than 60 minutes before the beginning of the relevant settlement session. The CSS shall regard as current the information received with the latest message. In case no messages are received, the account shall be regarded as containing a zero balance.

**Article 126.** (1) The total cash amount of the transactions shall be equal to the product of the unit price and the number of financial instruments subject of the transaction. The unit price shall be provided with a precision of ten decimal places, and the total value – with a precision of two decimal places.

(2) For all ordered transfers in the register and the CSS there have to be pre-registered clients and opened accounts for the issue for which the transactions are concluded.

(3) DVP transactions amounting to a total of less than BGN 0.01 shall be declared and settled with a payment of BGN 0.01.

**Article 127.** (1) All actions of the CD and the participants in the system related to concluded transactions shall be processed successively according to the day marked with a “T”, which shall be defined as follows:

1. for exchange transactions – the day of receipt of the transaction information from the regulated market;
2. for OTC transactions – the day of finalisation of the process of comparison and matching of the message requisites of the transactions and the formation of the transfer.

(2) The maximum duration of the settlement cycle shall be T +2 (the second business day after T).

(3) Transactions concluded on regulated market shall be settled on day T+2.

(4) The parties to an OTC transaction may choose the date of settlement, which shall not be earlier than T and later than T+2. In the cases where of settlement date has been chosen but the messages of the one or both parties have not been submitted on time, the settlement shall be postponed for the following settlement session.

**Article 128.** (1) The CSS process DVP transactions settlement (settlement sessions) according to the schedule for the system day. Transactions which are not settled during the first settlement session shall be settled during subsequent sessions within the system day.

(2) For transactions for which the cash payment is executed outside the CD, the processing shall be carried out according to the schedule for the system day. Such transactions shall be settled with the first processing after the formation of the transfer, or with the first processing of the date specified in the messages.

(3) The transactions shall be considered as settled after the registration of the financial instruments into the beneficiary account.

**Article 129.** (1) The moment after which the accepted by the CD system order for registration of a transfer cannot be cancelled by a participant in the system or by a third party and the execution of the order cannot be prevented in another way shall be defined as follows:

1. for exchange transactions and transactions are registered and messaged through the exchange, the moment of irrevocability and finality shall be the moment of establishment of
compliance between the transaction data received by the regulated market and the received messages for identification of the end transferor;
2. for OTC transactions, the moment of irrevocability and finality shall be the moment of formation of a transfer from the instructions received by the parties to the transaction.
(2) No CSS participant or third party can cancel an order accepted by the system or prevent in another way the execution of an order accepted by the system after the moment defined under paragraph 1. After this moment, the CD shall not apply distrains and orders for registration of pledges and other collateral on the financial instruments of the relevant transaction.
(3) In case of an incorrectly submitted order, the CSS participant may correct it until the moment of blocking of the financial instruments for settlement purposes.
(4) Transfer orders accepted by the CSS shall be executed regardless of any disputes or claims, with the exception of the cases set out in the current legislation. Compensations for damages shall be provided pursuant to the provisions of the commercial and civil law.
(5) The execution of orders accepted in the CSS shall be carried out in compliance with the requirements set out in Chapter Five, “a” of APSPS.

**Article 130.** (1) Under announcement of BNB decision to temporarily suspend activities or to revoke the license of a bank-participant in the system as per Article 78d of APSPS, CD shall notify its members via its website.
(2) From the moment CD has been notified on BNB decision under (1), all CD members with accounts in that bank, shall be obliged to terminate the submission of instructions for transaction payments through those accounts. This obligation shall not apply to already submitted instructions with regard to concluded transactions at stages T+0, T+1 and T+2 or later. After a notification under (1), the CD members shall specify and use accounts in banks different from the one for which the notification has been received.
(3) In case that the instructions for a net settlement on behalf of the CD is rejected by the BNB because the reason under (1), the CD shall prepare a new instruction for net settlement and shall exclude from the netting system all payment orders from and to that bank. The CD shall prepare and send a written request to the BNB with reference to the excluded payment orders. A written request shall also be prepared and submitted on the settlement day of the transactions regarding instruction for transaction payments which have been received in the CD system but at the moment of notification have reached stage no later than T+1.
(4) Upon receipt of a response from the BNB about the status of the ordered operations, the CD shall prepare information about its members whose payments are related to the bank under (1).

**Article 131.** (1) Financial instruments subject of a transaction shall be provided before the beginning of the relevant settlement session according to the schedule for the CSS system day. The financial instruments shall be considered as provided if they are available in the account of the transferor or are provided through a transaction which is to be settled within the same settlement session.
(2) The transactions shall be considered delayed if they are not settled on day T+2 under Article 127, paragraph 2 of these Rules.
(3) In case that financial instruments or cash funds related to transactions concluded on a regulated market have not been provided, the settlement shall be postponed for the first
settlement session following the provision of the required balance. In these cases, the financial instruments or cash funds may be provided by the Settlement Guarantee Fund in compliance with its rules.

(4) In case that financial instruments or cash funds related to transactions concluded on OTC market are not sufficient, they shall be processed within 10 business days of the date of the settlement indicated in the instructions. After the expiry of this period, the system shall stop their processing and the transfers shall be ordered by means of new instructions.

Section IV
Interconnection between the CSS and the registration system. Instructions by the register operator

Article 132. (1) The interconnection between the accounts for financial instruments in the registration system and in the CSS shall be executed by means of special instructions submitted to the CD by a member of the CD acting as a register operator.

(2) Upon execution of operations with accounts in the CSS, the participants managing the respective accounts shall be obliged to record the relevant changes in the registration system. For operations with accounts under Article 115, item 2, letter "c", the obligations under the previous sentence shall arise for the relevant member who holding the account.

(3) The obligations under paragraph 2 shall be performed through the submission of instructions to the registration system by the register operator.

(4) Failure to carry out the obligations under paragraph 2 shall result in enforcement of the sanctions set out in these Rules on the respective members.

(5) The data on the settled transactions shall be recorded in the registration system, as follows:

1. for transactions in financial instruments under settlement accounts under Article 115, item 2, letter "a" (in the cases of a direct connection between an account in the registration system and an account in the CSS of the same holder) – the crediting of the account in the register with the relevant number of financial instruments shall be carried out automatically in the CSS and the registration system;

2. for transactions in financial instruments under collective accounts under Article 115, item 2, letter "b" and letter "c" – the crediting of the account in the register shall be carried out on the basis of the instructions submitted by a register operator with instructions for distribution of the financial instruments.

(6) The changes made to accounts in the CSS shall be recorded in the registration system by the relevant register operator in accordance with the pre-submitted information under Article 17, paragraph 6 of the Rules.

(7) Financial instruments in collective accounts in the CSS with changes of the balance as a result of transactions shall be distributed to the accounts of the final holders in the registration system by the end of the system day of transaction settlement.

(8) Entries in the registration system shall be made for each transaction and for each client separately.

(9) In case of lack of data or incorrectly submitted distribution data, the undistributed financial instruments shall be transferred to a special account of the relevant CD member in the register until receipt of the relevant instructions. Until receipt of the instructions under the
previous sentence, the financial instruments shall be marked as undistributed in the special account in the list of the holders of financial instruments.

**Article 133.** (1) The instructions submitted by a register operator shall contain data regarding the exact distribution of the financial instruments subject of the transaction to the accounts of the end clients with the relevant CD member.  
(2) Financial instruments subject to a transaction shall be distributed by one instruction with a reference to the relevant transaction.  
(3) A distribution instruction shall be submitted by one register operator to each party to the transaction.  
(4) With a view to transaction finalisation within the settlement period, the register operator shall submit a instruction for distribution of the financial instruments immediately after receiving instructions from the relevant participant-party to the transaction.  
(5) The distribution instruction shall be submitted by the register operator no later than the beginning of the last settlement session on the settlement date. In the cases where a preliminary provision of the financial instruments for sale is required, the distribution instruction shall be submitted by the register operator before the relevant settlement session during which the transaction will be settled.

**Section V**  
**Priorities**

**Article 134.** The priorities according to which the CSS arranges the transactions for processing during a settlement session shall be as follows:  
1. by order of receipt of the information, in descending order:  
   a) pending transactions from previous dates;  
   b) same-date pending transactions (for the second settlement session for the day);  
   c) same-date settlement transactions.  
2. by type of transaction, in descending order:  
   a) client transactions;  
   b) CD member transactions.  
3. depending on the place of transaction conclusion, in descending order:  
   a) exchange transactions (transactions concluded on a regulated market);  
   b) OTC transactions.

**Section VI**  
Cash transfers from settlement to non-settlement accounts

**Article 135.** (1) Cash transfers from settlement to non-settlement accounts shall be made on the basis of instructions submitted by the CD members via unilateral messages to the CSS.
(2) Cash transfers from settlement to non-settlement accounts shall be made under the condition that the available balance is higher or equal to the ordered transfer amount after the calculation of the net positions.
(3) The orders shall be submitted to the system before the start of the procedure for calculation of the net positions according to the schedule for the system day.

Section VII
Netting

Article 136. (1) All DVP transactions shall be settled on a net basis in relation to the cash payment.
(2) Netting shall be made for transactions for which it has been established that the financial instruments are sufficient, available and blocked for the purposes of the transaction.
(3) The cash funds with which the account will be credited shall be added to the balance in the settlement account, subtracting then from this sum the cash for the transactions for which the account has to be debited. The resulting net position is positive, negative or zero.
(4) The calculation of the net positions shall be carried out before each settlement session for each CD member and for each member’s settlement account separately. In case of an insufficient cash balance, the purchase transaction shall be excluded one by one from the netting process according to the priorities in ascending order (from low to high) until zero or a positive net position is reached.
(5) Each transaction excluded from the netting process shall be marked as “pending settlement transaction due to lack of cash funds”.
(6) In case of a successfully processed instruction for net settlement, the CD shall prepare a message to the banks for the net positions of each of the settlement accounts maintained by them. This message is a result of the settlement of transactions in financial instruments. The referent number of the transaction in the CD shall be indicated as the reason for the carried out operations.

Section VIII
Notification

Article 137. (1) The CD shall inform the counterparties about the settled transactions.
(2) The CD shall immediately inform the counterparties about pending transactions with information on the reason for the failure of the settlement.
(3) The notification shall be carried out in compliance with the requirements of Ordinance No.8.

Section IX
Transactions in units of mutual funds and shares of investment companies

Article 138. (1) Messages about initial sale of units of mutual funds and shares of issues of investment companies shall be submitted and processed in the CSS following the general procedure for the processing of OTC transfers and transactions.
(2) Instructions for redemption of units of mutual funds and shares of investment companies’ issues shall be processed and settled in very next processing after formation of the transfer.
(3) The recording of the changes in the accounts of the holders of the financial instruments shall be carried out through the submission of messages by a register operator.

Section X
Settlement Guarantee Fund for Financial Instruments
General provisions

Article 139. (1) A Settlement Guarantee Fund for Financial Instruments shall be established within the CD.
(2) The Fund shall guarantee the completion of transactions in financial instruments concluded on regulated market of financial instruments.
(3) The Fund shall not guarantee the completion of OTC transactions regardless of the manner of their announcement.

Article 140. (1) The Fund shall be transformed, dissolved and liquidated by resolution of the Board of Directors of the CD.
(2) Upon liquidation of the Fund after payment of its obligations, if any, the remainder of its property shall be distributed among the CD members – participants in the settlement system, in proportion to the monthly contributions made by them and the accrued income from investment of its resources, while deducting the costs of maintenance of the resources in compliance with the procedures set out in these Rules.
(3) Under the conditions of these Rules, the Fund shall:
1. collect affiliation instalments and monthly contributions from each of the participants in the settlement system;
2. invest its assets in the instruments eligible under these Rules;
3. establish any facts and circumstances which have caused delays in the settlement of transactions;
4. use cash resources to cover the obligations of defaulting participants – buyers in transactions in financial instruments;
5. use the cash resources for purchase of financial instruments to cover the obligations of defaulting participants – seller in transactions in the same financial instruments.

Management of the Fund

Article 141. (1) The Fund shall be managed by a Management Committee.
(2) The Management Committee shall consist of 5 members – natural persons, as follows:
1. two CD representatives;
2. a representative proposed by a banking organisation;
3. a representative proposed by an organisation of the investment intermediaries;
4. a representative proposed by the regulated market of financial instruments.
(3) The members of the Management Committee under items 2, 3 and 4 of the previous paragraph shall represent the organisations which have proposed them as Committee members. The members of the Management Committee under paragraph 2, items 2, 3 and 4
may represent other organisations in addition to the ones indicated in items 2, 3 and 4 of the previous paragraph.

(4) The Committee members shall elect a chairperson and deputy chairperson from themselves. The Committee chairperson shall be elected from the CD representatives.

(5) The Committee members shall have university education in the areas of economics, law, finance, banking or IT and professional experience of at least 5 years in the areas of finance, banking or trade in financial instruments.

(6) The following persons shall not be Committee members:
1. persons who have been members of a management or control body or partners with unlimited liability in a company terminated due to insolvency if unsatisfied creditors have remained;
2. persons who are spouses or descendants or ascendants and collateral relatives up to the second degree of another Committee member;
3. persons who have been convicted for premeditated offence at public law;
4. persons who are deprived of the right to occupy a position of property accountability.

(7) The Committee members shall be elected for a term of office of 5 years and may be re-elected without restriction.

(8) The term of office of a Committee member shall be terminated prematurely in case of:
1. a written request by the member;
2. the occurrence of any of the circumstance indicated in paragraph 6 with regard to the member;
3. the member does not fulfill or has been physically unable to fulfill the duties thereof for a period of more than six months;
4. the member is in violation of his/her official duties as a member of the Committee;
5. with his/her activity, the member is detrimental to the interests of the Fund;
6. if the member's mandate is withdrawn and another representative of the relevant institution is proposed.

(9) The establishment of the circumstances under paragraph 6, as well as the termination of the term of office of a Committee member shall be carried out by resolution of the body which has proposed him/her.

(10) The Committee members shall be approved by the BD of the CD.

(11) The Committee members shall receive remuneration for their activity from the administrative cost account of the Fund, which remuneration shall be determined by the BD of the CD at the proposal of the Committee.

Article 142. (1) The Management Committee shall meet at least once per month.

(2) The Committee meetings shall be convened by the chairperson and in case of his/her absence – by the deputy chairperson.

(3) The Committee meetings may be held in absentia, including in case of a need of extraordinary meetings.

(4) The Management Committee shall adopt resolutions by the approval of the majority of the present members, with the exception of the cases where the current Rules provide otherwise.

(5) Minutes shall be kept for the Committee's resolutions, which shall be signed by all present members and shall be kept in the premises of the CD.
Article 143. (1) The Committee chairperson shall organise and manage the Fund's operating activities.
(2) The deputy chairperson shall carry out the functions of the chairperson in case of his/her absence.

Article 144. (1) The Management Committee shall:
1. define the amount and organise the collection of the affiliation instalments and monthly contributions to the Fund due each CSS participant;
2. designate the depository bank wherein the affiliation instalments and monthly contributions to the Fund shall be deposited, as well as the criteria for selection of such a bank;
3. conduct quarterly verifications for compliance with the established criteria by the selected depository bank under item 2 and, if necessary, designate a new depository bank;
4. designate the CSS participants carrying out on behalf of the Fund purchases of financial instruments for the purpose of covering transaction settlement obligations, as well as the criteria for their selection;
5. carry out annual verifications for compliance with the established criteria by the selected participants under item 4 and, if necessary, designate new participants;
6. determine the interest rate charged on the liabilities of the participants in relation to the use of resources of the Fund for their coverage;
7. confirm the appointment of the Committee administrative secretary;
8. issue rules and give instructions for investment of the Fund's resources in compliance with the requirements of Article 159;
9. organise the use of the Fund's resources to cover the obligations of defaulting participant in the CSS regarding the settlement of transactions in financial instruments;
10. authorise the administrative secretary to prepare an annual report on the amount and structure of the assets of the Fund, the amount and the collected resources as a result of the instalments of each participant and the resources used to cover obligations related to the settlement of transactions.
(2) The Committee's resolutions requiring dispositive actions with assets of the Fund shall be signed by the Executive Director of CD. The Executive Director shall be obliged to effect the Committee's resolutions within 1 business day of the date of the resolution.
(3) A Committee's resolution concerning the determination, respectively, the change of the interest rate under paragraph 1, item 6, must be motivated and shall be based on the following criteria:
1. conformity with the current conjuncture of the other reference interest rates;
2. conformity with the levels of the current spreads above the reference interest rates in lending resources with similar credit risk and periods;
3. prevention of misuse of the Fund's resources;
4. conformity with a market principle during its determination, compliant with the respective risk associated with the use of the Fund's resources.

Article 145. Each Committee member, the administrative secretary, as well as every CD employee shall be obliged to disclose in writing to the Management Committee any
commercial, financial or other business interests which affect the Fund, the use of its resources or its interests.

Raising of resources for the Fund

**Article 146.** The resources of the Fund shall be raised from the following sources:
1. the affiliation and monthly instalments of the participants in the settlement system whose operator is the CD;
2. the amounts raised from imposed fines for delay of transactions in financial instruments imposed under the procedure of these Rules;
3. the amounts under Article 152, paragraph 4 and Article 153, paragraph 9;
4. other sources.

**Article 147.** (1) The contributions of the CSS participants shall be accumulated under individual lots for each of the participants and shall not be used to cover CD expenses.
(2) The resources under paragraph 1 shall be reported by the Fund, respectively by the CD, as an obligation to each of the participants.
(3) The resources under paragraph 1 shall be subject to refund when a resolution for liquidation of the Fund is passed by the BD.
(4) In case of termination of the participation in the CD, the resources under paragraph 1 accumulated in the individual lot shall be refunded to the respective participant after deduction of its obligations to the Fund.

**Article 148.** (1) The affiliation instalment of each CSS participant shall be contributed as a lump sum after the signing the agreement for participation in the settlement system.
(2) The amount of the affiliation instalment shall be equal for all CD members according to the type of membership and shall be determined by resolution of Management Committee and communicated to the CSS participants.
(3) The participants shall be granted access to the CSS after payment of the affiliation instalment.

**Article 149.** (1) Every CSS participant must indicate a specially designated account of the Fund in the depository bank as a back-up account for servicing of the transactions in financial instruments.
(2) The use of resources from the account under paragraph 1 to cover transaction obligations shall be carried out as follows:
1. for transactions with a value of up to 1%, including the total sum of the Fund's assets – automatically through the CSS;
2. for transactions with a value ranging from 1% to 10% of the total sum of the Fund's assets – by resolution of the Committee's chairperson;
3. for transactions with a value ranging from 10% to 30% of the total sum of the Fund's assets – by resolution of the Committee passed with an ordinary majority;
4. for transactions with value exceeding 30% of the total sum of the Fund's assets – by unanimous resolution of the Committee.
Article 150. (1) The amount of the monthly instalments to the Fund due by the participants shall be determined by resolution of the Management Committee communicated to the CSS participants.

(2) The determination of the amount of the monthly instalments shall be made after an assessment of the risk and the turnover for the previous 6-month period of each system participant.

(3) The Management Committee shall review and, if necessary, update the methodology for determination of the size of the instalments at least once a year.

(4) The administrative secretary shall carry out a monthly verification of the value of the Fund's assets and the compliance with the terms of the resolution under paragraph 1.

(5) The monthly instalments shall be debited automatically from the opened analytical accounts of the CSS participants for coverage of costs to the CD.

Settlement guarantee with Fund resources

Article 151. (1) The accumulated resources in the Fund shall be used for coverage of the participants' obligations related to concluded exchange transactions for which there is a settlement delay, pursuant to the terms and conditions of these Rules.

(2) The maximum discharge of the Fund shall be equal to the total sum of its assets.

(3) The administrative secretary shall carry out daily verifications of all pending transactions within the standard settlement cycle.

(4) In case that a transaction in financial instruments is not settled by the end of day T+2 (standard settlement), the administrative secretary shall immediately notify all members of the Management Committee of the Fund and shall carry out a review of the facts and circumstances causing the settlement delay.

(5) The CSS participants shall cooperate for establishing the reasons causing the settlement delay.

(6) After receipt of the notification under paragraph 4, the chairperson or the deputy chairperson shall convene a meeting of the Committee for the following business day. The meeting may be held in absentia.

(7) The Management Committee shall examine the facts and circumstances causing pending transaction and shall pass a resolution to cover the delivery obligation with the Fund's resources, passing a resolution, if necessary, to sell instruments in which the Fund has invested for the purpose of ensuring sufficient cash resources.

(8) The Management Committee may pass a resolution to not use the Fund only if:
1. there are sufficient reasons to consider that the transaction will be settled within the following two business days, or
2. the Fund's resources are not sufficient for full coverage of the obligations of the respective participant regarding the settlement of the pending transaction, or
3. the use of the Fund's resources for transaction settlement would cause lasting adverse consequences for the capital market.

(9) In the cases of paragraph 8, items 1 and 3, the Committee's resolution shall be motivated in writing.

(10) (Amendment – Record No 6 dated 19 June 2015) The procedure for coverage of a delivery obligation from the Fund shall be carried out within 4 business days of day T+2.
Article 152. (1) In case of pending transactions caused by lack of fund and the conditions under Article 149, paragraph 2 are in force, the Fund shall step in right of the defaulting participant and shall undertake actions to use the Fund's resources to carry out the cash settlement of the pending transaction.

(2) The Fund shall give an instruction for cash settlement and as a result CD shall use the Fund's resources available in the back-up account under Article 149 for pending transaction settlement.

(3) The defaulting CSS participant shall be notified about the obligation to refund the used by CD amount to the Fund.

(4) Following monthly instalment of the defaulting participant shall be increased by the amount due under (3), the transaction costs on the transfer and the due interest.

Article 153. (1) In case of pending transactions caused by lack of financial instruments and conditions Article 149, paragraph 2 are in force, the Fund shall undertake actions for the purchase of the necessary financial instruments.

(2) The purchase the necessary financial instruments shall be carried out under the standard procedure where the Fund, acting through the administrative secretary, shall submit an order to one or more of the CSS participants designated by the Management Committee to carry out purchases of financial instruments to cover transaction settlement obligations.

(3) The price of the order for purchase of the financial instruments in deficit shall not be higher than the highest of the following prices:

1. 150 (one hundred and fifty) percent of the closing price of the respective financial instruments on the previous business day;
2. the highest price of a purchase order active in the system;
3. the highest price of a sell order active in the system.

(4) If there is a possibility to implement the purchase of the instruments in deficit through more than one transaction, the Fund shall be guided by the principle of minimising the total value thereof.

(5) After settlement of the transaction for purchase of the financial instruments, the Fund shall provide them for settlement of the transaction in the CSS by submitting an order to the defaulting participant in the system.

(6) Upon receipt of the financial instruments from the Fund, the defaulting CSS participant shall be liable to the Fund for the sum of: FI value and all other costs made by the Fund in relation to their purchase.

(7) The received financial instruments shall be blocked in order to effect the settlement of the transaction they have been purchased for.

(8) The rights attached to the financial instruments acquired as a result of the purchase shall be transferred separately to the non-defaulting party to the pending transaction.

(9) Following monthly instalment of the defaulting participant shall be increased by: the total price of the instruments in deficit, the transaction costs, the interest due, taxes and all other obligations incurred as a result of the purchase and the subsequent transfer.
Article 154. (1) If after 10 (ten) business days from the submission of the order under Article 153, paragraph 2, the Fund cannot purchase the instruments in deficit, the transaction concerned shall be marked by the Fund as impossible to settle.
(2) The Fund shall abandon any further actions for purchase of financial instruments related to transactions marked as impossible to settle.
(3) The financial instruments purchased prior to the expiry of the term under paragraph 1 shall be sold following the procedure set out Article 153, paragraph 2, where Article 153, paragraphs 6 – 9 shall apply respectively.
(4) The parties’ obligations regarding the settlement of the transaction shall not be repaid.

Article 155. (1) When there is a pending transaction under Article 152 and Article 153 the Fund shall undertake the corresponding actions described above.
(2) For the purposes of paragraph 1, a transaction shall be considered as pending by fault of both parties if on the day proceeding the day of a resolution of the Committee to use the Fund, there are deficits both in the cash account and in the account for financial instruments.
(3) In case of Article 152 and Article 153, the defaulted obligation shall be equal to:
- the total sum of the financial resources used and all related costs for delivery.
- the total sum to purchase the financial instruments and all related costs for delivery.

Article 156. In case under Article 154, the Fund shall not cover the obligations of the parties for the pending transactions under Article 152 and Article 153.

Article 157. (1) In the cases of more than one pending transaction under Article 152 and Article 153, they shall be covered by the Fund in the order they have been defined as pending by CSS.
(2) In case of Article 152 and Article 153, resources accumulated in the lot of defaulting participant shall be used with priority for covering settlement obligations.
(3) When the resources accumulated in the lot of the defaulting participant are insufficient for a total coverage for the settlement obligation, the resources accumulated in the lots of other participants shall be used proportionally.

Article 158. (1) The instalments in the Fund shall be in BGN.
(2) Within 3 (three) business days of the end of each calendar month, based on a proposal by the administrative secretary, the Managing Committee shall determine the size of the monthly instalment due by each participant and of the obligations of the CSS participants in relation to the use of the Fund's resources as determined under Article 152, paragraph 4 and Article 153, paragraph 9.
(3) The Fund shall send a notice to all participants within 1 (one) business day of the resolution of the Management Committee determining the amount of each instalment.
(4) The CSS participants shall be obliged to allocate sufficient resources in their accounts opened with the bank servicing the CD by the 15th day of each calendar month. The CD shall transfer the accumulated resources to the depository bank on the first business day after debiting the participants accounts.
(5) After receipt the amounts defined under Article 152, paragraph 4 and Article 153, paragraph 9, the Fund shall allocate the amounts back into the individual lots of the participants.

**Investment of the Fund's resources. Reporting and control**

**Article 159.** (1) The accumulated resources in the Fund may be invested only in:
- securities issued or guaranteed by the Bulgarian Government;
- in bank deposits;
- in government bonds issued by the Member States of the Eurozone with a credit rating equal to or higher than the highest current credit rating of Bulgaria.

In case of a change in the circumstances of the previous sentence, the Management Committee shall undertake actions to bring the Fund's investment portfolio into compliance.

(2) The total value of free cash resources and the instruments in which the Fund has invested shall constitute its assets.

(3) Risk avoidance of and asset liquidity maximisation shall be the underlying principle for investment of the resources.

(4) The Fund shall maintain no less than 50 (fifty) percent of its assets in a payment account at the depository bank. The Fund may invest up to 50 (fifty) percent of its assets in bank deposits and up to 20 (twenty) percent of its assets in securities in compliance with the provisions of paragraph 1.

(5) No less than 10 (ten) percent of the Fund's assets shall be cash resources in permanent bank deposits or bank deposits with a fixed term of up to 3 months or debt securities issued or guaranteed by the Bulgarian Government with a residual period to maturity of up to 90 (ninety) days.

(6) The revenues from investment of the accumulated resources shall be used to cover the administrative and other costs related to the Fund's operation. The total annual amount of the administrative costs shall not exceed the amount of the revenues from the management of the Fund for the same period.

**Article 160.** (1) The CD shall designate an administrative secretary of the Fund from the CD personnel and nominate him/her for approval by the Management Committee.

(2) The administrative secretary must hold a university degree in the field of economics and at least 3 years of professional experience in finance, banking or trade in financial instruments.

(3) The administrative secretary shall be responsible for the selection of the specific instruments for investment of the Fund's resources in compliance with the requirements for permanent liquidity and these Rules.

(4) The investment in the selected instruments shall be carried out after approval by the Committee.

(5) In case of absence of the administrative secretary, his/her duties shall be performed by the representative of the CD in the Management Committee.

(6) The administrative secretary shall monitor the value of the Fund's assets and the compliance of their structure with Article 159 on daily basis.

(7) Upon ascertainment of a drop in the market value of the Fund's assets for more than 3 (three) consecutive business days or by more than 1 (one) percent within 1 (one) calendar day,
with the exception of the cases of its use to cover obligations, the administrative secretary shall notify the Committee chairperson about the drop and about of its causes.

(8) The chairperson may convene a meeting of the Management Committee for review of the causes of the drop in the Fund's assets.

**Article 161.** (1) The administrative secretary shall prepare an annual report on the Fund to each CSS participant, which shall contain as a minimum:
1. the total amount and structure of the Fund's assets;
2. the amount of the resources accumulated in the individual lot of the respective participant from the instalments made to the Fund;
3. information about the use of the Fund's resources to cover obligations related to transactions during the previous month;
4. general data on revenues from investment of the Fund's resources.

(2) The report shall be sent to the CSS participants within 10 (ten) business days of the end of each calendar year.

(3) At the request of a CSS participant, the report under paragraph 1 shall be drawn up and sent extraordinarily within 10 (ten) business days of the request.

(4) Upon instruction by the Management Committee, the administrative secretary shall organise the reimbursement of the resources accumulated in the individual lot of the respective participant.

**Section XI**

**Security and protection. Risks**

**Article 162.** (1) The electronic database of the CSS shall be stored in a manner ensuring the integrity of the information and controlled access for submitting messages. The CSS shall maintain various categories of users and levels of access to the system.

(2) A back-up copy of the electronic database shall be made on a daily basis after the end of the business day.

(3) The electronic database shall be backed up to a separate electronic data storage format at least once a week after the end of the last business day of the week.

(4) The CSS, as well as the messages, shall be protected from unlawful access by use of dedicated data encryption software and hardware and a universal electronic signature.

(5) The CD shall establish and maintain a basic and back-up information systems located in separate buildings, located at a distance, specified in ISO: 27001:2005.

(6) Each operation in the CSS shall be registered in the basic and back-up information systems.

(7) In a case of a crash in the basic CSS information system, inaccessibility of the building or another emergency, the operation shall be taken over by the back-up system following the terms and procedure set out in the procedures of paragraph 9.

(8) In case of emergency, the CD shall immediately notify the FSC and the system participants.

(9) The CD shall elaborate and maintain an Action plan and procedures for emergency operation which shall be implemented in compliance with the deployed system for information security management under standard ISO 27001:2005.
**Article 163.** (1) The potential risks for the participants in the settlement system are as follows:

1. liquidity risk shall be the risk that a participant in the system fails to fulfill settlement obligations. In case of a liquidity risk, the obligation may be fulfilled at a later stage, including by applying the rules of Section X through the Settlement Guarantee Fund for Financial Instruments.

2. operational risk shall be the risk of a crash of the hardware, software, communication equipment or of human error causing critical circumstances for the settlement. In case of the occurrence of an operational risk, the CSS shall ensure an option for the participants and for the acceptance and execution of instructions in a manner defined by the CD according to the procedures of Article 162, paragraph 9, for which Action Plan instructions shall be sent to the participants.

3. system risk shall be the risk where the failure of one participant to fulfill his/her obligations in the CSS causes the failure of other participants to fulfill their obligations in a timely manner. In case of the occurrence of a system risk, the rules for reaction in case of a liquidity risk shall apply.

(2) Each CSS participant shall be obliged to notify immediately the CD in writing in case of a communication or another technical problem related to the submission or receipt of message to/from the CSS which may cause an operational risk.

(3) In case of operational risk, the rules and procedures for information security management as per Standard ISO 27001:2005 shall apply.

(4) The CD shall undertake the actions to ensure the normal operation of the system and shall notify the affected participants and send detailed operational instructions. In case that the communication problem is caused by a specific participant, the CD shall ensure the option for submission of the messages for the relevant period *in situ* by providing them in soft copy.

(5) An emergency may occur in the following situations:

1. a technical problem which could lead to violation of the normal operation of the CSS for more than 2 hours or to a substantial disruption of the schedule for the system day resulting in a failure in communication between CD and RINGS;

2. a problem with the SWIFT functionality and the communication channel operated by the CD which may cause an operational risk for the CSS;

3. force majeure circumstances.

(6) In the cases under paragraph 5, items 1, 2 and 3, the CD shall ensure the recovery of the normal operation of the settlement process within the shortest possible term.

(7) If necessary, the CD may transfer the operation of the CSS to the back-up information system, informing all participant and the relevant supervision bodies about the change.

(8) The CD shall transfer the operations back to the main system on the first business day after resolving the problem.

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**Chapter Twelve**

**Operations with dematerialised financial instruments**

**Section I**

**Operational instructions**
Article 164. (1) All instructions for operations in the CSS by the CD members shall be submitted by means of ISO 15022 messages adjusted and compatible for transfer through the SWIFT network.
(2) The registration of a client in the CSS shall be carried out by submission of a unilateral instruction by a register operator.
(3) The opening of accounts for financial instruments shall be carried out by submission of unilateral instructions to the CSS by the CD members.
(4) In the statutory cases, the CD may also open accounts at the instruction of authorised bodies and third parties.

Article 165. (1) The account balances in the CSS shall match the balances in the accounts in the register maintained by the CD up to the trade amount declared by the holder.
(2) For finalisation of a transfer of financial instruments, the following conditions shall be required: a registered client; opened accounts; balance of financial instruments in the account of the transferor; sufficient cash in the account of the transferee of the financial instruments in the cases where the transfer is connected to a payment through the CD system.
(3) One transfer may instruct the full or partial transfer of financial instruments from only one issue and to only one account.

Article 166. (1) The system shall execute the following types of transfer instructions:
1. transfer from a personal account to an account in a client sub-register with a CD member. The CD member shall register the client and shall submit instructions for the opening of the relevant account. The register operator shall order the transfer through a unilateral instruction submitted by the relevant CD member;
2. transfer from an account with one CD member to an account with another member in the name of the same holder. It shall be carried out by the CSS on the basis of a bilateral instruction submitted by a register operator;
3. transfer from an account in a client sub-register maintained by a CD member to a personal account outside the client sub-registers. It shall be carried out by the CSS on the basis of a unilateral instruction submitted by a register operator;
4. transfer of financial instruments from and to collateral accounts for margin purchases and short sales. The instructions shall be submitted by the CD members depending on the required alteration in the amount of the collateral;
5. financial instruments sales transfers.
(2) The transfer of financial instruments as a result of a concluded transaction shall be carried out upon receipt of transfer instructions by the participants – parties to the transaction.
(3) The data for distribution of the financial instruments to the accounts for financial instruments in the register shall be submitted by a register operator, whereby each party to the particular transaction can have only one register operator.
(4) The data for distribution of the financial instruments have to be received before the relevant settlement session during which the transaction will be settled.
(5) In the cases where the data under paragraph 4 have not been received before the relevant settlement session, the transaction shall be settled when the financial instruments are transferred to a special account of the relevant CD member. After receipt of the needed data,
the financial instruments shall be transferred to the relevant accounts under Article 32a of Ordinance No 8.

(6) In case of corporate actions in the process of execution in the cases under paragraph 5, the procedures defined in the present Rules for pending transaction management shall apply correspondingly.

(7) In case that for a certain transaction messages have been submitted indicating the same cash account for debiting and crediting, the system shall not generate a payment order but only an order for transfer of financial instruments.

Article 167. A transfer instruction accepted by the CSS may be cancelled before the moment defined under Article 129, paragraph 1 of the Rules, as follows:
1. for bilateral instructions – on the basis of a bilateral confirmation;
2. for unilateral instructions – on the basis of a unilateral confirmation.

Section II
Correction of incorrect entries

Article 168. (1) In case of incorrect settlement instructions submitted to the CSS, a correction message for the provided data shall be submitted under Article 129, paragraph 3 of these Rules.

(2) In case of incorrect data records in the CD registers, the corrections shall be made following the procedures set out in Article 46 of Ordinance No 8 on the basis of a written request submitted via a CD member. The request shall be submitted together with information about the reason for the submission of the incorrect data and copies of the documents of the relevant entry.

(3) The CD shall carry out a verification and, if justified, shall correct the records and notify the interested parties.

Section III
Provision of operations and services by a registration agent. Issuance of certificates to holders of financial instruments

General provisions

Article 169. (1) Registration of transactions based on already sign agreement (concluded directly between the parties) and of actions related to donations and of successions, shall be carried out on the basis of documents presented by the parties to the registration agent (RA) and evidencing the relevant transaction, in the statutory format.

(2) The RA shall carry out a verification of the identity and the representative authority of the clients, respectively of their proxies, following the procedure set out in Chapter Six of Ordinance No 38.

(3) For transfers under paragraph 1, the RA may open client accounts of the parties to the transaction in financial instruments.
(4) The RA shall instruct the registration of the transfers under paragraph 1 according to the presented documents in compliance with the provisions of Chapter Six of Ordinance No 38 and the other current legislation.

(5) The instructions for registration of clients, opening of accounts and registration of transfers under paragraph 1 shall be submitted and executed in compliance with the operational rules of the CSS.

(6) The registration documents presented by the clients to the RA shall be kept by the investment intermediary following the terms and procedures set out in Chapter Seven of Ordinance No 38.

(7) The RA shall instruct transfers under paragraph 1 in accordance with the requirements of the current legislation by exercising due professional care and acting in the best interest of its clients.

Registration of transactions based on already sign agreement
(concluded directly between the parties)

Article 170. (1) The RA shall submit an instruction to the CD for registration of transactions based on already sign agreement upon provision of:
1. a written agreement (an original or a notarized copy) for the transfer of the financial instrument, a court deed or another document substituting the agreement for transfer of financial instruments;
2. a certificate of ownership of the financial instruments subject of the transaction – an original;
3. financial instruments transfer order signed by the transferor.
(2) After a verification of the documents under paragraph 1, the CD member, carrying out the function of an RA shall submit an instruction for transfer of the financial instruments.

Registration of donations

Article 171. (1) The RA shall submit an instruction to the CD for the registration of a transfer of financial instruments through donation upon provision of:
1. a written agreement for donation (an original or a notarized copy);
2. a certificate of the ownership of the financial instruments subject of the donation – an original;
3. financial instruments transfer order signed by the transferor/donator.
(2) After a verification of the documents under paragraph 1, RA shall submit an order for transfer of the financial instruments.

Registration of succession by law

Article 172. (1) The RA shall submit an instruction to the CD for the registration of a transfer of financial instruments by means of succession by law upon provision of:
1. (Amendment - Record No 6 dated 19 June 2015) a certificate of succession, respectively an equivalent foreign document with a certified translation and legalization – an original or a notarized copy
2. a request for provision of a statement of the financial instruments owned by the legator signed by all of the successors or persons authorised by them;
3. an agreement for voluntary sharing-out between all successors listed in the certificate of succession with a notarized certification of the signatures. On the basis of the statement under item 2, the agreement must cover all financial instruments subject of the succession, apart from the ones which are the subject of a testamentary succession;
4. an order for the transfer of the relevant financial instruments from the account of the legator to the relevant accounts of the successors, signed by all of the successors or the persons authorised by them. The order shall be signed only by the successors receiving a succession share under the agreement for voluntary sharing-out;
5. a document certifying the ownership of the financial instruments subject of the succession – an original. In case that the successors do not possess such a document, a declaration to that effect shall be presented by the persons under item 2;

(2) After a verification of the documents under paragraph 1, the RA shall:
1. submit to the CD a request for provision of a statement under paragraph 1, item 2 for the financial instruments held by the legator and for their blocking;
2. provide the statement issued by the CD to the successors;
3. register the successors receiving a succession share under the agreement for voluntary sharing-out as clients and open the relevant client accounts.
4. in compliance with the agreement for voluntary sharing-out among the successors, the RA shall order the transfer of the relevant financial instruments on the basis of the order instruction under paragraph 1, item 4 from the account of the legator to the relevant accounts of the successors. For the transfer to the account of each successor, a separate message shall be submitted.

(3) Upon receipt of the instruction for transfer, the CD shall:
1. open client accounts of the successors with the RA and debit ex-officio the relevant accounts by crediting the account of the legator.
2. in the cases where the legator is not a client of the RA, upon receipt of a request under paragraph 2, item 1, together with the blocking of the financial instruments subject of the succession, the CD shall register the legator as a client of the RA by assigning him/her an official client number.
3. submit a message to the relevant member holding accounts for financial instruments subject of the succession which have been transferred ex-officio under item 2.

Article 172a. (New – Record No 9 dated 28 July 2014) (1) In case that the successors fail to voluntarily sharing-out, the RA shall submit an instruction to the CD for transfer of the financial instruments for the purposes of succession by law upon provision of an application form enclosing:
1. a certificate of succession, respectively an equivalent foreign document with a certified translation and legalization – an original or a notarized copy;
2. a request for a statement of the legator’s financial instruments signed by the successor or an authorised person;
3. a document evidencing the ownership of the financial instruments subject of the succession – an original. In case the successor does not possess such a document, a declaration to that effect shall be presented;
4. conclusive evidence of the succession share with regard to the registration of the acquired financial instruments individually:
   a) an effective court deed for establishment of successor rights and/or
   b) another document defining the number of financial instruments to be acquired by the successor by succession;
   c) a declaration form of consent for registration of the succession share.
5. an instruction for account opening and transfer of the financial instruments corresponding to the succession share from the account of the legator to the account of the successor.
   (2) The RA may require from the applicant the provision of additional data and documents with regard to the transfer registration.
   (3) After a verification of the documents under paragraph 1, the RA shall:
   1. submit to the CD a request for a statement of the legator`s financial instruments and their blocking;
   2. provide the successor with the statement issued by the CD;
   3. register the successor as a client and open a client account with the CD;
   4. in accordance with the documents under paragraph 1, the RA shall order the transfer of the respective share of the financial instruments on the grounds of the instruction under paragraph 1, item 5 from the account of the legator to the account of the successor.
   (4) The registration shall be performed by opening an account of the successor with the CD and registering therein respective number of dematerialised financial instruments corresponding to the share of the successor. Article 172 shall apply accordingly.
   (5) Upon request by a competent court, the CD shall issue a statement of successor`s financial instruments for the purposes of the legal proceedings under Article 110 of the Civil Procedure Code.
   (6) The CD shall not be held liable for the correctness, accuracy and completeness of the data and information provided by its members, the successors initiating the procedure and other authorised bodies and persons and for the legality of their actions with regard to the registration of a succession by law.

**Article 172b. (New – Record No 6 dated 19 June 2015)**

(1) If the financial instruments, subject to succession are held in client`s account with a CD member other than the registration agent who has submitted the instruction for registration of a transfer, CD shall notify the member regarding the requested procedure upon receipt of the request for statement of a statement under Article 172, paragraph 2, item 2.
(2) Within five business days upon receipt of the notification under paragraph 1, the member of CD maintaining the financial instruments of the legator, shall make all reasonable efforts to verify the registered information regarding the legator - the account holder of the financial instruments.
(3) The registration agent who has submitted an instruction for registration of succession shall provide CD electronically with scanned copies of the documents presented in the procedure in the following cases:
1. financial instruments subject of the succession, with a total nominal value over BGN 10,000 (ten thousand BGN);
2. A procedure for succession of a foreign person is claimed.

(4) CD shall submit to the relevant member, maintaining the financial instruments of the legator, the documents for verification purposes under paragraph 2.

(5) CD shall check with the Unified System for Civil Registration and Administrative Services to Population (USCRASP) to the Directorate General "Civil Registration and Administrative Services" if there are certain conditions for data provision by USCRASP for the legator - the account holder of the financial instruments. Check results shall be provided to CD members involved in the registration procedure in order to take appropriate action in accordance with the current regulations.

(6) In case of existing evidence for unlawful disposal with financial instruments subject to succession, the CD member, maintaining the financial instruments of the legator, shall submit a message to the CD for suspension of the procedure. The message shall be sent within the term under paragraph 2 containing information under the previous sentence. CD shall inform the members involved in the registration procedure and the competent authorities, if deemed appropriate, for the suspension of the procedure.

(7) If the message under previous paragraph is not received by the CD member, maintaining the financial instruments, CD shall register the transfer of the financial instruments required by the registration agent after the expiry of the term under paragraph 2.

Registration of testamentary succession

Article 173. (1) The RA shall submit an instruction to the CD for the registration of a transfer of financial instruments by testamentary succession upon provision of:
1. a certificate of succession (an original or a notarized copy);
2. a notarized copy of a handwritten testament or a notary testament drawn up in the format required by the Act on Succession with all needed requisites;
3. a statement by a notary regarding the announcement of the testament;

(2) After a verification of the documents under paragraph 1, the RA shall:
1. submit to the CD an application for issuance of a statement and for blocking of the portfolio of financial instruments of the legator.
2. upon receipt of the statement on the legator’s portfolio, the RA shall notify the successor who has requested it, only the portion of the financial instruments held by the legator to be inherited by the successor according to the testament.
3. in compliance with the testament, the RA shall instruct the transfer of the relevant inherited portion of the legator’s financial instruments from his/her account to the relevant accounts of the successors requesting the succession procedure. For the transfer to the account of each successor, a separate message shall be submitted.

(3) For any unsettled issues, Article 172 shall apply accordingly.
Amendment and correction of personal data

Article 174. (1) Amendment and correction of incorrect personal data shall be ordered by the RA on the basis of a request by a holder of financial instruments with the following documents attached to it:
1. a certificate for the owned financial instruments – an original;
2. a certificate issued by the relevant civil status authority (an original) – in case of a change of the PIN data;
3. a certificate issued by the relevant municipal authority (an original) – in case of a change of the address data;
4. a court ruling or an administrative deed (an original or a certified copy) – in case of a name change.

(2) After verification of the provided documents, the RA shall carry out the following actions:
1. register as a client the person under paragraph 1 by submitting to the CD a message featuring the personal data according to the initial registered at the CD (respectively the incorrect personal) data.
2. submit a message to the CD featuring the identification number of the message under item 1, the valid personal data and the relevant data change code in accordance with the technical instructions. For each change, a separate message shall be submitted.

(3) After a successful registration of the data from the message, the CD shall submit a message to the relevant member of which the person under paragraph 1 is a client and shall issue a certificate of the financial instruments held in personal accounts.

(4) The correction of data in relation to holders of compensation instruments shall be carried out following a procedure set out in the Act on Compensation Instruments Transactions and the Ordinance on the CD activity regarding the registration of the issuance of, transactions in and the execution of the payments with compensation instruments.

(5) (New – Record No 9 dated 28 July 2014) Amendments of data with regard to the legal form of a client (holder of financial instruments) shall be instructed by the RA following a request by the client, enclosing:
1. a certificate of the financial instruments held – an original;
2. a resolution of the competent authority for reorganisation by transformation of the legal form.

3. (New – Record No 6 dated 19 June 2015) Declaration (form) for notification of the pledge creditors in the cases of registered collaterals on the financial instruments

(6) (New – Record No 9 dated 28 July 2014) Upon documentation verification, the RA shall carry out the following actions:
1. submit to the CD a message featuring the client’s data according to the initial registration and the new data;
2. submit to the CD a message featuring the identification number of the message under item 1, the valid client’s data and relevant data change code according to the technical instructions for operation of the CSS.

Issuance of certificates to holders of financial instruments
Article 175. (1) At the request of a holder of dematerialised financial instruments, the CD shall issue a certificate for financial instruments held by the holder via a CD member.
(2) Certificates under paragraph 1 shall be issued by the CD for the number of the financial instruments currently available in the specified account.
(3) The requests for issuance of certificates shall be submitted by the CD members.
(4) Requests for certificates for financial instruments in the personal accounts of natural persons and legal entities shall be submitted by the RA.
(5) Requests for certificates for financial instruments in accounts with a CD member shall be submitted by the respective CD member maintaining the accounts.
(6) Issued but not received certificates shall be kept by the CD for a period of 1 year, starting from the date of their issuance, after which they shall be voided.
(7) At the request of a holder of dematerialised financial instruments, the CD shall issue a duplicate of a certificate for financial instruments held by the holder via a CD member acting as an RA.

Issuance of a portfolio statement

Article 176. (1) Issuance of a portfolio statement shall be carried out on the basis of a client’s request.
(2) Following identification and representation procedures set out in Ordinance No 38, the RA shall submit to the CD a message with a request for issuance of the relevant type of portfolio statement.
(3) Codes for issuance of the various types of statements regarding the balance in clients’ accounts are included in the relevant technical instructions.
(4) In order to obtain an extended portfolio statement (containing data on the CD members maintaining balances in client accounts of the holder), a notarized power of attorney with a notarized certification of the signature has to be issued by the holder to a specific employee of the RA authorising him/her to receive the extended portfolio statement from the CD.

Part Five
Registration and trades in compensation instruments
Privatisation deals

Chapter Thirteen
Registration and trades in compensation instruments
Section I
Registration of issues of compensation instruments

Article 177. (1) The registration of compensation instruments (CIs) shall be carried out under the Act on Compensation Instruments Deals (ACIT) and the Ordinance on the activity of the Central Depository regarding the registration of the issuance of, trades in and the execution of the payments with compensation instruments.
(2) Newly-registered compensation instruments shall be added to the total volume of the relevant issues registered by the time of registration.
(3) Upon registration of issues of registered compensation vouchers (RCV), the Central Register of Compensation Instruments (CRCI) of the Privatisation and Post-privatisation Control Agency (PPCA) may order the registration of a separate sub-issue for RCV issued by the relevant competent body. In these cases an issue code shall be assigned, generated in the following manner: “PKBXXXXX”. "PKB” is a type of compensation instrument and “XXXXX” is unified identifier of the land commission/municipality office of agriculture and forests issuer of RCV under the Unified Classification of the Territorial Units of the National Statistical Institute.
(4) The deletion of a separate sub-issue and the transfer of compensation instruments to the general issue shall be made by order of the CRCI.

Section II
Transfers of compensation instruments

Article 178. (1) The registration of trades in and payments with CIs shall be proceeded under ACIT and the Ordinance on the activity of the Central Depository regarding the registration of the issuance of, trades in and the execution of the payments with compensation instruments.
(2) The processing and settlement of trades in CIs concluded on a regulated market shall be carried out under the general procedure set out in Part Four of these Rules.
(3) Every single CD member’s client may participate with main RCV issue or/and with various RCV sub-issues.
(4) The sum of RCV for all clients of the main issue and of sub-issues shall be equal to the trade amount. For each client and for each sub-issue a separate instruction shall be submitted. The issues data in the instructions for the buyers shall match the issue data in the instructions of the sellers or the total issue for all RCV shall be indicated.
(5) OTC transfers of CIs shall be carried out in the cases where the CIs are not the subject of sale.
(6) Instructions for transfers shall be submitted under the general procedure for OTC transfers of financial instruments.

Section III
Payments with compensation instruments

Article 179. (1) For registration of payments with CIs for deals under Article 13 and Article 13a of ACIT, the competent body which has accepted the payment shall prepare and submit to the CD a notification form for payment with CIs with enclosed:
1. An instruction form by the holder for payment with compensation instruments;
2. A document for a paid fee to the CD;
3. An original of a depository receipt with which the payer certifies the availability and ownership of the compensation instruments.

(2) The CD shall register the CI payment within three business days of receipt of the complete set of documents.
(3) In case that the payment cannot be registered, the CD shall submit a notification to the CI holder and the competent authority which has accepted the payment within three days of receipt of the correspondence. In case no address details of CI holder are provided, the notification shall be submitted only to the competent authority.

Article 180. (1) For payment with CIs for trade concluded at centralised public auctions (CPAs) and remote public auctions (RPAs), the CD shall receive the following information from the regulated market before conducting the auctions:
1. a list of the companies whose share or participation stakes are subject of the auction;
2. distribution of the shares or participation stakes in lots;
3. the manner of payment (with CIs, in cash or combined). 
(2) For the concluded auction trades, the CD shall receive information from the regulated market under the general procedure.
(3) For trades with cash payments, the amount due for the trade shall be transferred to an account of the PPCA in the BNB. The CD shall settle the transaction by transferring the shares to the buyer’s account after submission of a copy of a payment order.
(4) In case that the issue subject of the trade is not registered in the CD or participation stakes of limited liability companies are being transferred, the transfer of the ownership shall be carried out by the PPCA.
(5) In case of payment with CIs, the CD members shall submit a message with data on the issue and the quantity of CIs with which the payment is executed. For a trade with different types of CIs used as payment, a separate message shall be sent for each type of CI.
(6) On the basis of the received messages, CD shall settle the transactions by transferring the securities to the account of the buyer and deleting the transferred CIs from the PPCA account.
(7) In case that the issue subject of the trade is not registered in the CD or participation stakes of limited liability companies are transferred, the transfer of the ownership shall be effected by the PPCA.

Article 181. (1) In case of a registered payment, the CD shall notify the relevant state authorities within three days of receipt of the complete set of documents.
(2) The CD shall submit data to the PPCA, in a format and with content predetermined by the two parties, about the trade concluded at centralised or remote public auctions after receiving a payment confirmation or after their finalisation.
(3) After receiving correction instructions by the CRCI and under Article 13b of ACIT, the CD shall undertake the relevant actions and shall notify the CRCI about the result.

Article 182. (1) The CD shall issue certificates following the procedure set out in the Ordinance on the implementation of Article 7, paragraph 3 of the Act on the Restitution of Nationalised Real Property in case that the CIs are acquired as a result of compensation and are not subject to encumbrances registered in the register of the CD.
(2) The issuance of a certificate shall be carried out through an RA who shall submit the relevant message to the CD. After receipt of the message and a balance verification, the CD shall issue the certificate and block the CIs with the Ministry of Finance (MF) as beneficiary.

(3) After receipt of a notification from the MF about payment of the cash equivalent, the CD shall close the CI lot. In case of a rejection notification, the CD shall unblock the CI.

Article 183. Corrections to registered data about ownership of CI issues shall be made by the CD on the basis of an order by the CRCI.

Article 184. (1) The CD shall close ex-officio the accounts for the CIs issued under §12, paragraph 4 of the Transitional and Final Provisions of the Act Amending and Supplementing the Act on the Rights of Citizens Holders of Multi-year Housing Deposits (ARCHMHD) but shall maintain the information about the lots and the accounts in the register.
(2) The closing of the accounts is carried out by the transfer of the relevant balance from the account of the beneficial owner to an account of the issuer and the reduction of the total amount of issued CIs of the respective type.
(3) Closing of accounts shall be undertaken after receipt of information from the Regional Governors containing:
1. a request for closing of the account; 2. the names of the beneficial owners whose lots are to be closed;
3. the number of the certificate;
4. the nominal amount;
5. the Regional Administration - issuer;
6. the number of the owner in the CRCI.
(4) In the cases where the closing of accounts list contains more than 10 (ten) lots, along with the hard copy a soft copy (an XLS file) shall be enclosed, with the same content and the following requisites:
1. full names of the beneficial owners;
2. number of the certificate;
3. nominal value;
4. Regional Administration - issuer; 5. number of the lot in the CRCI.
(5) After a verification of the documents, the CD shall execute the request to close the account or shall notify the Regional Governor in writing about any omissions in the documents.
(6) In case of unfulfilled requests for account closing, the CD shall notify the Regional Governor about the reasons why the request cannot be executed.
(7) In case that the CIs are in an account of a CD member, after the closing of the account, the CD shall notify it about the reason for the closing.
(8) When the transactions of the account closing occur, the CD shall notify the Regional Governor and the CRCI.

Chapter Fourteen
Registration of privatisation trades
Article 185. (1) Transfers of financial instruments owned by the Bulgarian State following a sale under the Act on the Privatisation and Post-privatisation Control Act (APPC) shall be carried out at the instruction of the Executive Director of the PPCA.

(2) The transfer instructions shall be submitted on the basis of a concluded trade or transfer of shares under the APPC.

Article 186. (1) The registration of a transfer of securities sold as a result of a privatisation trade under the APPC shall be carried out on the basis of an instruction form submitted officially by the institution which has carried out the sale in accordance with the requirements of APPC for transfer of securities from an account of the State to an account of the person who has acquired the shares.

(2) The CD shall register the transfer within 3 business days and shall issue a depository receipt to the person who has acquired the shares upon provision of the complete set of documents.

(3) The CD shall issue a registration certificate for the transfer to the institution which has sold the shares.

(4) A registration certificate under paragraph 3 may also be provided, upon request, to the company which has issued the financial instruments subject of the transfer.

Article 187. (1) The registration of a transfer of securities under the APPC shall be carried out on the basis of an instruction form submitted ex-officio by the institution which has compensated the shareholders for the transfer of the securities from an account of the State to an account of the transferee.

(2) The instruction shall have attached a certified copy of the agreement for transfer of the securities between the State and the shareholder.

(3) After registration of the transfer, the CD shall issue a certificate to the owner of the securities and a registration certificate for the transfer. The documents under the previous sentence shall be provided to the representative of the company or to an explicitly authorised person.

(4) In case of insufficient data about the compensated persons, the CD may require additional documents and information from the company or institution which has instructed the transfer.

Article 188. The change of the body through which the State exercises its ownership rights over its shares in the capital of trade companies shall be carried out on the basis of a instruction received from the relevant state body accompanied by a document certifying the change.

Part Six
Margin purchases, short sales, lending and exchange of financial instruments, repo transactions

Chapter Fifteen
Margin purchases
**Article 189.** (1) Margin purchases shall be carried out under the terms and procedure of Ordinance No 16 of the FSC on the conditions and procedure for execution of margin purchases, short sales and lending of financial instruments (Ordinance No 16).
(2) Margin purchases transactions shall be processed and finalised in compliance with the operational rules of the CSS.
(3) Cash resources for payment of margin purchases shall be made available in the settlement account of the CD member.
(4) The financial instruments acquired as a result of a margin purchase shall be recorded in the margin account of the client.
(5) Depending on the conditions of the agreement under Article 13, paragraph 1 of Ordinance No 16, the client - beneficiary of the margin purchase shall provide the required collateral. In case that financial instruments registered in the CD are subject of the collateral, they shall be deposited as collateral into the margin account of the client.

**Article 190.** The CD shall provide the following services related to the execution of margin purchases:
1. opening and maintenance of margin accounts;
2. registration of the provided collateral;
3. administration and provision of information about the size of collateral upon request of the relevant CD member;
4. registration of the executed under Ordinance No 16 disposals of financial instruments in margin accounts.

**Chapter Sixteen**

**Short Sales**

**Article 191.** (1) Short sales shall be carried out under the conditions and procedure of Regulation (EU) No 236/2012 of the European Parliament and of the Council of 14 March 2012 on short selling and certain aspects of credit default swaps and in compliance with Ordinance No 16.
(2) Short sale transactions shall be processed and settled in compliance with the operational rules of the CSS.
(3) Financial instruments subject of short sales shall be provided by the seller to a special short sale account under Article 28, paragraph 1, letter “b” of Ordinance No 16 on the day of settlement. The delivery of the financial instruments ensuring the settlement may be carried out through a lending or through a purchase transaction.
(4) Cash funds received as a result of short sales transactions shall be transferred to a special account declared by the member under Article 28, paragraph 1, letter “c” of Ordinance No 16. In case that the cash funds are used as collateral for the transaction, they shall be recorded as collateral in the short sales account.
(5) The CD members shall order transfers of cash funds or financial instruments subject of collateral from and to the short sales or margin purchases accounts in the name of the
respective client depending on the necessity for increase or to decrease the size of collateral in compliance with the current legislation.
(6) Financial instruments with registered encumbrances and/or which are blocked shall not be used as collateral.

Article 192. The CD shall provide the following services related to short sales:
1. opening and maintenance of short sales accounts;
2. registration of the provided collateral;
3. administration and provision of information about the size of collateral at the request of the relevant CD member;
4. registration of concluded short sales transactions.

Chapter Seventeen
Lending and exchange of financial instruments
General provisions

Article 193. (1) The CD shall carry out registration services for operations related to lending of financial instruments instructed by the members within the meaning of Article 4, paragraph 1 of Ordinance No 16.
(2) The instructions to the CD under paragraph 1 shall contain a special indication that the transfer of the financial instruments is for lending purposes. The previous sentence shall also apply for instructions about the return of the borrowed financial instruments.

Direct lending

Article 194. (1) The CD members shall submit instructions for the transfers of borrowed/lent financial instruments on the basis of agreements signed under Ordinance No 16.
(2) Financial instruments, with recorded encumbrances in the CD register, which are blocked in the register of the Central Depository or which are used as collateral for margin transactions and/or short sales cannot be the subject of lending.
(3) The transfer of the borrowed/lent financial instruments shall be carried out following the procedure set out in Part Four of the Rules during the first processing of transfers of financial instruments according to the schedule for the CSS system day.
(4) The return of borrowed financial instruments shall be for the same number and the same issue of financial instruments.
(5) The instructions for return of borrowed financial instruments shall be carried out under the general procedure during the first processing of transfers of financial instruments according to the schedule for the CSS system day. Together with the above mentioned instructions, the relevant CD member shall carry out payment on the collateral as per procedure set out in Chapter Five of Ordinance No 16.
(6) The rights arising from the holding of financial instruments subject of the lending shall be settled on the basis on the signed agreement under Article 46 of Ordinance No 16.

Lending of FI through a centralised pool
Article 195. (1) The CD shall establish and maintain a centralised information system (pool) for intermediation in lending of financial instruments in order to ensure the settlement of short sales, lending and returning of borrowed financial instruments under the provisions of Ordinance No 16.

(2) The CD shall organise and provide equal opportunities for access to the centralised pool to its members – participants in the CSS.

(3) The financial instruments of each CD member or its clients may be included for participation in the pool after the holder declares his/her explicit consent.

(4) The inclusion of financial instruments for participation in the pool shall be carried out on the basis of a request of a CD member and against the provision of the respective collateral under Article 49 of Ordinance No 16. The collateral shall be registered in the relevant accounts in the registration system.

(5) The requests for inclusion of financial instruments in the pool shall be fulfilled by the CD in the order of their entry.

(6) Inclusion of financial instruments in the pool for a predefined term shall be carried out on the basis of their conditional marking. The transfer of ownership shall be registered after the receipt of a financial instruments lending instruction.

(7) In case of lending of financial instruments included in the pool, the borrower shall pay a fee and the lender shall receive remuneration in a predefined amount in accordance with Tariff on the fees collected by the CD.

(8) Financial instruments’ holders included in the pool shall not dispose of them for the defined term of their inclusion.

(9) The financial instruments shall be excluded from the pool after the expiry of the defined term of their inclusion and for the period with which they are subject to lending.

(10) Financial instruments with registered encumbrances shall not be included in the pool.

(11) Financial instruments included in the pool for which the registration of encumbrances is ordered shall be excluded automatically from the pool and their holder shall be notified promptly.

(12) The return of financial instruments subject to lending shall be carried out by means of a separate transfer instruction for the same number of financial instruments of the relevant issue, which shall be processed by the CSS.

Exchange of financial instruments

Article 196. (1) The CD shall execute transfer instructions related to exchange of financial instruments only in the cases where these instruments are recorded in the CD register.

(2) The exchanges shall be requested by both parties and the transfers shall be carried out simultaneously.

(3) In case of incorrect transfer data, the instruction shall not be executed.

Chapter Eighteen
Registration of repo transactions
Article 197. (1) Registration of repo and reverse repo transactions shall be carried out on the basis of messages submitted by the CD members to the CSS, which shall contain the following obligatory requisites:
1. the parties to the repo or reverse repo transaction;
2. the term of the contract;
3. the date of the unconditional and irrevocable commitment for reverse repurchase of the dematerialised financial instruments;
4. the price of fulfillment of the unconditional and irrevocable commitment;
5. the persons exercising the rights attached to the dematerialised financial instruments and the conditions for exercising of the voting rights.
(2) Instructions for registration of repo transactions shall be executed in compliance with the operational rules of the CSS.
(3) The CD shall maintain a register of the repo transactions in which data under paragraph 1, items 1 to 5 shall be entered.
(4) The CD shall administer the register and record the changes in the entered circumstances on the basis of messages submitted to the CSS by its members.
(5) At the request of the members, the CD shall provide information about the circumstances entered in the register related to the exercising of the rights attached to the financial instruments.
(6) The entry in the register of a transfer of financial instruments with a repurchase commitment within the meaning of Article 2, paragraph 3 of Financial Collateral Agreements Act shall be carried out following the procedure set out in Chapter Twenty of the Rules.

Part Seven
Entries of registered pledges and financial collaterals

Chapter Nineteen
Registered pledges

Article 198. The CD shall carry out the activity of entry and servicing of registered pledges of dematerialised securities in compliance with the requirements of the Act on Registered Pledges (ARP) and the Rules of Procedure and Activity of the Central Register of Registered Pledges of the Ministry of Justice (the CRRP Rules).

Article 199. (1) The initial entry of circumstances on an established registered pledge in the CD shall be carried out on the basis of the following documents:
1. an application form for entry of an agreement for a registered pledge signed by the applicant and the pledger under Article 27 of ARP;
2. a declaration of the pledger under Article 264 of the Tax and Social Security Procedure Code (TSSPC) dated no earlier than a month before the entry of the pledge, signed before a CD official or with a notarized certification of the signature;
3. a declaration of the pledger (a CD form) for agreement/authorisation of the pledge creditor for disposal of securities in case of an enforcement of the pledge.
(2) The securities for which a registered pledge is entered shall be available in the client accounts with a CD member. The distribution of the securities by number and account/s shall be indicated in the form under paragraph 1, item 1.

**Article 200.** (1) Entries of changes in registered pledges, cancellation of pledges, enforcement, closing of enforcements and renewals of a pledge entry shall be carried out on the basis of an application form indicating a registration number of the order for initial entry.
(2) The application for entry of changes shall be signed by the pledger and by the pledge creditor. In case that the changes are related to partial deletion of the pledge, the application may only be signed by the pledge creditor.
(3) The deletion of entries shall be carried out on the basis of an application for deletion of the entry signed by the representative of the pledge creditor or a person explicitly authorised by him/her by means of a notarized power of attorney.

**Article 201.** (1) In case of receipt of an order under Article 38, paragraph 2 of Ordinance No 38 for transfer of pledged securities, an application for entry of a change in the circumstances shall be submitted to the CD, signed by the transferee and the pledge creditor, after which the transfer shall be carried out.
(2) (Amendment - Record 6 dated 19 June 2015) In the cases of transfer as a result of registration procedure of legal succession (succession, transformation), the change of the pledger/s shall be recorded automatically in the registered pledges register after finalization of the procedure and payment of the provided in the Tariff fees. In connection with the registration procedure a declaration (sample) shall be enclosed for notification of the pledge creditors in the cases of registered collaterals on the financial instruments.
(3) (New - Record 6 dated 19 June 2015) Data changes in the register of pledges arising from the registration of corporate actions in the system of CD are automatically reflected under the terms of paragraph 2 unless a normative act stipulates otherwise. In the cases of a legal requirement for provision of a consent or other written document by a creditor or executive body, the documents shall be enclosed to the application for registration of the respective changes in accordance with these Rules.

**Article 202.** (1) The entry of an enforcement of a pledge shall be carried out on the basis of an application by the pledge creditor. The enforcement of the pledge shall be carried out by order of the pledge creditor to the CD member servicing the securities account.
(2) The entered blockings in relation to the respective securities shall be removed ex officio after expiry of the term under Article 37, paragraph 1, sentence one of ARP.
(3) The pledge creditor shall have the right to order through an investment intermediary the sale of the pledged securities on his/her behalf and for the account of the pledger after expiry of 2 weeks from the entry of the enforcement of the pledge.
(4) In case that the enforcement is closed, the pledge creditor shall submit an application form.

**Article 203.** (1) In case of of several entered encumbrances to the benefit of different pledge creditors, upon enforcement the rules of Article 37 et. seq. of ARP shall apply in conjunction with Article 18 of the Act on the Private Enforcement Agents, and in case of entered
encumbrances and distraints – Chapter 41 of the Civil Procedure Code (CPC), respectively
Chapter 23 of Tax and Social Security Procedure Code /TSSPC/.
(2) Upon enforcement of entered distraints on dematerialised financial instruments at the
request of an enforcement agent, the CD shall transfer the requested number of dematerialised
financial instruments to the enforcement agent's account, including in case of an award of the
receivable under Article 516 of CPC.

Article 204. (1) The CD shall issue certificates for entered registered pledges and
circumstances thereof on the basis of a written application by the interested party. The
certificates shall contain the information under Article 22 and Article 23 of the CRRP Rules.
(2) The CD shall issue certificates for entries into the registered pledges register which shall
contain:
1. the reference number and date of entry;
2. the holder of the financial instruments, respectively SIC/PIN /pledger/;
3. the pledge number in accordance with its entry into the registered pledges register, where
the respective order of the entries is defined by a new entry on a new line with a new unique
number from the registered pledges register;
4. a comment on the entry;
5. the ISIN of the issue of the pledged financial instruments;
6. the nominal value of each financial instrument of the relevant issue;
7. the number of financial instruments subject of the pledge;
8. the name of the company issuing the financial instruments subject of the pledge;
9. the name of the pledge creditor.
(3) The certificate shall also contain information about entered distraints and financial
collaterals in the relevant order according to the reference number and the date of their entry
into the record system of the CD.

Chapter Twenty
Financial collaterals
General provisions

Article 205. (1) The registration of financial collaterals (FC) for dematerialised financial
instruments shall be carried out in compliance with the requirements of Article 5 and Article 6
of the Act on Financial Collateral Arrangements (AFCA).
(2) The provision of FC shall be registered in the account for dematerialised financial
instruments in case of financial collateral arrangements transferring the right of ownership, or
by entering for the pledge in case of financial collateral arrangements with provision of a
pledge in the relevant account in the CD register.
(3) Orders (communications) to the CD system for registration of financial collaterals and
changes of recorded circumstances shall be sent by both parties to the financial collateral
arrangement through the CD members and shall contain the following requisites:
1. data on the collateral taker and the collateral provider:
   a) for commercial companies – name, seat, address, SIC;
   b) for state bodies and public institutions – name, central address, BULSTAT/SIC.
2. number of the financial instruments constituting the volume of the financial collateral;
3. type of the financial instruments and ISIN issue code;
4. size of the collateralised financial obligation;
5. for a pledge agreement, right of use (if agreed) in the cases of Article 8 of AFCA;
6. data on exercising the rights on the financial instruments;
7. date of conclusion and term of duration of the financial collateral arrangement.

(4) When the financial instruments subject of FCs are from different issues, separate instructions shall be submitted for each issue.

(5) The messages shall be sent by the CD members based on the received information about concluded financial collateral arrangements. The parties to the FC agreement shall be registered as clients in the CD system under the general procedure.

(6) In case of occurrence of any of the following circumstances regarding the transaction determining the financial obligation, such as a transfer of the collateralised receivables, novation, obligation substitution, as well as in case of other changes of the recorded circumstances of the financial collateral, including its withdrawal, the provision of an additional collateral or the exchange of financial collateral, a change in the initially entered circumstances shall be registered following the procedure set out in paragraph 3.

(7) The submission of messages for registration of financial collaterals shall be carried out in compliance with the general procedure for sending of instructions to the CD system. The CD shall execute the entry following the payment of the corresponding fee.

(8) The FC and the changes under paragraph 6 of this provision shall be considered as recorded after the successful processing of the bilateral messages by the CSS. The messages shall be processed in the order of their entry.

(9) The CD shall confirm the registration through a message to the members and shall issue a certificate for entered circumstances upon request.

(10) (New – Record No 9 dated 28 July 2014) In case that the CD members are prevented due to objective circumstances from sending the relevant messages, the financial collaterals shall be registered on the basis of an application signed by the parties to the FC arrangement containing the requisites under Article 205, paragraph 3, items 1-7 of these Rules. The CD shall record the entry following the provisions of this Chapter after payment of the due fee.

Article 206. (1) The CD shall not be responsible for any damages related to the registrations resulting from incomplete, untrue or incorrect information provided by its members or by the parties to an FC arrangement.

(2) The CD shall not be held liable for the correctness of the data received from its members and other bodies and persons, as well as for the legality of their actions related to registration of financial collaterals.

(3) The CD shall not control and shall not be held liable for the fulfilment of the obligations of the parties to an FC arrangement.

Article 207. In case of registration or execution of corporate actions, the CD shall register the respective corporate action or shall carry out the respective payments with regard to the holders of financial instruments recorded in the register at the relevant moment.

Registration of a pledge under AFCA
Article 208. (1) The CD shall enter the pledge in the client account for financial instruments maintained by a CD member indicated in the submitted instruction and shall record the indicated circumstances under the pledge arrangement.
(2) Cancellation of an entered pledge shall be carried out on the basis of a instruction sent by the respective CD member, which shall indicate the reason for the cancellation (expiry of the duration, termination of the arrangement, etc.)

Article 209. (1) In the cases where the pledge arrangement regulates a right of use, the registration message shall contain information about the established right of use.
(2) The right of use shall arise upon entry of the pledge in the relevant account in the register.
(3) The collateral taker shall have the right to order, with a unilateral instruction, the transfer of the financial instruments subject to FC, up to the amount of the entered collateral, into an account indicated by him/her.
(4) With the transfer of financial instruments under paragraph 3, any change of the amount of the collateral on the pledge or deletion of a recorded circumstance shall be registered when the right of use has been exercised in relation to the total amount of the collateral.
(5) In case of transfer of an equivalent collateral under Article 8, paragraph 3, item 1 of AFCA for dematerialised financial instruments, the initially recorded pledge shall be considered as recorded over the equivalent collateral in compliance with Article 8, paragraph 4 of AFCA.
(6) The transfer of an equal collateral shall be carried out with a unilateral instruction on behalf of the collateral taker.
(7) instructions for entry of subsequent pledges with a right of use of the financial instruments subject of collateral under paragraph 1 shall be sent upon receipt of the consent of the initial creditor.

Article 210. (1) In case of a default, the collateral taker shall have the right without judicial participation to realise the financial collateral in compliance with the conditions of the pledge arrangement and the requirements of the current legislation, including in winding-up procedures against the collateral provider.
(2) Upon realisation of the financial collateral, the transfer of financial instruments subject of the pledge shall be carried out on the basis of a instruction by the collateral taker through a CD member for the requested holder/s and account/s.
(3) In case of realisation of the financial collateral, the collateral taker shall send a message to the CSS through a CD member on the basis of which the entry of the circumstances in the CD register shall be deleted.

Registration of transfers of financial instruments for provision of financial collaterals

Article 211. (1) Registration of transfers of financial instruments for provision of financial collaterals shall be carried out on the basis of instructions sent through the CD members to the CSS.
(2) The return of FIs subject of the arrangement to an account of the collateral provider shall be carried out by instructions sent by the CD members to the CSS in case of occurrence of
respective circumstances (fulfilment of the financial obligation, expiry of the arrangement duration).

(3) The cancellation of the record in the CD register shall be carried out on the basis of a instruction from the collateral taker to the CSS through a CD member.

Chapter Twenty One
Distraints on dematerialised financial instruments

Article 212. (1) The CD shall execute orders for imposition of distraints on financial instruments in accordance with CPC, TSSPC and the orders of the competent enforcement agent for the specific collateral.
(2) The CD shall enter the distraints under the following conditions:
1. availability of the financial instruments registered in the CD as owned by the debtor;
2. the moment of settlement finality has not occurred according to these Rules.

Article 213. (1) In case of submission of a distraint order and/or request for elaboration of a statement on the balances of accounts of the debtor, the relevant enforcement agent shall indicate:
1. for natural persons – full name, PIN. In case of absence of such data and upon request, the equivalent names and identification numbers shall be indicated for foreign natural persons;
2. for legal entities: full name according to the registration in the Commercial Register and SIC/BULSTAT. In case of absence of such data and upon request, the equivalent names and identification numbers shall be indicated for foreign legal entities;
3. for the distraint: the exact number of the distrained financial instruments, the account for financial instruments of the debtor, ISIN and name of the issue of the distrained financial instruments. The CD shall not carry out ex-officio and preferential selections of the accounts and the numbers of financial instruments subject to a specific distraint.
(2) In case that the distraint order does not contain the above requisites, the CD shall submit a letter to the enforcement agent within the same business day, with a request for additional information concerning the specific distraint.

Article 214. (1) The CD shall not carry out direct transfers from an account of a debtor under enforcement proceedings to the account of the execution creditor of the same case, including in case of an award of the receivable.
(2) The CD shall transfer the financial instruments subject of the distraint to an account for financial instruments managed by the enforcement agent.

Article 215. (1) Entry of the distraint shall be carried out on the basis of a distraint ordinance submitted by the relevant enforcement agent.
(2) The circumstances on the recorded distraint shall be entered in the registered pledges register according to the requisites of the distraint ordinance.
(3) The financial instruments subject of the distraint shall be blocked by the CD.
(4) In case that the amount of the financial instruments owned by the debtor to the distraint is less than indicated quantity in the distraint ordinance, the total amount of available financial instruments shall be blocked.
Article 216. (1) The CD shall notify the enforcement agent submitting the distraint in writing within three days about the circumstances related to the entry in the register.
(2) In case that the entry of the distraint is not possible, the enforcement agent shall be notified in writing within three day term that the distraint cannot be effected, indicating the specific reasons.

Article 217. (1) A cancellation of distrains shall be carried out on the basis of a written ordinance by the enforcement agent who has imposed the distraint.
(2) The circumstances of the cancellation of the distraint shall be entered in the registered pledges register and the financial instruments subject of the distraint shall be unblocked by the CD.

Article 218. All requests and ordinances of enforcement agents shall be accompanied by a document for a paid fee under the Tariff on the fees collected by the CD.

Article 219. (1) In cases of transformation of a company issuer of financial instruments as a result of a take-over, merger, splitting, spinning-off, a change of the nominal value per share caused by a split of the shares while retaining the total amount of the issue (split), the CD shall enter the already imposed distrains on the new financial instruments based on the provided data and documents according to an application form submitted by the person, requesting registration of the relevant corporate action.
(2) In case of an initial registration – immobilisation and dematerialisation of financial instruments, as well as upon deregistration of financial instruments, the entry of the distraint shall be executed ex-officio under Article 261d, paragraph 2 of the Commercial Act. For this purpose, upon registration the issuer shall submit an application to the CD, and upon deregistration the company issuer of the financial instruments shall submit a declaration form to the CD.

Chapter Twenty Two
Blocking and unblocking of financial instruments

Article 220. Blocking and unblocking of financial instruments at the personal request of the holder shall be carried out on the basis of an application form.

Article 221. (1) The blocking of financial instruments based on a received distraint ordinance shall be carried out under the procedure for entry of distrains on dematerialised financial instruments.
(2) The unblocking of financial instruments blocked in relation to an imposed distraint shall be carried out by order of the relevant enforcement agent who has ordered the distraint under the procedure for entry of distrains on dematerialised financial instruments in the following cases:
1. upon cancellation of the distraint;
2. upon enforcement of a distraint – upon an order of the enforcement agent who has ordered the distraint;
3. upon registration of corporate actions – in the order of entry of the corporate actions in the CD register.

**Article 222.** (1) The blocking of financial instruments related to the settlement of transactions shall be carried out under Part Four of these Rules.
(2) The unblocking of financial instruments shall be carried out with finalisation of the settlement under these Rules.

**Article 223.** (1) A blocking by personal request shall be carried out within 1 business day.
(2) In case of entered encumbrances in the register of the CD, the received applications for blocking by personal request shall not be executed.
(3) The signatures of applications for blocking/unblocking by personal request shall be affixed in front of a CD official. In case of a submission of a request for blocking or unblocking by a natural person by post or by courier, the signature of the orderer shall be notarized. For the legal entities, the applications for blocking and/or unblocking shall be signed by the representative/s and the corporate seal shall be affixed. In cases where the applications for blocking/unblocking by personal request are signed in the CD office, a copy of the identity documents of the persons signing the applications shall be attached.
(4) All documents for blocking/unblocking elaborated and certified abroad shall be translated and certified /legalized/ in compliance with the requirements of the current legislation.

**Part Eight**

**Guarantee Fund for Damages**

**Article 224.** (1) A Guarantee Fund for compensation of damages arising in the course of the CD's activity (Guarantee Fund) shall operate within the CD.
(2) The Fund's resources shall be used for compensation of damages arising in the course of CD activity as a result of its unlawful actions or inactions affecting issuers, holders of financial instruments, CD members and participants in the settlement system.
(3) The Guarantee Fund shall be managed by the BD of the CD.
(4) The BD of the CD shall:
1. organise and be responsible for collection of the Fund's resources;
2. monitor the regular payment of the instalments due to the Fund by the CD members;
3. in case of established deficit of the Fund's resources for execution of its functions, it shall determine the manner in which the deficit will be covered;
4. review and rule on request for payment of compensations from the Fund;
5. organise, control and be responsible for the lawful and targeted spending of the Fund's resources;
6. approve the annual activity report of the Fund;
7. adopt rules for the Fund's organisation and activity;
8. review and resolve on other issues related to the Fund's activity arising from a legislative act.
(5) The annual activity report of the Fund shall be a part of the annual activity report of the CD and shall include information about the accumulated resources, the received requests under Article 227 and the paid compensations.

Article 225. (1) The Fund's resources shall be raised from:
1. affiliation instalments of the CD members;
2. annual instalments of the CD members;
3. deductions from the revenues from the activities of the CD;
4. loans;
5. donations;
6. foreign grants;
7. other sources.
(2) Each CD member shall be obliged to deposit to the Guarantee Fund an affiliation and successive annual cash instalments in the amount defined by these Rules.
(3) The Guarantee Fund shall collect a percentage of the revenues of the CD activity in the amount of minimum 1% determined by resolution of the BD of the CD.
(4) The administrative costs of the Fund shall be a part of the CD budget.
(5) The Fund's resources may be invested by resolution of the Executive Director of the CD in the following assets:
1. financial instruments issued or guaranteed by the State;
2. bank deposits;
3. deposits in the BNB.

Article 226. (1) The affiliation instalment shall be in the amount of BGN 200 (two hundred) and shall be deposited within one month from the resolution of the BD for acceptance of the relevant member.
(2) The annual instalment shall be in the amount of BGN 60 (sixty) and shall be deposited by 31 January of the current year.

Article 227. (1) Compensations for damages shall be paid by the Guarantee Fund in the cases of a proven claim by issuers and holders of financial instruments.
(2) Claims filed by issuers and holders of financial instruments for payment of a compensation for damages by the Guarantee Fund shall be examined by the BD of the CD.
(3) The claims for payment of a compensation shall be submitted in person, through the legal representatives of the person/entity or through a person authorised with an explicit power of attorney with a notarized certification of the signature.
(4) The request shall contain a detailed statement of the circumstances and the evidence on which it is based, as well as the amount of the claimed compensation.
The claim for payment of compensation shall have attached:
1. identification data for the person;
2. a power of attorney when the request is submitted by an authorised person;
3. documents certifying its legal grounds.
(5) The CD shall carry out a verification of the correctness of the received requests for compensation according to the requirements of the previous paragraph. If as a result of the verification incompleteness or irregularities are established in the submitted request, a
message shall be sent to the relevant person with a request to eliminate them or provide additional information, while defining a sufficient term for this.

(6) The claim shall be left out of consideration when:
   1. it has not been submitted by a person who is entitled to compensation;
   2. if within the term defined under paragraph 5, the irregularities of the request have not been remedied.

(7) On the basis of the collected information and written documents, the BD of the CD shall pass a motivated resolution to fully or partially support the request or to dismiss it.

(8) The resolution under paragraph 7 shall be passed within the term of Article 45a, paragraph 2 of Ordinance No 8.

(9) Within three days of date of the BD meeting at which the resolution under paragraph 7 has been passed, it shall be sent to the person who has made the request.

(10) If the request has been supported, the payment of the compensation shall be made within one month of the resolution of the BD.

Article 228. (1) In case of termination of a CD membership under the conditions of Article 20, paragraph 1, item 1 of these Rules, the relevant CD member shall receive the sum corresponding to its share in the Guarantee Fund.

(2) In case that the CD member has liabilities to CD, the amount of the refund under paragraph 1 shall be used to cover these liabilities. When the amount of the liabilities is lower than the amount of the refund under paragraph 1, the CD member shall be refunded with the amount remaining after the liabilities are covered.

(3) For all other cases of termination of membership, except for the provision of paragraph 1, the instalments made to the Guarantee Fund shall not be refunded.

(4) In case of liquidation of the Fund, the CD members shall receive their shares after their liabilities to the CD are covered.

Part Nine
Internal control

Chapter Twenty Three
General provisions

Article 229. (1) Internal control shall be a process carried out by the CD management bodies and by the persons exercising internal control functions.

(2) Internal control shall constitute a set of control systems, which shall ensure:
   1. the fulfilment the objectives and tasks;
   2. the economical and effective use of the resources;
   3. the adequate control of various risks;
   4. the protection of the assets;
   5. the reliability and integrity of the information, and
   6. the legality of the operations, the compliance with the policy, plans, internal rules and procedures.

(3) The organisation of the internal control shall be subject to the requirements for economy, efficiency and reasonable sufficiency of the control.
(4) The elements of the internal control are the systems for:
1. management control;
2. control carried out by the persons exercising internal control functions assigned by resolution of the BD of the CD.
(5) The persons under paragraph 4, item 2 shall carry out internal control functions based on contractual relations with the CD in compliance with the current legislation.
(6) During the exercise of internal control by the persons under paragraph 4, item 2, they shall not carry out any other functions related to the operation of the CD.

Chapter Twenty Four
Management control

Article 230. (1) The BD of the CD shall adopt and periodically review:
1. the organisation structure of the CD;
2. the strategy and plan for the CD operations;
3. the policy and internal rules for risk management and control;
4. rules and procedures for organisation of the internal control.
(2) The adopted by BD of CD rules and procedures for organisation of the internal control shall ensure the separation of the duties in all the cases, where conflicts of interest may occur, and shall not allow the simultaneous execution of functions related to the approval, performance and reporting of the operations.

Chapter Twenty Five
Internal control

Article 231. (1) The internal control shall be an independent assessment function which shall be carried out by persons assigned by the BD of the CD.
(2) The BD of the CD shall adopt rules for exercise of the internal control function.
(3) The internal operational rules shall regulate the powers of the persons exercising internal control functions, the procedure for carrying out verifications and other control measures, their documentation and the reporting of the results.
(4) The rules shall ensure:
1. independence and initiative in the planning and assigning of verifications;
2. unlimited access to the assets and information;
3. direct line of communication with the management bodies;
4. prevention of conflicts of interest in the execution of the tasks;
5. terms for hiring additional experts when carrying out specific control actions.

Article 232. (1) Each verification shall finish with a report, which shall contain conclusions and recommendations for undertaking measures in case of established irregularities and to remedy operational weaknesses.
(2) The information collected during control actions shall serve as justification for the prepared conclusions, assessments and recommendations.
Part Ten
Risk management rules

Chapter Twenty Six
General provisions

Article 233. (1) The CD shall apply rules and measures for risk control which shall include:
1. defining the potential financial, operational and technical risks for the operated systems, as well as the internal and external sources of risk;
2. measures for risk management and risk assessment;
3. monitoring and periodic compliance assessment of the internal rules for risk management in accordance with the market conditions and good practices;
4. order and procedures for risk assessment and for allowing exceptions in emergencies;
5. type, structure and reporting frequency of the risks.
(2) The CD shall maintain an information system which shall meet requirements for network and information security in order to ensure protection against illegal or accidental access, modification or destruction, to the extent that such events or action may impair the accessibility, authenticity, integrity and confidentiality of the stored data.
(3) The CD shall maintain an electronic record system which shall provide quick information access based on the authorisation of the officials.

Article 234. (1) The risk management rules shall regulate:
1. the identification of potential risks which could cause potential losses and disruption of the operational processes of the systems managed by the CD;
2. the means of control and management of the identified risks;
3. the allocation of the responsibilities related to risk management.
(2) The risk management policy of the CD shall include:
1. the procedures for identification of the risks related to the activities carried out by the CD and the systems operated by the CD and for establishing levels of tolerable risk, where such levels can be identified;
2. procedures and measures for risk management related to the CD activities and systems;
3. mechanisms to monitor the adequacy and effectiveness of the policy and procedures under item 1 and the compliance with the procedures and measures under item 2;
4. mechanisms to monitor the adequacy and effectiveness of the measures taken to address any deficiencies and non-conformities in the policy and procedures under item 1 and the procedures and measures under item 2, including failure to comply with them.
(3) Risk management in the CD shall be carried out in compliance with the rules of the implemented quality management systems under ISO 9001:2008 and information security systems under ISO 27001:2005.

Article 235. (1) The persons involved in risk management shall be:
1. The Board of Directors;
2. The Executive Director;
3. the directors of directorates;
4. the CD employees.

(2) The Board of Directors shall have the following risk management responsibilities:
1. passing resolutions and issuing orders related to risk management;
2. at least once a year, reviewing and assessing the achieved risk management results.

(3) The Executive Director shall have the following risk management responsibilities:
1. approving the mitigation measures proposed by the directors of directorates on the basis of the results of the assessment of the various types of risks;
2. approving resolutions for personnel, logistical and methodical resourcing of the risk management activities;
3. at least once every 3 (three) months, presenting to the BD a report on the status of the risk management systems;
4. making operational decisions regarding risk management.

(4) The directors of directorates shall have the following risk management responsibilities:
1. approving and/or presenting for approval to the Executive Director their solutions for personnel, logistical and methodological resourcing of the risk management activities;
2. effectively monitoring unacceptable risks, the changes in the risk levels and the risk management processes;
3. implementing the processes of risk assessment;
4. coordinating their actions with the Executive Director while taking specific measures to mitigate the risks, introduce control mechanisms and establish internal control standards.

(5) The CD employees shall be obliged to review and to comply with the procedures described in these risk management rules.

Chapter Twenty Seven
Types of risks and management procedures

Article 236. (1) The CD shall identify the following types of risks related to the activities, procedures and systems:
1. Internal – related to the operational organisation of the CD, consisting of:
   a) process risks;
   b) system risks;
   c) personal risks.
2. External – related to macroeconomic, political and other factors, which affect and/or may affect the CD activities, consisting of:
   a) ambient risk;
   b) physical interference risk.
(2) The risk assessment shall be reported by the directors of directorates on the basis of the results from the procedure of risk identification, assessment and control.
(3) On the basis of the reported results under the procedure, CD shall establish a tolerable level of risk for the organization and shall ensure carrying out of the activity to be in the limits of the tolerable level set.

Article 237. The process risks shall be:
1. Risks related to the implementation of the core functions and activities of the CD, which may be:
a) disruption the continuity of operation of the settlement system and the other information systems of the CD;
b) intentional damages directly correlated to the provision of untrue, incorrect or incomplete data and to disclosure of information, public statements, etc.;
c) misuse of confidential information provided by members, issuers and clients (unauthorised access to confidential information) and breach of commercial secrecy;
d) abuse of confidential information;
e) conflicts of interest;
f) errors in the collection, entry and accounting of data;
g) errors in the provision of information to CD clients.
2. The procedures and measures for process risk management shall include:
a) maintenance and updating of the CD information systems;
b) setting up and management of a Settlement Guarantee Fund;
c) elaboration, adoption and implementation of a communication strategy;
d) coordination of the public statements of BD members and CD employees with the Executive Director and where necessary – with the BD;
e) maintenance of systems and procedures, ensuring the reliable and confidential storage of the information related to the systems managed by the CD;
f) elaboration and implementation of internal rules for operation with the information of the CD, introduction of privileges and levels of access to the information;
g) provisions of comprehensive and up-to-date information about the offered services on the website of the CD.

Article 238. (1) System risks shall include:
1. complete or partial unreliability and data gaps;
2. subsequent manifestation of problems pertaining to data reliability and integrity;
3. lack of precision of the processing methods;
4. errors in software products;
5. weaknesses in the technologies used;
6. crash in information and communication systems.
(2) The procedures and measures for system risk management shall include:
1. back up of the CD information system and maintenance of the back-up systems;
2. procedure for recovery of the serviceability of the information system;
3. organisation and management of user access to the information system which precludes accidental or intentional breaches of the integrity of systems used by the CD;
4. defining various classes of information stored in the CD;
5. defining levels of access for the CD employees depending on their roles and their functions;
6. regular auditing of the information systems.
(3) The CD shall elaborate and have available an emergency action plan which shall ensure continuance and maintenance of a sufficiently long period of normal operation in compliance with the legal provisions for the activity.
**Article 239.** (1) Personnel risks shall include:
1. resignation of key employees;
2. misconduct of CD employees;
3. insufficient qualification and lack of preparation of the persons contracted by the CD;
4. unfavourable amendments in the labour legislation;
5. unsecured workplace safety;
6. insufficient or inadequate motivation of the employees;
7. frequent replacement of the employees, leading to a failure to adequately perform the functions.

(2) The procedures and measures for personnel risk management shall include:
1. Clear definition of the internal rules about the rights and duties of the employees, as well as drawing up of individual job descriptions and introducing them to the personnel;
2. Clearly defined levels for access to the information systems and databases of the CD;
3. Regular training of the personnel on subjects related to the financial theories and practices, risk management, legislation, related to the CD activity, IT and security, etc.;
4. Regular meetings of the directors of directorates for sharing of experience, impressions and recommendations regarding the sources of risk and identifying solutions for their management and mitigation;
5. interviews among the directors of directorates and their employees and personnel appraisals;
6. delivery of initial and periodic instructions related to workplace safety;
7. development and application of rules for workplace health and safety;
8. elaboration and implementation of internal rules regarding the salaries.

**Article 240.** (1) The ambient risks:
1. unfavourable changes in the legislation;
2. political changes;

(2) The procedures and measures for ambient risk management shall include as a minimum:
1. maintaining of an up-to-date database with the legislative framework pertaining to the CD activity;
2. Organising measures to monitor the compliance of the implemented policies with the requirements of the legislation;
3. Identification of the clients and counterparties in compliance with the requirements of the Act on the Measures against Money Laundering and the Act on the Measures against Terrorism Financing, as well as the legal acts on their implementation, upon commitment to long-term contractual relations;
4. participating actively in public discussions related to planned amendments in the legislation concerning the CD activity and the capital market;
5. Monitoring the effectiveness and quality of performance of the persons assigned by the CD to performs important functions as a result of signed agreements and where necessary and possible – taking measures to remedy established irregularities.

**Article 241.** (1) The ambient risks shall also include the risks of physical interference such as:
1. natural disasters;
2. fire;
3. external frauds and thefts;
4. acts of terrorism;
5. unauthorised interference in the security systems.

(2) The procedures and measures for management of physical interference risk shall include:
1. ensuring an appropriate manner for monitoring and control of the premises where the technological equipment and the CD archives are located;
2. maintaining a constantly serviceable disaster centre guaranteed continuity of the processes, and in the cases where this is impossible – the prompt resumption of the processes;
3. regular preventive maintenance of the operational surveillance and control systems;
4. elaboration of an instruction for the access control to the CD building;
5. elaboration of a procedure for evacuation of the employees in cases of immediate physical interference with the CD operation;
6. incident reporting procedure.

Chapter Twenty Eight
Risk identification, assessment and control

Article 242. The procedure for risk identification, assessment and control shall comprise the following stages:
1. Stage of identification of risks, self-assessment of the risk and control;
2. Stage of assessment of the frequency of occurrence and the impact level of the risks, as well as changes in the risk levels including the following activities:
   a) reporting of risk quantifiers;
   b) reporting of occurred incidents.
3. Stage of risk monitoring, including monitoring of the change in risks and the risk levels and the risk management processes;
4. Stage of risk mitigation including the following activities:
   a) monitoring of the identified risks during inspections and audits;
   b) establishing of control standards;
   c) insurance against risks.

Article 243. (1) Identification of the risk shall be initiated by an internal study for each unit, which constitutes a fact-finding activity.
(2) In relation to the identification of the risks, the directors of each directorate shall inform in an appropriate way the Executive Director about the number of the detected incidents, as well as about the extent of damages sustained.

Article 244. (1) The purpose of the process of risk self-assessment and control shall be:
1. to improve the timely detection of unidentified risks;
2. to improve the assessment of the acceptable risk levels of identified risks;
3. to further develop and improve alternative mechanisms for control of unacceptable risks;
4. to facilitate the application of timely and adequate actions for risk mitigation;
5. to engage the CD units in the process of identification and assessment of the risk, achieving a higher level of risk management responsibility of the CD employees.
(2) The results of the processes of risk self-assessment and control shall be used to determine the value of the risk quantifiers for the individual business functions.

**Article 245.** (1) The value of the risk quantifiers shall provide information about the risk level, whether the specific risks are within the predefined limits and whether actions need to be undertaken for their mitigation down to a level acceptable for the company.

(2) The value of the risk quantifiers shall be defined on the basis of the results from the process of risk self-assessment and control.

(3) The directors of directorates shall identify the risk quantifiers related to their activity.

(4) After assessment of the value of the risk quantifiers, the Executive Director shall define realistic levels of risk tolerance.

(5) The directors of directorates shall immediately notify the Executive Director upon the occurrence or identification of new risk quantifiers or quantifiers exceeding the previously set limit values.

**Article 246.** (1) The actions to be undertaken at the stage of risk assessment shall depend on the results achieved at the identification stage. The assessment shall be determined by the relevant directorate identifying the risk.

(2) The identified risks shall be analysed from the point of view of the following characteristics:

1. frequency of occurrence;
2. impact level.

(3) According to the assessment, the risks shall be categorised as acceptable and unacceptable according to the defined tolerable risk level in CD.

**Article 247.** (1) On the basis of the results of the risk assessment, potential measures shall be defined for risk mitigation. The residual risks after implementation of the risk mitigation measures shall also have to be assessed.

(2) Risk mitigation shall be needed in the cases where the identified levels of risk exceed those accepted as tolerable. Mitigation may be carried out in the following ways:

1. avoiding the relevant risk by termination of the activity which generates it or replacing such an activity with an alternative one;
2. reducing the possibility of occurrence of the relevant risk through implementation of control processes, improvement of the supervision over the activity, training;
3. mitigation of the effects of the relevant risk by means of insurance;
4. transfer of the relevant risk to third parties which are essentially exposed to the same type of risk;
5. preliminary identification and acceptance of a part of the effect of the relevant risk as inherent for the resolution of the management bodies on proceeding with the relevant activity.

(3) The risk mitigation measures shall be approved by the Executive Director.

**Article 248.** (1) The risk monitoring process shall include undertaking of concrete actions on risk mitigation in accordance with the approved measures. Such actions shall be the responsibility of the directors of directorates.
(2) The directors of directorates shall support the implementation of control mechanisms and establishment of internal control standards.
(3) The directors of directorates shall report to the Executive Director.

**Article 249.** (1) The CD shall maintain an effective mechanism for reporting of occurring incidents aiming:
1. to assist for the establishment of an information base of losses caused by operational incidents;
2. to assist for improvement of the process on risk management and the possibilities for risk mitigation by improvement of the information on the actual cost of the operational risk;
3. to periodically measure the value of the incidents occurring as a result of operational risks, ensuring a better opportunity of the management body to reduce the costs;
4. to improve the opportunity for response in case of major operational incidents;
5. to bring into compliance the requirements of the legislation at the level of the functional units;
6. to create a fully synchronised procedure for collection of data and reporting, as well as for avoidance of the duplication of data and data omissions.
(2) The risk management policy shall require immediate reporting of incidents, which are substantial, of threatening nature, are connected to the reputation of the company or are unlawful.

**Additional provisions**

§ 1. Within the meaning of these Rules:
1. "Settlement” shall mean the fulfilment of the obligations related to a transaction in financial instruments for their registration in an account for financial instruments of the transferee in the CD and for their payment.
2. "Settlement cycle” shall mean the period from the conclusion of a transaction to the transfer of the financial instruments.
3. "Settlement account” shall mean an account where cash and/or financial instruments are held and which is used for settlement of transactions between participants in the settlement system.
4. "Non-settlement account” shall mean a cash account through which payments are made between participants in the settlement system and their clients.
5. "Settlement session” shall mean the processing of instructions in the settlement system of the CD for delivery versus payment (DVP) transactions which is related to the submission of orders to the BNB and the receipt of confirmations for the effected interbank payments, as well as for preparation of instructions to commercial banks for accounting of the transfers to the cash settlement accounts of the CD members.
6. "Financial instruments” shall mean instruments within the meaning of Article 3 of the Act on the Markets in Financial Instruments.
7. "Transfer instructions” in the system shall mean each instructions by a participant in the settlement system for transfer of rights of ownership or other rights related to one or more financial instruments by means of entries in the relevant registers. 8. "Matching” shall mean
the process used for comparing the trade or settlement details provided by parties in order to ensure that they agree on the terms of the transaction
9. "Unilateral instructions" shall mean a message which is processed independently in the CSS (without an opposite message for matching).
10. "Bilateral instructions" shall mean a set of messages which are processed together in the CSS after an established matching of their requisites. 11. "Netting" shall mean the transformation into one net receivable or one net obligation of all receivables and obligations arising from transfer orders which a participant or participants submit to or receive from one or more other participants, so that only one net receivable may be claimed or one net obligation to be due. 12. “Repeated violation” shall mean the commitment of more than 3 violations of the Rules by a CD member in the course of one year.
13. "Payment /cash leg" shall mean the part of the settlement procedures which ensures the cash payment in transactions in financial instruments. In transactions at centralised and remote public auctions, the payment/cash leg may refer to compensation instruments which shall constitute the payment instruments in these transactions.
14. "Transfer to the CSS" shall mean any transfer of financial instruments recorded by means of an entry of a transaction from one account into another.
15. "Transferor" shall mean an end investor transferring financial instruments from its accounts for financial instruments.
16. "Transferee" shall mean end investor acquiring financial instruments into its accounts for financial instruments.
17. "Blocking” shall mean the service of restricting the right of disposal of financial instruments. 18. "Unblocking” shall mean the service of removal of the restriction on the right of disposal of financial instruments.
19. “Clearing” shall mean procedures of the comparison of the details of a transaction between parties prior to settlement; final exchange of securities for cash on delivery.
20. "Corporate action” an action or event decided by the issuer of a security which has an impact on the holders of that security. This may be optional, in which case those holders have a choice (for example, they may have the right to purchase more shares, subject to conditions specified by the issuer). Alternatively, it may be mandatory, whereby those holders have no choice (e.g. in the case of a dividend payment or stock split). Corporate actions can relate to cash payments (e.g. dividends or bonuses) or the registration of rights (subscription rights, partial rights, splits, mergers, etc.).
§ 2. The terms used in these Rules which are not defined shall be interpreted within the meaning with which they are used in APOS, APFI, APSPS and their implementing acts or in other current legislative acts and commercial practices.

Transitional and final provisions

§ 3. The Rules shall be adopted pursuant to Article 129, paragraph 4, item 1 of the Act on the Public Offering of Securities.
§ 4. These Rules shall repeal the Rules of Procedure of the Central Depository adopted by resolution of the BD of the CD (Record No 143 dated 15 December 2006) with all subsequent amendments and supplements.
§ 5. The current CD members as of the enforcement of these Rules shall have the status of direct members within the meaning of the Rules.

§ 6. The depository notes issued by the CD shall have the effect of certification documents for held financial instruments.

§ 7. The CD shall draw up the agreement for the settlement system managed by it and shall establish a Settlement Guarantee Fund within the term of § 59 of the Transitional and Final Provisions of the Ordinance on the amendment and supplement of Ordinance No 8 dated 2003 on the Central Depository of Securities.

§ 8. The resources accumulated in the Guarantee Fund under Article 24 of Part VI of the Rules of Procedure of Bulgarian Stock Exchange – Sofia AD may be used as an initial source of funds for the Settlement Guarantee Fund under Article 45c of Ordinance No 8, after their transfer following the statutory procedure.

§ 9. The CD shall create and operate the electronic system for provision of information under Article 109, paragraph 6 within 6 months of the enforcement of these Rules.

§ 10. (1) The BD of the CD shall determine by resolution a term for enforcement of the Rules after finalisation of the legal procedures for issuance of the necessary administrative acts for its approval.

(2) When determining the term under paragraph 1, the BD of the CD shall take into account the level of preparedness of the CD members to interconnect with the settlement system and to bring their organisations into compliance with the requirements set out in the Rules. (3) The resolution under paragraph 1 shall be published on the website of the CD.

These Rules were adopted by the Board of Directors of Central Depository AD by resolution under Records No 3 dated 19 March 2013 and No 5 dated 3 June 2013, amended and supplemented by resolution under Record No 9 dated 28 July 2014.

The Rules of Procedure of the CD shall enter into force on 1 January 2014 (resolution of the BD of the CD under Record No 13 dated 7 November 2013).