

# **BULGARIAN STOCK EXCHANGE**



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STOCK EXCHANGE**

## **RULES AND REGULATIONS**

### **PART I GENERAL RULES**

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## Chapter One GENERAL PROVISIONS

**Article 1.** These General Rules form part of the Rules and Regulations of the Exchange and govern the terms and procedure for administration of the Exchange, its general principles of operation, organisational structure and management, the Exchange's arbitration, and any other matters of general nature.

**Article 2. (1)** The operation of the Exchange shall be governed by:

1. these General Rules;
2. the Membership Rules;
3. the Listing Rules;
4. the Trading Rules;
5. the Surveillance Rules;
6. the Risk Management Rules;
7. the Rules of the Arbitration Court with the Exchange;
8. the Conflicts of Interest Rules;
9. the Rules for Registration and Trading in Government Securities.

**(2)** The body of Rules referred to in paragraph 1 above shall form the Rules and Regulations of the Exchange within the meaning of Article 79 of the MFIA, and shall regulate the rights and obligations of and the requirements for the members of the Exchange, the brokers and the issues of financial instruments admitted to trading.

**Article 3.** Any amendments or supplements to the Rules shall be adopted by the Board and shall be subject to prior approval by the Deputy Chairman of the FSC in accordance with the MFIA. The Rules shall also be subject to clearance with or approval by other institutions where the law requires so. Any amendments or supplements to the Rules shall take effect as of the day following the expiry of fourteen (14) calendar days from the day of their publication, unless the Board decides otherwise.

**Article 4. (1)** The market operator of the Exchange shall be the company Bulgarian Stock Exchange AD, which shall administrate, manage and organise the Exchange. The Exchange shall not be a legal entity separate from its market operator.

**(2)** Bulgarian Stock Exchange AD, being a legal entity which performs the functions of a stock exchange and of a market operator at the same time, shall be entitled to exercise any of the rights relating to the regulated market, and holds the licences issued by the FSC as required to organise such regulated market.

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**(3)** Bulgarian Stock Exchange AD, acting as a market operator, shall be an independent and self-regulating institution whose operation shall be subject to the supervision of the FSC and shall be governed by the law, its Articles of Association and by-laws, the Rules and Regulations, and the resolutions of its shareholders' general meetings.

## **Chapter Two**

### **ACTIVITIES AND PRINCIPLES OF THE EXCHANGE**

**Article 5.** By carrying out an activity within the meaning of Article 73 of the MFIA and Article 4, § 1, point 21 of Directive 2014/65/EU, the Exchange shall enable its members and shall provide them with mechanisms to conclude transactions in financial instruments.

**Article 6.** Transactions referred to in the preceding Article may only be concluded remotely by electronic means, using the trading system of the Exchange (the System).

**Article 7.** The Exchange shall operate in compliance with the following principles:

1. ensuring equal conditions for access to and participation in financial instruments trading for all Exchange members and their clients;
2. ensuring equal access to market information for all Exchange members and their clients;
3. application of uniform rules for Exchange trading, conclusion and execution of transactions in financial instruments;
4. application of objective standards, honest and impartial treatment of all Exchange members and their clients with respect to trading carried out on the markets organised by the Exchange;
5. ensuring complete transparency regarding pricing of financial instruments listed on the Exchange.

## **Chapter Three**

### **GOVERNANCE OF THE EXCHANGE**

**Article 8. (1)** The following bodies shall govern the operation of the Exchange as a regulated market:

1. Board of Directors;
2. Chief Executive Officer;
3. Compliance Director;
4. Trading Director;
5. Information Technologies Director.

**(2)** The activities of the bodies referred to in paragraph 1 above shall be assisted by specialised

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directorates as follows:

1. Trading, Listing and Membership Directorate;
2. Compliance Directorate;
3. Information Technologies Directorate;

**(3)** Subject to the specific conditions described in the Rules referred to in Article 2 (1) , the directors of specialised directorates may perform management functions as delegated to them by the competent bodies in accordance with these Rules.

**Article 9. (1)** The Board shall carry out its activities in accordance with the requirements of the law, the Articles of Association and the Rules and Regulations of the Exchange.

**(2)** The Board shall:

1. adopt, amend and supplement the Rules and Regulations of the Exchange;
  2. adopt, amend and supplement the Tariff of fees collected by the Exchange and the Tariff of fees and costs collected by the Arbitration Court with the Exchange;
  3. adopt decisions and issue orders regarding the exercise of its powers, which shall be binding on the participants on the markets organised by the Exchange;
  4. admit financial instruments to trading, and suspend or terminate trading in certain issues;
  5. admit Exchange members and their brokers, and suspend or terminate their participation in trading on the Exchange;
  6. determine the terms and procedure for conclusion of transactions on the Exchange, and ensure the lawful conduct of trading on the Exchange;
  7. organise the operation of the Exchange regarding the closure of transactions on the Exchange and the relationships with depositary institutions and clearing houses;
  8. set requirements for the members' technical equipment to ensure the conclusion and closure of transactions;
  9. ensure the compliance with the Rules and Regulations by the Exchange members and their employees and clients;
  10. exercise control of transactions executed by Exchange members so that to detect any breaches of the legal requirements and of the Rules and Regulations, or trading in breach of the established procedure, or conduct that may involve market manipulation;
  11. impose sanctions on Exchange members and brokers in case of violation of the Rules or of orders or decisions issued by the Board;
  12. determine the procedure for access to and use of the Exchange facilities by its members;
  13. approves the self-assessment of conformity under Article 48 of Directive 2014/65/EU;
  14. exercise any other rights provided by law, the Articles of Association or these Rules and Regulations.
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**(3)** The Board shall notify the FSC of all its decisions concerning the operation of the Exchange as a regulated market, or regarding any amendments or supplements to documents on the basis of which a licence has been granted, in accordance with the legal requirements and terms.

**Article 10. (1)** The Chief Executive Officer of the Exchange shall:

1. organise the implementation of the Board's decisions regarding the operation of the Exchange;
2. represent the Board before the other bodies of the Exchange or any third parties in connection with the operation of the Exchange;
3. carry out, in cooperation with the specialised directorates, the day-to-day management and control of the operation of the Exchange;
4. propose to the Board decisions where a provider of a service used by the Exchange fails to carry out its duties effectively or in compliance with its statutory obligations;
5. exercise other powers provided by the Rules or assigned to the Chief Executive Officer in a decision issued by the bodies of the Exchange.

**(2)** The Board may authorise another person to exercise, in whole or in part, the powers of the Chief Executive Officer under paragraph 1 above. Any such person shall be required to meet the legal requirements for the position of the Chief Executive Officer, and shall be subject to the prior approval by the Deputy Chairman of the FSC.

**Article 11. (1)** The directors of specialised directorates shall manage the operation of their respective structural units in accordance with the Rules and Regulations of the Exchange and with the internal operating procedures and policies, and shall follow the Exchange's business strategy adopted by the Board.

**(2)** The Trading Director shall:

1. make proposals to the Board regarding the exercise of his/her powers;
  2. admit financial instruments to trading, and shall suspend or terminate trading in certain issues in the cases specified in the Rules and Regulations;
  3. supervise the compliance of financial instruments issuers admitted to trading on the Exchange with their obligations to disclose information on a regular and ongoing basis, and shall propose solutions in case of any inconsistencies;
  4. approve functionally the development, deployment and subsequent up-date of the System in accordance with Article 3(1) (b) of Delegated Regulation (EU) 2017/584;
  5. monitor the overall conduct of trading sessions;
  6. take measures to extend the scope of the System's functions, where required by Article 3(2)(b) of Delegated Regulation (EU) 2017/584;
  7. perform other functions provided by the Rules and Regulations, or by regulations or delegated regulations regarding the implementation of Directive 2014/65/EU.
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**(3) The Compliance Director shall:**

1. analyse and make proposals to bring the Rules and Regulations of the Exchange into line with the existing legal framework;
2. arrange the preparation of the self-assessment of conformity, in accordance with Article 2 of Regulation (EU) 2017/584;
3. provide clarity to all Exchange personnel involved in algorithmic trading about their legal obligations with respect to such trading, in accordance with Article 4(1) (a) of Delegated Regulation (EU) 2017/584;
4. make, together with the Trading Director, the annual assessment of compliance of the Exchange members under Article 7 of Delegated Regulation (EU) 2017/584;
5. arrange the development and maintenance of policies and procedures so that to ensure the conformity of the System with the legal obligations of the Exchange, in accordance with Article 4(1) (b) of Delegated Regulation (EU) 2017/584;
6. prepare, together with the Trading Director, proposals to the Board to amend the Rules and Regulations;
7. supervise trading on the Exchange so that to limit, prevent or detect any market abuse;
8. make proposals to the Board to impose sanctions in cases of violations of the Rules and Regulations or compulsory decisions of the Exchange;
9. exercise regular control to detect any potential conflicts of interest, make analyses of possible adverse effects of such conflicts of interest, and propose solutions to the Board to resolve such conflicts of interest;
10. perform any other functions conferred by the Rules and Regulations or arising from the regulations or delegated regulations on the implementation of Directive 2014/65/EU.

**(4) The Information Technologies Director shall:**

1. carry out the technical operations related to the deployment and up-date of the System, in accordance with Article 3(1) (b) of Delegated Regulation (EU) 2017/584;
  2. organise the overall functioning of the other information systems of the Exchange;
  3. organise the technical development of software applications in connection with the functioning of the information systems of the Exchange;
  4. organise archiving of information and backing up the information systems so that to ensure the business continuity of the Exchange, in accordance with Article 16(2)(e) of Delegated Regulation (EU) 2017/584;
  5. analyse technical matters, propose measures, and take any necessary measures within his or her competence regarding such matters;
  6. conduct general and ongoing monitoring, including real time, of the capacity of each component of the Exchange's technical infrastructure, in accordance with Article 12 of Delegated Regulation (EU) 2017/584;
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7. propose solutions and take measures to extend the technical capacity of the System, where necessary, in accordance with Article 11(3) and (4) of Delegated Regulation (EU) 2017/584;
  8. conduct periodic review of the performance and capacity of the information systems, including conduct of stress tests, in accordance with Article 14 of Delegated Regulation (EU) 2017/584;
  9. carry out the activities related to technical and information security of the Exchange's infrastructure, in accordance with Article 23 of Delegated Regulation (EU) 2017/584;
  10. perform any other functions conferred to the Information Technologies Director by the Rules and Regulations or arising from the regulations or delegated regulations on the implementation of Directive 2014/65/EU.

#### **Chapter Four**

#### **RELATIONS BETWEEN EXCHANGE EMPLOYEES AND MARKET PARTICIPANTS**

**Article 12.** Exchange employees may not enter into such contractual relations with Exchange members or issuers of financial instruments, or with their employees, that involve labour force provision or result in labour output.

**Article 13.** Exchange employees may not:

1. be members of management or control bodies of Exchange members, of companies that have issued financial instruments traded on the Exchange, including procurators or other kind of representatives thereof;
2. make any public statements recommending or stating assumptions in connection with exchange trading, including before brokers and representatives of Exchange members;
3. disclose or take advantage of any confidential information that has come to their knowledge in connection with the performance of their official duties. This prohibition shall survive the termination of the employment between the employee concerned and the Exchange;
4. make any statements, comments, publications, media appearances, participation in seminars or any other type of public appearance that may give rise to a conflict of interest.

**Article 14.(1)** Each Exchange employee shall be required to disclose in writing to the Board of Directors any commercial, financial or other business interest that the employee concerned has and which affects the interests of BSE AD or the interests of any Exchange member.

**(2)** In the performance of their duties, Exchange employees shall be required to put the interests of BSE AD above their own interests.

**(3)** Exchange employees shall not take part in the discussion, preparation, taking and implementation of any decisions on matters in which they or their family members hold any commercial, financial or other business interest.

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**Article 15.** The Exchange shall not be held liable for any damages caused to Exchange members or their clients during the use of the trading system and the technical equipment of the Exchange, unless such damages are due to wilful misconduct or gross negligence of Exchange employees.

### **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. '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.
3. 'Settlement' shall be the procedures for fulfilment of the obligations to transfer cash and/or financial instruments in connection with transactions and their registration on an account with a depository institution.
4. 'Depository institution' shall be the CD or another depository of financial instruments, designated in compliance with the requirements of the MFIA.
5. 'Clearing house' shall be the CD or another institution performing clearing functions, designated in compliance with the requirements of the MFIA.

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

1. 'The Exchange' means Bulgarian Stock Exchange AD, or the regulated market organised by Bulgarian Stock Exchange AD accordingly.
  2. 'The Board' means the Board of Directors of Bulgarian Stock Exchange AD.
  3. 'Chief Executive Officer' means the Chief Executive Officer of Bulgarian Stock Exchange AD.
  4. 'The System' means the electronic trading system through which Exchange trading is implemented.
  5. 'FSC' means the Financial Supervision Commission.
  6. 'Deputy Chairman of the FSC' means the Deputy Chairman of the FSC responsible for the Investment Activity Supervision division.
  7. 'CD' means Central Depository AD.
  8. 'MFIA' means the Market in Financial Instruments Act.
  9. 'POSA' means the Public Offering of Securities Act.
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10. 'IMAMAFIA' means the Implementation of Measures against Market Abuse of Financial Instruments Act.

11. 'Directive 2014/65' means Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU.

12. '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.

13. 'Trading Director' means the director of the Trading, Listing and Membership Directorate of Bulgarian Stock Exchange AD.

14. 'Compliance Director' means the director of the Compliance Directorate of Bulgarian Stock Exchange AD.

15. 'Information Technologies Director' means the director of the Information Technologies Directorate of Bulgarian Stock Exchange AD.

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

**§ 1.** These Rules shall take effect as of 23 February 2018.

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