

# **BULGARIAN STOCK EXCHANGE**



BULGARIAN  
STOCK EXCHANGE

## **RULES AND REGULATIONS**

### **PART II MEMBERSHIP RULES**

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## Chapter One EXCHANGE MEMBERS

### Section One GENERAL PROVISIONS

**Article 1.** These Membership Rules form part of the Rules and Regulations of the Exchange and govern the relationships between the Exchange, the Exchange members and the membership applicants, the relationships between them and their authorised brokers regarding their admission to trading and other specifics related to Exchange membership, as well as the relationship between members and their clients related to providing access to the Trading System of the Exchange.

**Article 2. (1)** Eligibility for Exchange membership shall be limited to legal entities that are banks or investment intermediaries duly incorporated in Bulgaria or in a Member State, as well as legal entities duly incorporated in a third country which have obtained a licence from or whose licence has been recognised by the FSC, and which have been admitted under the terms and conditions of these Rules to conclude transactions in financial instruments on the Exchange.

**(2)** Exchange members may conclude transactions in financial instruments on all markets and market segments organised by the Exchange, unless a special procedure for participation has been expressly established.

**(3)** The transactions shall be concluded through a remote access under the terms and conditions of these Rules and Regulations of the Exchange.

**(4)** Members may provide their clients with direct electronic access (DEA) to the Trading System. Access to the System shall be obtained from the Exchange under the terms and conditions of these Rules. DEA to the System may be used for direct trading by members, and for providing direct or sponsored market access to their clients.

**Article 3. (1)** Exchange members shall be obliged to comply at any time with the provisions of the Rules and Regulations, the applicable legislation, and their Membership Agreement concluded with the Exchange.

**(2)** Exchange members shall be required to respect, implement and comply with the Board's decisions.

**Article 4. (1)** The members, their management bodies and other persons who manage and/or represent the members, the brokers and the other employees of the members, shall be obliged to

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carry out their activity in accordance with the principles of bona fide trading practice and ethics in their relations with their clients and with the other members, as well as to create and maintain the conditions necessary for this purpose.

**(2)** The persons referred to paragraph 1 shall be obliged to act in a manner that best protects their clients' interests.

**(3)** The persons referred to paragraph 1 may not use the Exchange's facilities and premises made available to them other than for their intended use. In case of gaining access to any technical capabilities or information to which the Exchange members are not entitled, they shall be required to notify the Exchange without delay.

**Article 5. (1)** The Exchange shall be entitled to:

1. require information from each Exchange member or user of sponsored access on their organisational requirements and activity control;
2. suspend the access of an Exchange member or a broker to the System on its own initiative or at the request of the same member, a clearing member, a central counterparty, where this is provided for in the regulations of the central counterparty, or of a competent authority;
3. cancel non-executed orders made by a member or by a client of sponsored access in the following cases:
  - (a) at the request of the member or of the client of sponsored access, where the member or the client has no technical capacity to cancel its own orders;
  - (b) where duplicated orders have been mistakenly submitted to the System;
  - (c) upon cessation, on the initiative of the Exchange or the competent authority;
4. cancel transactions in cases of distortions in the functioning of volatility interruptions or the operational functions of the trading system;
5. balance order placement via the various incoming channels for placement.

**(2)** The Exchange, based on a decision by the Board, may determine limits applicable to one or more Exchange members for delay of orders, where there is a risk of achieving the limits of the System's capacity, including:

1. number of orders per second at pre-defined intervals;
2. policy of equal footing of members, unless the delay is with respect to individual members;
3. measures to be implemented after the delay.

## **Section Two EXCHANGE MEMBERSHIP**

**Article 6. (1)** All members shall be placed on a completely equal footing and shall have identical

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rights and obligations.

**(2)** The Exchange members shall have equal access to market information, and shall enjoy equal conditions for participation in trading.

**(3)** All members shall be entitled to use and provide to their clients platforms for DEA to the System under the terms and conditions of these Rules.

**Section Three**  
**TERMS AND CONDITIONS FOR ADMISSION OF MEMBERS**

**Article 7.** Persons who meet the following requirements may be admitted to Exchange membership:

1. to be:

(a) investment intermediaries licensed under the terms and conditions of the MFIA to provide investment services and perform investment activities under Article 6 (2) and (3) of the MFIA as a regular occupation or a business on a professional basis, or

(b) banks which, as a business on a professional basis, provide investment services and/or perform investment activities and have been duly licensed to provide such services and to perform such activities by the Bulgarian National Bank;

2. to be members of a depository institution, or have an agreement with a member of such institution, allowing due settlement of transactions concluded by them within the required time limits;

3. to have an effective employment or service contract with at least one broker;

4. to meet the requirements of the Exchange for technical and functional conformity with the System.

**Article 8. (1)** An investment intermediary established in a Member State may be admitted to Exchange membership if it meets the conditions of this Section, the other requirements of these Rules, the MFIA and the other statutory instruments governing this type of activity in the Republic of Bulgaria.

**(2)** A legal entity established in a third country, which has obtained a licence from or whose licence has been recognised by the FSC under the terms and conditions of the MFIA on the provision of investment services and the performance of investment activities under Article 6 (2) and (3) of the MFIA as a regular occupation or a business on a professional basis, may be admitted to Exchange membership through its branch in Bulgaria if the said entity meets the conditions of this Section, the other requirements of these Rules, of the MFIA, and the other statutory instruments governing this type of activity in the Republic of Bulgaria.

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## **Section Four CONFORMANCE TESTING**

**Article 9.** The Exchange shall provide a testing environment to its actual and prospective members, in accordance with Delegated Regulation (EU) 2017/584, under the following conditions:

1. the testing environment is the same for all applicants;
2. the testing environment is technically and functionally equivalent to the real trading environment;
3. the testing environment includes at least one financial instrument of each type accessible for trading;
4. applicants use the facilities of the Exchange for conformance testing;
5. the Exchange publishes a calendar of the conformance testing availability.

**Article 10. (1)** Prior to submitting an application under Article 12, the applicant for Exchange membership shall carry out testing of conformance with the current version of the System, which shall include at least the following:

1. effectuating technical access to the System;
2. connectivity certification;
3. submission, modification or cancellation of an order or an indication of interest;
4. transfer of all data necessary for settlement of transactions;
5. functional interaction with the matching logic core;
6. processing of data flows from and to the System by the applicant;
7. notification in case of cancellation or disconnection;
8. establishing loss and/or throttles of data flows;
9. recovery, including the intra-day resumption of trading;
10. activities with regard to suspended instruments;
11. activities with regard to non-updated market data.

**(2)** When the application of an algorithm is tested, the Exchange shall provide the Exchange members with access to:

1. simulation mechanisms that duplicate as realistic as possible the real operating environment, including disruptions in the operation;
2. simulation mechanisms ensuring functionalities, protocols and a structure that allow the members to test various scenarios they may find relevant to their activity;
3. testing instruments determined and maintained by the Exchange.

**(3)** Exchange members shall receive confirmation of conformance containing data about all tested parameters under paragraph 1.

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**(4)** The Exchange members shall carry out testing under paragraph 1 whenever a material change occurs in functional or technical parameters of the platforms, DEA systems they maintain, or in applied algorithms. Testing is also performed in case of changes in the member's trading strategy.

### **Section Five GENERAL REQUIREMENTS**

**Article 11. (1)** The Exchange members shall be required to meet the following requirements:

1. have mechanisms established to effectively carry out pre-trade controls of:
  - (a) the price, volume and amount of orders submitted by the relevant member or by its clients to the System;
  - (b) their personnel's or clients' actions that may result in threatening the System's stability through excessive usage or other actions incompatible with the good trading practice;
2. have personnel having the required qualifications:
  - (a) to assess the necessity of taking measures in case any inconsistency with the requirements under item 1 is detected;
  - (b) to test the technical and functional consistency of their systems with the System, including in case of subsequent changes;
  - (c) to ensure technical connectivity with the System;
  - (d) to process and submit orders to the System, and to confirm they have sufficient capacity to process all orders submitted to the System;
3. are able to attest the technical and functional conformance with the System by:
  - (a) carrying out testing of their systems prior to trading; and
  - (b) carrying out testing in case of subsequent changes in the System;
4. have developed and deployed a policy containing:
  - (a) actions to limit any unauthorised access to the System;
  - (b) actions to suspend, or limit accordingly, the access to the System where an algorithm is applied and/or DEA is provided.

**(2)** Exchange members shall always conform to the technical and functional requirements and to the processes characterising the business logic of the System.

**(3)** When applying for membership, an Exchange member should have passed the conformance testing under Article 10 with regard to the Exchange.

**(4)** Conformance shall be contingent on the profile of the Exchange member, and it is admissible for the conformance not to include all available functionalities of the System, provided that they

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are inapplicable to that member and/or its clients.

**(5)** Exchange member shall be required to submit to the Exchange all necessary information in conformity with the input under Article 16 (1), items 14 and 15 of Part IV Trading Rules short codes as follows:

1. National ID (under Annex II to the Delegated Regulation (EU) 2017/590) of the client of the Exchange member if the client is a natural person;
2. LEI code (under ISO 17442) of the client of the Exchange member if the client is a legal entity;
3. National ID of the person within the Exchange member that is responsible for the investment decision in relation to the order.

**(6)** The information under Art. 5 on the respective order shall be submitted to the Exchange by the end of the day “T”, on which the order has been advertised, if in respect to that natural or legal person no information has been input. In case of errors or lack of information, corrections shall be done on the day “T+1” at latest.

## **Section Six PROCEDURE FOR ADMISSION OF MEMBERS**

**Article 12. (1)** Applicants for Exchange membership shall submit an application in a standard form addressed to the Board and signed by a person vested with representative authority.

**(2)** Membership applicants that are resident entities shall attach the following to the application under paragraph 1:

1. a copy of the licence granted by the FSC to carry out business as an investment intermediary or, in the case of a bank, a copy of the licence to carry out business granted by the Bulgarian National Bank, and a document certifying entry into the Investment Intermediaries Register at the FSC;
  2. details of the legal entities and the individuals that are members of the management and control bodies of the applicant company;
  3. details of the persons holding a qualifying shareholding in the applicant company, and of the number of votes held by such persons in the General Meeting of the applicant company;
  4. a copy of the CD membership agreement, of an agreement concluded with a member of CD or with another depositary institution/clearing house;
  5. Legal Entity Identifier (LEI) assigned to the applicant;
  6. copies of the internal regulations in accordance with Ordinance No 38, as duly certified by the persons vested with representative authority;
  7. information on any administrative sanctions and/or coercive administrative measures imposed in connection with the activity involving financial instruments on any members of the management and control bodies of the applicant or on any employees thereof for the current and the last
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preceding year, irrespective of whether these have conducted such activities for the applicant or for any other entity.

**(3)** Membership applicants that are non-resident entities established in a Member State shall attach the following to the application under paragraph 1:

1. a certified copy of the Articles of Association or, of the Memorandum of Association accordingly;
2. an official document certifying the status of the legal entity and the persons who represent it;
3. in the cases referred to under Article 45 of the MFIA: a copy of the licence or licences granted by the Competent Authority in the Member State, in which the investment intermediary has obtained the licences, and a copy of the notification under Article 45 (2) of the MFIA or a document certifying the expiry of the time limit under Article 45 (2);
4. details of the legal entities and the individuals that are members of the management and control bodies of the applicant company;
5. details of the persons holding a qualifying shareholding in the applicant company and of the number of votes held by such persons in the General Meeting of the applicant company;
6. a copy of the CD membership agreement, of an agreement concluded with a member of CD or with another depository institution/clearing house;
7. Legal Entity Identifier (LEI) assigned to the applicant;
8. a copy of the internal company rules duly certified by the persons vested with representative authority;
9. information on any administrative sanctions and/or coercive administrative measures imposed in connection with the activity involving financial instruments on any members of the management and control bodies of the applicant or on any employees thereof for the current and the last preceding year, irrespective of whether these have conducted such activities for the applicant or for any other entity.

**(4)** The Exchange shall verify the compliance with the requirements of Article 46 of the MFIA.

**(5)** Membership applicants that are legal entities established in a third country with branches in Bulgaria and have obtained a licence from the FSC, shall attach the following to the application under paragraph 1:

1. a copy of the licence granted by the FSC as per Article 49 (1) of the MFIA;
  2. details of the legal entities and the individuals that are members of the management and control bodies of the applicant company;
  3. details of the persons holding a qualifying shareholding in the applicant legal entity and of the number of votes held by such persons in the General Meeting of the applicant legal entity;
  4. a copy of the CD membership agreement, of an agreement concluded with a member of CD or with another depository institution/clearing house;
  5. Legal Entity Identifier (LEI) assigned to the applicant;
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6. a copy of the internal company rules duly certified by the persons vested with representative authority;

7. information on any administrative sanctions and/or coercive administrative measures imposed in connection with the activity involving financial instruments on any members of the management and control bodies of the applicant or on any employees thereof for the current and the last preceding year, irrespective of whether these have conducted such activities for the applicant or for any other entity.

**(6)** Along with the application under paragraph 1, the applicant shall also submit details of the security administrator needed for the latter's registration as a user of the System.

**(7)** Along with the application under paragraph 1, the applicant may also submit documents for admission of a broker to trading.

**Article 13. (1)** On the basis of the application and the documents attached thereto, the Board shall verify the compliance with the requirements of these Rules for admission to Exchange membership. If any data or documents 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 or non-conformities or of the additional information or documents required.

**(2)** The Board shall decide on the application within ten (10) business days from its receipt or, where any additional information or documents are required, from their submission.

**(3)** The Board shall refuse to admit the entity to membership if:

1. the provisions of the statutory instruments or the requirements of the Rules and Regulations have not been complied with; or
2. the applicant has provided any untrue data or false documents.

**(4)** A refusal under the foregoing paragraph shall only be rendered if the applicant has failed to cure any detected deficiencies or non-conformities, or has failed to provide the required additional information or documents within the time limit set by the Board, which may not be shorter than ten (10) business days.

**(5)** A refusal by the Board to admit the person to membership shall be reasoned in writing. Paid membership fees shall be non-refundable.

**(6)** A refusal by the Board to admit a person to Exchange membership may be challenged before the Arbitration Court with the Exchange in accordance with the Rules and Regulations of the said court.

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**(7)** The Board shall admit an applicant to Exchange membership in the case where the information and documents provided by the applicant comply with the requirements of these Rules and the law. In its admission decision, the Board shall specify the date as of which the Exchange member may be granted access to the System.

**(8)** The Exchange shall publish information on the Board's decision on the website of the Exchange and shall notify the applicant within two (2) business days from the date of the decision.

**Article 14.** Within five (5) business days from the receipt of the admission notification, the Exchange member shall submit to the Exchange details of the persons designated to dispose of the bank account through which any debts to the Exchange are to be paid.

**Article 15. (1)** An applicant shall be deemed a member of the Exchange as of the effective date of the membership agreement which specifies the initial date of membership. The newly admitted Exchange member shall conclude such agreement with the Exchange within five (5) business days from the receipt of the notification of the Board's decision granting the request for membership.

**(2)** An Exchange member shall not execute transactions in financial instruments through the System, prior to providing the following:

1. a document certifying that a settlement cash account for servicing the transactions in financial instruments pursuant to the Rules of CD has been opened in the name of the member concerned with a bank or with the relevant clearing house;
2. a document issued by a depository institution on the existence of a financial instruments account opened in the name of the Exchange member, or by another person on the existence of such an account, provided that the said person registers and transfers financial instruments through opening and maintenance of accounts for the holders of such instruments.

**Article 16. (1)** In case of transformation of the legal entity or other cases of universal succession of an Exchange member or between Exchange members, the Exchange member shall apply to the Board for re-registration of its successor and brokers.

**(2)** A freely worded application shall be submitted for re-registration, along with:

1. a copy of the FSC's prior approval of the contemplated transformation and, in case of a bank, a copy of the authorisation granted by the BNB or, accordingly, an authorisation granted by the Competent Authority in the Member State, in which the investment intermediary has obtained a licence;
  2. written evidence of entry of the transformation into the appropriate registers of the Exchange member's country of origin, provided that such registers are not publicly accessible;
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3. a detailed description of the procedures for re-registration, or of the transfer of the commercial enterprise by the Exchange member accordingly, including the specific dates regarding the transfer of relationships with the Exchange member's clients;

4. confirmation of conformance with the System in accordance with Article 10.

**(3)** The Board shall decide on the application within ten (10) business days. Article 14 above shall apply accordingly.

**(4)** The brokers of an Exchange member that has applied for re-registration shall be transferred to the successor during re-registration by the Exchange.

**(5)** The Board shall set time limits and shall adopt procedures for re-registration.

**Article 17. (1)** The Exchange shall make a conformity assessment of its members on an annual basis, in accordance with the provisions of Delegated Regulation (EU) 2017/584.

**(2)** Where necessary, the Exchange may make additional conformity assessments.

### **Section Seven**

#### **DIRECT ELECTRONIC ACCESS TO THE TRADING SYSTEM, TRADING ALGORITHMS**

**Article 18. (1)** Exchange members that provide direct electronic access (DEA) or apply algorithmic trading must:

1. have adequate systems and effective controls in place, including pre-trade and post-trade controls so as to guarantee that the provision of DEA or the application of algorithmic trading shall not adversely affect the compliance with the market rules, shall not result in any improper trading, or shall not facilitate behaviour that may be in conflict with Regulation (EU) No 596/2014;
2. have own systems and mechanisms for risk control;
3. have sufficient capacity to provide DEA and/or to apply algorithmic trading.

**(2)** Exchange members that provide DEA to their clients shall conduct proper due diligence of their clients, including prospective clients so as to ensure that they meet the requirements of Delegated Regulation (EU) 2017/589 and the Rules of the Exchange.

**(3)** Due diligence referred to in paragraph 2 shall cover:

1. the governance and ownership structure of the perspective DEA client;
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2. types of strategies to be followed by the prospective DEA client;
  3. the operational structure, systems, pre-trade and post-trade controls, and real time monitoring of the prospective DEA client;
  4. responsibilities within the prospective DEA client in the normal course of business and in case of errors;
  5. the historical trading pattern and behaviour of the prospective DEA client;
  6. the level of expected trading volume of the prospective DEA client;
  7. the ability of the prospective DEA client to fulfil its financial obligations to the DEA provider;
  8. disciplinary record of the prospective DEA client, if any.

**(4)** The investment intermediary providing DEA, when allowing DEA clients to use third parties' trading software for access to the System, shall guarantee that the software includes pre-trade controls that are equivalent to those specified in Delegated Regulation (EU) 2017/589.

**(5)** Prior to the prospective DEA client obtaining access, the Exchange member shall verify whether the client has an existing due diligence framework that is at least equivalent to that described in paragraphs 2 and 3.

**(6)** Exchange members shall provide DEA to their clients after:

1. notifying the Exchange;
2. verifying the technical and functional conformity with the System;
3. providing for in their internal rules the possibility to control the client's actions, to take effective measures restricting the access to the System, and to make a risk assessment;
4. having applied for and obtained an individual identifier in the System for each client with sponsored access or a platform for direct market access accordingly through which orders are to be entered.

**Article 19. (1)** Exchange members providing sponsored access to the System to their clients must have policies and rules regarding the pre-trade and post-trade controls applied by the Exchange member, and the pre-trade and post-trade controls necessary to assess the clients.

**(2)** The Exchange shall require from the Exchange members providing sponsored access to be able at any time to determine and modify the parameters applied to the controls under paragraph 1 with respect to the orders of clients with sponsored access.

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**(3)** The Exchange shall be entitled to suspend or terminate the provision of sponsored access to clients that breach these Rules, the MFIA, Regulation (EU) No. 600/2014 and Regulation (EU) No. 596/2014.

**(4)** Any actions under paragraph 3 shall be taken in accordance with Part V, Surveillance Rules.

**Article 20.** Exchange members applying an algorithm and/or providing DEA to the System shall:

1. comply with the limits determined by the Board for each member regarding the number of submitted orders per second;
2. maintain a functionality to suspend the access to the platform, to limit submission of orders, and to cancel any non-executed orders;
3. identify the algorithm in accordance with Delegated Regulation (EU) 2017/590.

**Article 21. (1)** Exchange members shall be entitled to jointly use the infrastructure in accordance with Delegated Regulation (EU) 2017/573.

**(2)** The terms and conditions for enjoying joint use services shall be determined by the System provider.

### **Section Eight**

#### **SUSPENSION OF AN EXCHANGE MEMBER FROM TRADING, TERMINATION OF MEMBERSHIP, RESTRICTING ACCESS**

**Article 22. (1)** The Board shall have the right to suspend a member from Exchange trading in the cases provided by and in accordance with Chapter Four of the Surveillance Rules, or at the express request of the Exchange member, a clearing member, a central counterparty, where this is provided for in the regulations of the central counterparty, or of a competent authority.

**(2)** The information on the suspension shall be published on the website of the Exchange.

**Article 23. (1)** The access of an Exchange member or its client to the System may be ceased or restricted by a Board's decision:

1. when the limit determined by the Board for orders entered in the System is exceeded; or
2. when technical problems or risk management issues are identified with respect to the Exchange member or a client; or
3. in case of non-compliance with other requirements provided for in these Rules;
4. when a relevant decision of the surveillance authority is received.

**(3)** Within the day and until the end of the trading session, a decision under paragraph 1 may also

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be made by the Trading Director.

**(4)** The Exchange member shall be immediately notified of the decision and the reasoning thereto.

**(5)** The decision shall specify whether the active orders in the System should be deleted.

**Article 24. (1)** Exchange membership shall be terminated by a decision of the Board:

1. if the member ceases to meet the requirements for membership under these Rules;
2. upon revocation by the FSC of the licence to provide investment services and perform investment activities, or the licence granted by the BNB, or the licence(s) granted by the Competent Authority in the Member State, in which the investment intermediary has obtained (a) licence(s);
3. in case of providing false information or withholding facts in connection with an application for Exchange membership, where this has served as grounds for admission of the person to Exchange membership;
4. upon submission by the member of a three (3) months' prior written notice of termination of the membership agreement;
5. in case an Exchange member is banned from trading;
6. in case of failure to pay any due fees in the amount and within the time limit provided for in Chapter Three of the Tariff of Fees collected by the Exchange.

**(2)** Until the date of the Board's decision on termination of membership, or until the termination of the agreement accordingly, the Exchange member shall be required to pay all applicable fees, as determined and charged according to the Tariff of Fees collected by the Exchange.

**(3)** Termination of membership shall not result in cancellation of any liabilities due to the other Exchange members.

**(4)** The Exchange member shall be notified of the membership termination decision within two (2) business days, except in the cases specified in Chapter Four of the Surveillance Rules.

### **Section Nine**

#### **PROCEDURE FOR REGISTRATION AS A MARKET MAKER**

**Article 25.** A market maker shall be an Exchange member which has assumed the obligation to provide minimum liquidity by placing quotes for particular issues of financial instruments admitted to trading on the Exchange, save for subscription rights issues. In addition to the principal requirements for membership, a market maker must also conform to the provisions of this Section.

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**Article 26.** The activity as a market maker may be carried out on the basis of a written contract with the Exchange.

**Article 27.** The Exchange member must conclude a contract under Article 26, where within the calendar month:

1. makes simultaneous firm bid and ask quotes of comparable amount and within the spread determined in accordance with the Trading Rules;
2. trades for its own account in at least one financial instrument for at least 50% (fifty per cent) of the daily working time of continuous trading.

**Article 28.** A market maker shall at any time meet the following requirements:

1. hold the required licence to provide the investment services and perform the investment activities under items 3 and 6 of Article 6 (2) of the MFIA;
2. no coercive measure under Article 276 (1) of the MFIA or item 2 of Article 22 (1) of the Surveillance Rules has been imposed upon it, resulting in the impossibility to trade in financial instruments for its own account;
3. no sanction under item 4 of Article 22 (1) of the Surveillance Rules has been imposed upon it for the last three (3) preceding years;
4. all fees due with regard to its Exchange membership have been duly paid, including sanctions imposed by the Board for violations of the Rules, if any.

**Article 29.** The contract between the Exchange and the Exchange member for carrying out an activity as a market maker shall include, as a minimum, the following:

1. the financial instrument(s);
2. the minimum obligations to be complied with by the Exchange member regarding presence, scale and spread;
3. the requirements of the applicable incentive scheme;
4. the obligations of the investment intermediary regarding resumption of trading after volatility interruptions;
5. the obligations for surveillance, compliance and audit of the Exchange member allowing the latter to monitor its activity as a market maker;
6. the obligation to indicate the quotes in order to distinguish them from the other orders;
7. the obligation to keep records of the firm quotes and transactions that are clearly distinguished from the other activities of trading in financial instruments, and to make such records available to the Exchange and to the competent authority upon request.

**Article 30. (1)** In order to carry out an activity as a market maker, an Exchange member shall submit an application in a standard form, along with:

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1. a declaration on the compliance with the requirement of item 2 of Article 28 above;
  2. details of the broker who is to enter quotes on behalf and for the account of the market maker;
  3. in case of algorithmic trading, in order to act as a market maker, the applicable information under Article 18.

**(2)** Where an applicant for a market maker applies simultaneously for Exchange membership, the application referred to in paragraph 1 shall be submitted simultaneously with the application under Article 12 (1) herein.

**(3)** On the basis of the application and the documents attached thereto, the Board shall verify whether the requirements for carrying out an activity as a market maker are complied with. If any data or documents 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 or non-conformities or of the additional information or documents required.

**(4)** The Board shall decide on the application within five (5) business days from its submission or, where additional data or documents have been required, from their submission.

**(5)** The Board shall refuse to register an applicant as a market maker if the Board finds that the application or any attachments thereto contain any inaccurate, misleading or untrue information, or if they are inconsistent with the requirements of the law or the Rules and Regulations of the Exchange.

**(6)** A refusal of the Board shall be reasoned in writing and shall be published on the website of the Exchange. The applicant shall be notified within one (1) business day from the date of the refusal.

**Article 31. (1)** Provided that the requirements of the preceding Article are met, the Board shall adopt a decision to register the applicant as a market maker.

**(2)** The applicant shall be notified in writing within one (1) business day following the date of the registration decision.

**(3)** The registration decision and the following information shall be published on the website of the Exchange:

1. the name of the market maker;
  2. the BSE code, the name of the issuer, and the market on which the issue has been admitted;
  3. the maximum range of the deviation in terms of percentage between the prices of the bid and ask quotes (spread);
  4. the minimum value of the quote in terms of money, if determined;
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5. other conditions, if applied for by the market maker.

**(4)** The market maker shall start its activity as such as of the date specified in the Board's registration decision.

**Article 32. (1)** The Board shall terminate the registration of a market maker as such in the following cases:

1. upon submission of an application by the market maker to this effect;
2. upon revocation of the market maker's licence to carry out business as an investment intermediary, or upon a modification of the scope of such licence resulting in an impossibility to trade for its own account;
3. upon termination of the membership agreement with the Exchange;
4. in case it is banned from Exchange trading as per the procedure established by the Surveillance Rules;
5. in case a sanction is imposed on the market maker for violation of the provisions of Chapter Three, Section Three of the Trading Rules;
6. upon withdrawal of the authorisation of a broker to conclude transactions on behalf of the market maker, where the latter has no agreement concluded with another broker;
7. upon final termination of the listing of the financial instruments issue with respect to which the Exchange member has been registered as a market maker. The termination shall be published along with the announcement regarding the termination of the issue.

**(2)** In the event that the market maker fails to comply with the quoting obligations under the Rules and Regulations of the Exchange for more than a half of the trading sessions within a calendar month, the Exchange shall notify the respective member in writing. If the market maker fails to bring its activity into line with the applicable requirements of the Rules and Regulations and fails to comply with its obligations for at least a half of the trading sessions in the month following the written notification, the Board may terminate its registration as a market maker for that issue.

**(3)** The Exchange shall publish information about the termination of the registration of a market maker on the website of the Exchange and shall notify the market maker within one (1) business day following the date of the termination.

**Article 33.** The Exchange shall apply the same incentives to all market makers operating in the same manner in terms of presence, scale and spread.

**Article 34.** The Exchange shall publish on its webpage:

1. the terms and conditions of the incentive scale;
  2. the names of the Exchange members which have signed market maker agreements;
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3. the financial instruments that are subject to a market making scheme.

## **Chapter Two BROKERS**

### **Section One TERMS AND CONDITIONS AND PROCEDURE FOR ADMISSION OF BROKERS**

**Article 35. (1)** Admission to the trading sessions of the Exchange shall be limited to brokers who:

1. are natural persons who have obtained qualification by the FSC, or by the competent authority in the Member State in which the broker has obtained a licence, to conclude and execute transactions in financial instruments;
2. have entered into an employment or service contract with an Exchange member for performance of this activity;
3. are duly authorised by the Exchange member with which they have a contract to execute transactions in financial instruments on the Exchange on behalf of that member;
4. are familiar with the Rules and Regulations of the Exchange and the principles of trading in financial instruments through the System;
5. have duly paid all their financial liabilities to the Exchange, including those arising from sanctions imposed by the Board, within one (1) month from the maturity date of any such liability.

**(2)** The actions that each System user may perform shall be defined in accordance with their rights and levels of access as assigned by the System administrator under paragraph 3. Every broker who has been admitted to trading in compliance with these Rules must be granted with only one of the following levels of access – broker, senior broker or supervisor. The following types of users may be registered in the System:

1. broker;
2. senior broker;
3. supervisor;
4. System user with monitoring rights;
5. System administrator.

**(3)** System administrator shall be an employee responsible for assigning the System users their rights and levels of access, and who:

1. has an employment contract with the Exchange member on a position higher than the middle management level, or has a management contract with the Exchange member;
  2. is explicitly authorised by the management body of the Exchange member to perform these actions;
  3. has at least two (2) years of work experience in trading in financial instruments, in cases where
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the System administrator is engaged under an employment contract with the Exchange member;

4. enjoys a good reputation that does not threaten the stable operation of the Exchange member;
5. has not been convicted of an intentional crime prosecuted by the state.

**(4)** Every System administrator shall be required to:

1. Set up an user account for every applicant for broker right after applying for admission to the System;
2. Delete immediately from the System the user account of a broker, whose duty powers as such have been terminated.

**(5)** System administrator may assign the following categories of rights to the brokers in the System:

1. right to send an inquiry to the System;
2. right to make entries;
3. right to make modifications;
4. right to make deletions.

**(6)** For the categories referred to in paragraph 5 above, a System administrator may assign the following levels of access:

1. access to the financial instruments admitted to trading;
2. access to user data;
3. access to active orders in the System;
4. access to active quotes in the System;
5. access to requests for quotes;
6. access to the information on concluded transactions, including transactions outside the regulated market;
7. access to the news in the System.

**(7)** The access to the financial instruments admitted to trading may be additionally limited to certain financial instruments, types of instruments, markets or market segments organised by the Exchange.

**(8)** System administrator shall set for each user:

1. the maximum amount of an order in terms of a number of instruments;
2. the maximum value of an order as an absolute value.

**(9)** System administrator may assign any combination of rights and levels of access, where the following particulars shall be noted:

1. the right to make entries under item 2 of paragraph 5 shall not be available with regard to the levels of access under items 1, 6 and 7 of paragraph 6;
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2. the right to make modifications shall not be available with regard to the levels of access under items 1, 5, 6 and 7 of paragraph 6;
  3. the right to make deletions shall not be available with regard to the levels of access under items 1, 6 and 7 of paragraph 6;
  4. where the right to send an inquiry to the System is not granted in relation to any of the access levels under paragraph 6, then the other rights in relation to the same level of access shall not be available either.

**(10)** System administrator shall refer to a separate user group the clients to which an Exchange member provides sponsored access to the System.

**(11)** System users who may place, modify and delete buy and sell orders shall only be brokers admitted in accordance with these Rules.

**(12)** System users who may place, modify and delete quotes shall only be brokers of Exchange members that are admitted as market makers in accordance with these Rules.

**(13)** System administrator shall define the following types of users with their respective rights as follows:

1. Supervisor – has access to and control over all orders placed by the other brokers of the respective Exchange member;
2. Senior broker - has access to the orders and quotes placed by the other brokers of the same user group of the respective Exchange member and meanwhile may place new, modify and cancel existing orders and quotes on their behalf;
3. Broker – has access only to the orders and quotes placed by him or her.

**(14)** Supervisor as well as a Senior broker may only be a broker admitted in accordance with these Rules who also meets the following additional requirements:

1. has at least two (2) years of work experience as a broker;
2. enjoys a good reputation that ensures the stable operation of the Exchange member;
3. has not been convicted of an intentional crime prosecuted by the state.

**Article 36. (1)** In order to admit brokers to trading on the Exchange, the Exchange member shall submit an application in a standard form to the Board.

**(2)** The following shall be attached to the application under paragraph 1 for admission of resident natural persons:

1. a certification that an effective employment or service contract has been concluded between the natural person and the Exchange member;
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2. a power of attorney to represent the member, specifying the time period of representative authority;
  3. a certificate of qualification issued by the FSC;
  4. a conviction status certificate;
  5. a curriculum vitae, documenting the professional experience, including full name, personal identification number, education, qualifications, length of service, professional experience, identity document details, address, phone and fax numbers, e-mail, and colour photo;
  6. a declaration by the person confirming that he or she is aware of the principles of operation of the System and of the Rules and Regulations of the Exchange and shall familiarise himself or herself with any subsequent revisions thereof;
  7. a declaration by the person confirming that he or she does not have an effective employment or service contract with an Exchange member, different from the applicant;
  8. a declaration by the System administrator confirming that an user account for the person has been set up in the System as well as that this account is consistent with the powers of the person.

**(3)** The following shall be attached to the application under paragraph 1 above for admission of non-resident natural persons from a Member State:

1. a certification that an effective employment or service contract has been concluded between the natural person and the Exchange member;
2. a power of attorney to represent the member, specifying the time period of representative authority;
3. a certificate of qualification issued by the competent authority in the Member State, in which the broker has obtained a licence, if available;
4. a certification that the person has not been convicted of a an intentional crime prosecuted by the state;
5. a curriculum vitae documenting the professional experience, including full name, education, qualifications, length of service, professional experience, identity document details, address, phone and fax numbers, e-mail, and a colour photo;
6. a declaration by the person confirming that he or she is aware of the principles of operation of the System and of the Rules and Regulations of the Exchange and shall familiarise himself or herself with any subsequent revisions thereof;
7. a declaration by the person confirming that he or she does not have an effective employment or service contract with an Exchange member, different from the applicant;
8. a declaration by the System administrator confirming that an user account for the person has been set up in the System as well as that this account is consistent with the powers of the person.

**(4)** Prior to the admission of persons referred to in paragraphs 2 and 3 to trading, the Board may require additional information or documents to be provided, within a time limit which may not be shorter than ten (10) business days, regarding their rights and obligations concerning the

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conclusion and settlement of exchange transaction.

**(5)** The Board shall decide within five (5) business days from the submission of the application or the additional information, as applicable.

**(6)** The Board shall refuse to admit a broker to trading where:

1. the Board refuses to admit the Exchange member with which the broker has an effective employment or service contract;
2. any required additional information or documents have not been submitted within the time limit set by the Board;
3. the applicant has provided any untrue data or false documents;
4. the broker concerned operates under contracts for more than one Exchange member;
5. the broker subject to the application for admission to trading has outstanding liabilities to the Exchange, including liabilities arising from sanctions imposed by the Board.

**(7)** The refusal of the Board under the preceding paragraph shall be reasoned in writing.

**(8)** The applicant shall be notified of the decision in writing within two (2) business days.

**(9)** Brokers shall be admitted to trading upon payment of the relevant fee for maintenance of one remote trading terminal as per the Tariff of Fees collected by the Exchange. The fee shall be paid within five (5) business days from the notification of the Board's decision.

**(10)** The Board's decision admitting a person to trading shall be published on the website of the Exchange.

## **Section Two BROKER REMOVAL FROM TRADING**

**Article 37. (1)** The Board shall have the right to remove a broker from Exchange trading in the cases provided by and in accordance with Chapter Four of the Surveillance Rules.

**(2)** A broker's access to trading shall be terminated, without the need of a decision by the Board, in the following cases:

1. upon termination of or modification to the broker's employment or service contract with the respective member regarding his or her activity as a broker;
  2. upon revocation of the licence issued by the FSC or by the relevant competent authority in the Member State of the Exchange member with which the broker has an effective employment or service contract;
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3. upon the expiry of the term of validity of the power of attorney, or upon withdrawal of the broker's authorisation by the Exchange member to execute transactions in financial instruments on the Exchange, and in cases of objective inability of the broker to perform his or her functions;

4. upon revocation of the broker's qualification to execute transactions in financial instruments by the FSC or by the competent authority in the Member State, in which the broker has obtained his or her licence.

**(3)** In order to terminate the access of a broker to the System, the Exchange member shall submit an application in a standard form. The application shall be submitted to the Exchange not later than one (1) business day prior to the date of termination.

**(4)** To the application as per paragraph 3 above a declaration by the System administrator should be attached confirming that the user account in the System shall be deleted as from the date of termination.

**(5)** The Exchange shall announce any termination of a broker's access to the System on the website of the Exchange.

### **Chapter Three REGISTERS**

#### **Section One EXCHANGE MEMBERS REGISTER**

**Article 38. (1)** The Exchange shall maintain an up-to-date register of members containing the following details:

1. the name and legal form of the legal entity;
  2. amount of capital and number of shares or units;
  3. identification details of the records of the legal entity into the relevant commercial register;
  4. unique identification number (in Bulgarian: ЕИК) or other identification code for tax and statistical purposes;
  5. LEI;
  6. the FSC decision granting a licence to provide services and perform activities under Article 6 (2) and (3) of the MFIA and, in the case of a bank, the date and number of the BNB decision granting a licence to carry out bank activities, including execution of transactions under items 8–10 of Article 2 (2) of the CIA;
  7. details of the persons having a direct or indirect qualifying shareholding in the Exchange member, and the number of votes held thereby;
  8. details of the management bodies and their members;
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9. full names and personal identification numbers of the persons vested with representative authority;
  10. information on suspension of a member from Exchange trading;
  11. information on violations allowed or committed by the Exchange member with regard to the legal requirements of Article 92 of Regulation (EU) No. 575/2013, or the applicable regulations in the Member State, in which the investment intermediary has obtained a licence;
  12. information on any transformation of the Exchange member's company;
  13. data on the initiation of bankruptcy proceedings against the company;
  14. data on the adoption of a decision to dissolve the company;
  15. information on any administrative sanctions and/or coercive administrative measures imposed by the FSC, or by the BNB in the case of banks carrying out activities as investment intermediaries or by the competent authority in the Member State in which the investment intermediary has obtained a licence, as the case may be;
  16. data on applied algorithms;
  17. details of clients which obtained DEA or sponsored access to the System;
  18. data on other facts or circumstances which, at the discretion of the Exchange member, may have a significant effect on its commercial business or on the activity of the other members or of the Exchange itself;
  19. details of all persons – System administrators;
  20. other information as determined by the Board in a decision.

**(2)** The information subject to entry regarding Exchange members who are non-resident persons from a Member State shall be determined by the Board in a decision on a case-by-case basis in accordance with the applicable standards of the State, in which the person concerned has obtained a licence.

**(3)** The initial entry into the register referred to in paragraph 1 shall be made upon the conclusion of a membership agreement.

**(4)** Members shall notify the Exchange in writing of any changes in circumstances entered into the register under paragraph 1 within five (5) business days from becoming aware of such circumstance, or from the adoption of a decision by the competent authority or, where the circumstance is subject to entry, from the day of its entry, save for the cases under paragraph 1, item 10 for which the time period is one (1) business day. The same notification period shall also apply to the cases of rectification of violations.

**(5)** Data entered into the register shall be modified by the Exchange upon the receipt of the notification under paragraph 4.

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**Article 39.** The Exchange shall enter members whose membership has been terminated into a special register containing data from the register under Article 38 (1) as of the date of the membership termination, which shall not be further updated.

**Article 40. (1)** The registers under Article 38 (1) and Article 39 shall be kept on a data carrier for at least ten (10) years from the date of the membership termination.

**(2)** Documents referred to in this Section shall be kept for five (5) years from the date of the membership termination.

## **Section Two REGISTER OF BROKERS**

**Article 41. (1)** Brokers shall be entered into a special register of brokers.

**(2)** The circumstances subject to entry into the register referred to in paragraph 1 shall be as follows:

1. identification details of the person (full name and personal identification number, or foreigner's identification number, or an equivalent identification code in the country of residence, date of birth, business address, phone number, etc.);
2. number and date of the broker's qualification licence issued by the FSC or by the competent authority in the Member State;
3. expiry date of the licence, if any;
4. any sanctions imposed by the Exchange, along with details;
5. date of admission and termination;
6. the reason for suspension or termination;
7. other data as determined by the Board.

**(3)** Based on the Board's admission decision, the Exchange shall enter new brokers into the register of brokers.

**(4)** Brokers shall notify the Exchange in writing of any changes in the circumstances entered into the register under paragraph 1 within five (5) business days from becoming aware of such circumstance, or from the adoption of a decision by the competent authority or, where the circumstance is subject to entry, from the day of its entry.

**(5)** Data entered into the register under paragraph 1 shall be modified by the Exchange upon the receipt of a document certifying the occurrence or the entry of the change.

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**(6)** Each person entered into the register of brokers shall be assigned an official registration number to be used in trading sessions.

### **ADDITIONAL PROVISIONS**

**§ 1.** The terms used in these Rules, but not defined herein, shall have the meanings assigned to them in the POSA, the MFIA, the IMAMAFIA and their implementation regulations, or in the general commercial legislation or commercial practice.

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

1. 'Market information' shall be the information generated by the Exchange in connection with trading carried out thereon.
  2. 'Qualifying shareholding' shall be any direct or indirect holding which represents ten (10) or more of the votes in the General Meeting, as defined in accordance with Article 146 of the POSA, or which makes it possible to exercise a significant influence over the management of the company.
  3. 'Quote' shall be the simultaneous entry into the System of a limit bid order and a limit ask order on behalf and for the account of a market maker.
  4. 'Resident person' shall be any legal person having its registered office in Bulgaria or any natural person who is permanently resident in Bulgaria.
  5. 'Member State' shall be any Member State of the European Union or any other State included in the European Economic Area.
  6. 'Data carrier' shall be a medium for transmission of electronic records or any data by electronic means'.
  7. 'Clearing' shall be the procedures for determination of the receivables and obligations of each of the Exchange members and the mutual offsetting of such receivables and obligations in connection with concluded transactions in financial instruments.
  8. 'Depository institution' shall be the Central Depository or another depository of financial instruments, designated in compliance with the requirements of Articles 187 and 188 of the MFIA.
  9. 'Clearing house' shall be the Central Depository or another institution performing clearing functions, designated in compliance with the requirements of Article 188 of the MFIA.
  10. 'Platforms for access to the System' shall be information interface used by the Exchange members to submit orders to the trading System. The platforms also provide direct market access or sponsored access to Exchange members' clients.
  11. 'Direct market access' shall be an arrangement through which an Exchange member allows certain clients (including eligible counterparties) to submit orders electronically to its internal electronic trading systems for automatic onward transmission to the System under its trading ID.
  12. 'Sponsored access' shall be an arrangement through which an Exchange member allows certain clients (including eligible counterparties) to submit orders electronically and directly to the System
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under its trading ID, without the orders being routed through its internal electronic trading systems.

**§ 3. Terms and abbreviations used in these Rules:**

1. 'The Exchange' means Bulgarian Stock Exchange, or the regulated market organised by Bulgarian Stock Exchange accordingly.
  2. 'The Board' means the Board of Directors of Bulgarian Stock Exchange.
  3. 'FSC' means the Financial Supervision Commission.
  4. 'BNB' means the Bulgarian National Bank.
  5. 'MFIA' means the Market in Financial Instruments Act.
  6. 'POSA' means the Public Offering of Securities Act.
  7. 'IMAMAFIA' means the Implementation of Measures Against Market Abuse of Financial Instruments Act.
  8. 'CIA' means the Credit Institutions Act.
  9. 'Regulation (EU) No. 575/2013' means 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 648/201.
  10. 'Ordinance No. 38' means FSC Ordinance No. 38 of 25 July 2007 on the requirements for the activity of investment intermediaries.
  11. 'The System' means the electronic trading system through which Exchange trading is implemented.
  12. 'DEA' means direct electronic access to the System.
  13. 'Regulation (EU) 2017/584' means Commission Delegated Regulation (EU) 2017/584 of 14 July 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying organisational requirements of trading venues.
  14. 'Delegated Regulation (EU) 2017/589' means Commission Delegated Regulation (EU) 2017/589 of 19 July 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the organisational requirements of investment firms engaged in algorithmic trading.
  15. 'Delegated Regulation (EU) 2017/578' means Commission Delegated Regulation (EU) 2017/578 of 13 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments with regard to regulatory technical standards specifying the requirements on market making agreements and schemes.
  16. 'Delegated Regulation (EU) 2017/573' means Commission Delegated Regulation (EU) 2017/573 of 6 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments with regard to regulatory technical standards on requirements to ensure fair and non-discriminatory co-location services and fee structures.
  17. 'Delegated Regulation (EU) 2017/590' means Commission Delegated Regulation (EU) 2017/590 of 28 July 2016 supplementing Regulation (EU) No. 600/2014 of the European Parliament and of
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the Council with regard to regulatory technical standards for the reporting of transactions to competent authorities.

18. 'Regulation (EU) No. 596/2014' means 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.

19. 'Regulation (EU) No. 600/2014' means 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.

20. 'Legal Entity Identifier (LEI)' means the identification code of the legal entity.

21. 'The System provider' means Deutsche Boerse AG.

#### **TRANSITIONAL AND FINAL PROVISIONS**

**§ 1.** These Rules shall take effect as of 24 June 2019.

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