

# **BULGARIAN STOCK EXCHANGE AD**



BULGARIAN  
STOCK EXCHANGE

## **PART II RULES FOR THE ACTIVITIES OF THE BEAM SME GROWTH MARKET (BEAM MARKET) ADVISORS**

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## **Chapter One General Provisions**

**Article 1.** These Rules for the Activities of the BEAM SME Growth Market (BEAM Market) Advisors represent an integral part of the Rules of the BEAM Market and govern the following:

1. the requirements to persons for the registration as Advisors;
2. the requirements for the registration and termination of Advisors;
3. the requirements to Advisor activities;
4. the procedures for the keeping of the Advisor Register;
5. other matters, related to Advisor activities and concerning the normal functioning of the BEAM Market.

## **Chapter Two Requirements to Persons for Registration as a BEAM Market Advisor**

**Article 2. (1)** A person applying for registration as a BEAM Market Advisor must meet the following terms and conditions:

1. they must have a registration as a commercial company, and their business activities must specify at least one of the activities below:
  - a) providing one or more investment services and/or activities under Article 6 (2) of the MFIA, and holding the necessary licences for them;
  - b) providing one or more services under Article 6 (3) of the MFIA;
  - c) conducting business consultations;
  - d) conducting consultations on merger, acquisition and/or restructuring transactions;
  - e) providing audit and/or tax services;
  - f) providing financial and/or legal analysis services;
  - g) conducting independent assessments of commercial enterprises, receivables, financial assets and/or real estate.
2. they must have conducted at least one of the activities under item 1 for a period of at least 2 (two) years, or for a shorter period, if the Exchange deems that the applicant's employees have sufficient knowledge and experience in order to effectively fulfil the obligations of a BEAM Market Advisor;
3. they must have an effective employment or civil contract with at least one person, having a minimum of 3 (three) years of professional experience, at a suitable position corresponding to the specifics of the activities carried out under item 1, where they have acquired the necessary knowledge and experience regarding financial market operations;
4. they must have established mechanisms, measures and procedures for the identification and prevention of conflicts of interest that may arise in conjunction with the provision of services to issuers pursuant to Article 10 of these Rules.

**(2)** In order to determine whether the terms and conditions for the registration as a BEAM Market Advisor have been fulfilled, the Exchange shall take the following into account:

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1. the financial position of the applicant;
  2. whether the persons under item 3 of Paragraph 1, as well as the members of the management and control bodies of the applicant, have a good reputation pursuant to the requirements of these Rules;
  3. any other circumstances that the Exchange considers to be of material importance with regard to the provision of services by the BEAM Market Advisor.

**(3)** The Exchange shall conclude that the persons under item 2 of Paragraph 2 do not have a good reputation if:

1. they have been convicted of an intentional crime prosecuted by the state;
2. they have been members of a managing or control body, or unlimited liability partners in a company that was terminated due to insolvency, if there were any unsatisfied creditors left;
3. they have been deprived of the right to occupy a position of material liability;
4. they have been declared bankrupt or are undergoing bankruptcy proceedings;
5. they have been imposed, either personally, or to a legal entity represented by them, via effective punitive decrees, any administrative penalties during the past five years for any gross or systematic violation of the Markets in Financial Instruments Act, the Public Offering of Securities Act, the Special Purpose Investment Companies Act, the Collective Investment Schemes and Other Undertakings for Collective Investments Act, the Market Abuse of Financial Instruments Act (repealed), the Implementation of Measures against Market Abuse of Financial Instruments Act, Regulation (EU) No 596/2014, Regulation (EU) No 575/2013, Regulation (EU) No 600/2014 or their implementing acts, or the respective legislation of another country;
6. they have been imposed, via effective punitive decrees, any administrative penalties during the past five years for any gross or systematic violation of the Measures Against Money Laundering Act;
7. they have been discharged from a managing or control body of a company under the Markets in Financial Instruments Act, the Public Offering of Securities Act, the Collective Investment Schemes and Other Undertakings for Collective Investments Act, the Credit Institutions Act, the Insurance Code, the Social Security Code, or the Special Purpose Investment Companies Act, or the respective legislation of another country, based on an effective enforcement administrative measure, except in cases where the act of the regulatory authority has been properly repealed;
8. they have been imposed, via effective punitive decrees, any administrative penalties during the past five years for any gross or systematic violation related to tax or social security obligations;
9. there are other substantial grounds giving rise to reasonable doubts regarding the person's reputation;

**(4)** The persons under item 3 of Paragraph 1 may not have an employment and/or a civil contract with more than one BEAM Market Advisor.

**(5)** A law firm that is registered under the Attorney Act and that respectively meets the requirements under items 2-4 of Article 2, Paragraph (1) may be registered as a BEAM Market Advisor.

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### **Chapter Three**

#### **Procedure for Registration as a BEAM Market Advisor**

**Article 3.** In order to take a decision regarding the registration as a BEAM Market Advisor, the Exchange shall be guided by the principles of ensuring transparency, reputation, reliability and integrity of the BEAM Market.

**Article 4. (1)** Applicants for Advisors shall submit a standard application form, signed by a person with representative powers.

**(2)** The application under Paragraph 1 shall contain at least the following:

1. a detailed description of the activities carried out by the applicant;
2. a professional CV of the persons under item 3 of Article 2 (1);
3. information regarding the activities planned by the applicant aimed at attracting new issuers to the BEAM Market;
4. information regarding the organisational structure of the applicant;
5. data regarding the managing and control body of the applicant;
6. data regarding the persons holding at least 10 (ten) percent of the applicant's capital;

**(3)** The application under Paragraph 1 shall be accompanied by at least the following:

1. an up-to-date copy of the applicant's Articles of incorporation, dependent on the legal and organisational form of the applicant;
  2. if the applicant is a law firm - a copy of the decision registering the law firm in the respective register;
  3. if the applicant is a foreign entity – an official document certifying the status of the legal entity and the persons representing it;
  4. the financial statement of the applicant for the last financial year;
  5. a criminal record certificate or an equivalent document for the persons under item 3 of Article 2 (1), as well as the members of the management and control body of the applicant;
  6. a declaration regarding the existence of the circumstances under items 2-9 of Article 2 (3) for the members of the management and control body of the applicant and for the persons under item 3 of Article 2 (1), irrespective of whether they have conducted these activities for the applicant or for any other entity;
  7. a description of the mechanisms, measures and procedures for the identification and prevention of conflicts of interest that may arise in conjunction with the provision of services to issuers pursuant to Article 10 of these Rules;
  8. a document substantiating the payment of the application processing fee due, in accordance with the Tariff of Fees for the BEAM Market.
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**(4)** The applicant shall append a declaration that:

1. they will comply with the Rules of the BEAM Market;
2. they will immediately notify the Exchange of any substantial changes to the information submitted in the application under Paragraph 1;
3. they will immediately notify the Exchange of all major events or circumstances that do have or may have a substantial impact on the fulfilment of their obligations as a BEAM Market Advisor;
4. they will present to the Exchange the necessary reports on the fulfilment of the issuer's obligations;

**(5)** the Exchange may require from the applicant to present additional information and documents in order to clarify the circumstances under Article 2.

**Article 5.** In the event that the applicant for a BEAM Market Advisor is a member of the Exchange, the application under Article 4 (1) shall contain only the information under item 2-3 of Article 4 (2 and items 5-8 of Article 4 (3).

**Article 6. (1)** The Management Committee with the Exchange, based on the application and the documents appended thereto, shall determine whether the requirements of these Rules and the applicable law have been met.

**(2)** In the event that the data or documents submitted are incomplete or non-compliant, or if any additional information or proof of data accuracy is required, the Exchange shall notify the applicant of such deficiencies and non-conformities or of the additional information and documents required.

**(3)** The Management Committee shall render its decision on the application within 20 (twenty) business days from its receipt or, if any additional information or documents were required, from their submission.

**(4)** The Management Committee shall accept the respective applicant as a BEAM Market Advisor if the information and documents submitted by them meet the requirements of these Rules and of the applicable law.

**(5)** In the event that the Management Committee refuses to register a BEAM Market Advisor, the refusal shall be substantiated in writing. The fee paid for the processing of the application shall be non-refundable.

**(6)** The refusal of the Management Committee to register the applicant as a BEAM Market Advisor shall be subject to appeal before the Board within 14 (fourteen) days since the notification. The Board shall render a decision on the appeal within 20 (twenty) days since the receipt of the appeal, and the decision shall be final.

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(7) In the event that an applicant received a rejection to their application for a BEAM Market Advisor, the applicant may file another application no sooner than 3 (three) months after the announcement of the Exchange's rejection decision.

(8) The Exchange shall publish on the BEAM Market website information on the decision taken, and shall notify the applicant within 3 (three) business days from the date of the decision.

(9) The applicant shall be registered as a BEAM Market Advisor from the moment that the contract between the Advisor and the Exchange becomes effective, and the contract shall specify the starting date. The approved Advisor shall sign a contract with the Exchange within 5 (five) days from the receipt of the notification regarding the decision under Paragraph 4.

#### **Chapter Four Requirements to Advisor Activities**

**Article 7. (1)** Before submitting an application for admission to the BEAM Market, a contract shall be signed between the Advisor and the issuer submitting the application, for no less than 2 (two) years, unless otherwise provided in these Rules. The contract shall contain at least the following information:

1. the obligations of the Advisor and the issuer, defined in adherence to the Rules of the BEAM Market;
2. the term for which the contract is signed, and the conditions for its termination.

(2) The signing of a contract between an Advisor and an issuer of financial instruments shall not be allowed, if they are part of the same economic group.

(3) The Advisor shall submit to the Exchange a copy of the contract, without the commercial terms and conditions, within 5 (five) business days from its conclusion.

(4) The Advisor shall immediately notify the Exchange of any amendment in the contract with the issuer of financial instruments, including of any termination, elapse and renewal of a contract. The Exchange shall have the right to demand any additional information from the Advisor and the issuer, related to amendments of the contract.

(5) In the event of a replacement of the Advisor on an issue of financial instruments, within 5 (five) business days from the signing of the contract, the new Advisor shall certify before the Exchange that they have fulfilled their obligations under Article 8 (2).

**Article 8. (1)** The Advisor shall have the following obligations:

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1. when an application has been submitted for the admission of an emission of financial instruments to the BEAM Market, to conduct an assessment whether the issuer meets the requirements for the admission of financial instruments to this market, as well as whether all other requirements envisaged in the Rules of the BEAM Market have been met;
  2. to monitor continuously whether the issuer strictly fulfils their obligations, as provided in the Rules of the BEAM Market and the applicable law;
  3. to consult the issuer regarding their obligations, as provided in the Rules of the BEAM Market and the applicable law;
  4. to submit to the Exchange, by January 31 of each year and until the elapse of the contract with the issuer, an annual report based on the template defined by the Exchange on the fulfilment of the issuer's obligations for disclosure of information during the previous calendar year, as envisaged in the Rules of the BEAM Market and the applicable law. In the event of a termination of the contract with the issuer, the report under the first sentence shall be submitted no later than 1 (one) month after the termination;
  5. to present to the Exchange, along with the report under item 4, a declaration that the issuer continues to fulfil all the necessary requirements specified in the Rules of the BEAM Market;
  6. to notify the Exchange in the event that the issuer no longer meets any of the requirements for admission to trading on the BEAM Market, as well as of any violations of the Rules of the BEAM Market committed by the issuer;
  7. to notify the Exchange upon the elapse of the period under Article 7 (1) in conjunction with the issuer with whom they are in a contractual relationship;
  8. to notify the Exchange in the event of the termination of the contractual relationship with the issuer;
  9. to safeguard the documents related to the services provided to the issuer for 5 (five) years from the date of the contract termination.

**(2)** In order to facilitate the fulfilment of the issuer's obligations set out in the Rules of the BEAM Market and in the applicable law, the Advisor shall be obliged to become acquainted in an appropriate manner with their activities, as well as with their property and financial position;

**(3)** The Advisor shall be obliged to provide consultations to the issuer with regard to the establishment and implementation of suitable mechanisms, measures and procedures ensuring the fulfilment of the issuer's obligations set out in the Rules of the BEAM Market and in the applicable law.

**(4)** The Advisor shall be obliged to provide all the necessary information and documents, so that the Exchange is able to discern whether the Advisor and/or the issuer consulted by them meet the requirements set out in the Rules of the BEAM Market and in the applicable law.

**Article 9.** When submitting an application for the admission of an issue to the BEAM Market, the

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Advisor shall have the following obligations:

1. to consider whether the admission document provides sufficient information to investors in order to make an informed assessment of the financial position and prospects of the issuer, as well as of the rights conferred by their securities pursuant to Article 78 of Delegated Regulation (EU) 2017/565;
2. to consider whether in the admission document the issuer has confirmed that their working capital is sufficient to meet their present requirements and if this is not the case – how they intend to provide the necessary additional capital pursuant to Article 78 of Delegated Regulation (EU) 2017/565;
3. to consider whether the admission document was drawn up in accordance with the requirements under the Rules of the BEAM Market and the applicable law, as well as whether the information contained therein is presented in an understandable and consistent manner;
  - a) to declare that they have become familiar with the admission document;
  - b) the admission document was drawn up in accordance with the requirements envisaged in the Rules of the BEAM Market and in the applicable law;
  - c) as far as they are aware and based on the documents and information received from the issuer, the information contained in the admission document is understandable, correct, clear and not misleading;
  - d) the admission document contains a detailed description of the risk factors related to the issuer's activities;
  - e) the issuer meets all requirements for admission to trading on the BEAM Market;

**Article 10. (1)** In the course of their activities, the Advisor shall take into account the potential conflicts of interest with the issuer of financial instruments, including with regard to the members of their management and control body and the persons under item 3 of Article 2 (1).

**(2)** The Advisor shall implement suitable mechanisms, measures and procedures for the identification and prevention of conflicts of interest that may arise in conjunction with the provision of services to issuers of financial instruments, as well as for the notification of the issuer of any existing conflicts of interest in order to prevent their negative impact.

## **Chapter Five**

### **Termination of a BEAM Market Advisor**

**Article 11. (1)** A BEAM Market Advisor may be terminated by a decision of the Management Committee in the following cases:

1. if the Advisor ceases to meet the requirements under Chapter Two of these Rules;
  2. in case of providing false information or withholding facts in connection with a submitted application for the registration as an Advisor;
  3. upon the submission of a 2 (two)-month prior written notice by the Advisor for the termination of
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the contract with the Exchange;

4. in the cases of implementation of the sanctions under item 4 of Article 12 (1);
5. when the Advisor could threaten the reputation of the BEAM Market with their actions;
6. upon the launching of bankruptcy or liquidation proceedings for the Advisor;
7. upon a transformation that would result in the Advisor's inability to fulfil their obligations under these Rules;
8. upon deletion from the Commercial Register;
9. in the event of a failure to pay any fees due, in the amount and within the time limit provided for in the Tariff of the Fees for the BEAM Market.

(2) The Advisor shall be obliged to immediately notify the Exchange in writing upon the occurrence of any changes to the circumstances under items 6-8 of Paragraph 1.

(3) In the cases under item 3 of Paragraph 1, the Management Committee shall set the date for the final termination.

(4) Until the date of the Management Committee's decision on the termination of a BEAM Market Advisor, all applicable fees specified and charged under the Tariff of the Fees for the BEAM Market shall remain due.

(5) The Exchange shall publish information regarding the Management Committee's decision on the BEAM Market's website, and shall notify the Advisor within 3 (three) business days from the date of the decision.

(6) In the event of a termination of a BEAM Market Advisor by a decision under items 1, 2, 4, 5 and 9 of Paragraph 1, the Advisor may file another application no sooner than 6 (six) months after the decision of the Management Committee.

**Article 12. (1)** In the event of a failure to comply with the obligations under these Rules, the Management Committee shall be entitled to impose the following sanctions on an Advisor:

1. a warning;
2. an order to take specific measures required for elimination of the violations committed;
3. a ban on signing new contracts with issuers of financial instruments for up to 6 (six) months;
4. termination of a BEAM Market Advisor.

(2) In order to take a decision under Paragraph 1, the Management Committee shall examine all facts and circumstances, and assess the extent of the violation committed by the Advisor, as well as its potential impact on the operation of the BEAM Market.

(3) The Management Committee shall have the right to obligate the Advisor to take specific

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measures, necessary for the prevention and elimination of any established violations of the Rules of the BEAM Market, of their harmful effects or of the risk to the interests of investors, within a time limit specified by the Management Committee.

**Article 13. (1)** The decisions of the Management Committee under this Chapter may be appealed against before the Board within 10 (ten) business days from their announcement. The Board shall render a decision within 20 (twenty) days since the receipt of the appeal, and the decision shall be final.

**(2)** The decisions of the Management Committee under this Chapter shall take effect immediately, regardless of any appeal.

### **Chapter Six Keeping an Advisor Register**

**Article 14. (1)** The Exchange shall keep an up-to-date register of Advisors, containing the following information:

1. name and legal form of the legal entity;
2. contact details;
3. date of the decision for the Advisor registration;
4. date of the decision for the Advisor termination;
5. date and type of the sanctions imposed under Article 12 (1);
6. other information specified by the Exchange.

**(2)** The initial entry into the register under Paragraph 1 shall be made after the decision of the Management Committee for the registration as a BEAM Market Advisor.

**(3)** Each Advisor shall be obliged to notify the Exchange of any changes to the circumstances entered into the register pursuant to items 1, 2 and 6 of Paragraph 1 within 5 (five) business days from becoming aware of the circumstance.

**(4)** The records of the registers under Paragraph 1 shall be kept for 5 (five) years from the final Advisor termination.

### **ADDITIONAL PROVISIONS**

**§ 1.** The terms used in these Rules, but not defined herein, shall have the meanings assigned to them in the Public Offering of Securities Act and the Markets in Financial Instruments Act and their implementing acts, respectively in the general commercial legislation and commercial practice.

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**§ 2.** For the purposes of these Rules:

1. ‘Economic Group’ shall mean a group of companies, defined for the purposes of compiling a consolidated financial statement.

**§ 3.** The following abbreviations have been used in these Rules:

1. ‘The Exchange’ – the Bulgarian Stock Exchange AD, respectively the regulated market organised by the Bulgarian Stock Exchange AD;
2. ‘SME’ – Small and Medium-Sized Enterprises, as defined in Article 77 of Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive;
3. ‘The Board’ – the Board of Directors of the Bulgarian Stock Exchange AD;
4. ‘The Management Committee’ – the Management Committee for the BEAM Market;
5. ‘Delegated Regulation (EU) 2017/565’ – Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive;
6. ‘Regulation (EU) No 596/2014’ – Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC (text with EEA relevance);
7. ‘Regulation (EU) No 575/2013’ – Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (text with EEA relevance);
8. ‘Regulation (EU) No 600/2014’ – Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 (text with EEA relevance).

**TRANSITIONAL AND FINAL PROVISIONS**

**§ 1.** These Rules shall take effect as of 12.02.2019.

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