

**BULGARIAN
STOCK
EXCHANGE-SOFIA**



**BULGARIAN
STOCK EXCHANGE**
SOFIA

RULES AND REGULATIONS

**PART I
GENERAL RULES**

Chapter One

GENERAL PROVISIONS

Article 1. These General Rules constitute a part of the Rules and Regulations of the Exchange and govern the terms of and the procedure for administration of the Exchange, the general principles of operation thereof, the organisational structure and management thereof, exchange arbitration, as well as all other matters of a 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 and Regulations of the Arbitration Court with the Exchange;
8. The Conflicts of Interests Rules.

(2) The sum of the Rules covered under Paragraph (1) above shall constitute the Rules and Regulations of the Exchange within the meaning given by Article 79 of the MFIA and shall regulate the rights, the obligations and the requirements to the members of the Exchange, the brokers and the issues of financial instruments admitted to trading, as well as the obligations of the Exchange towards these with regard to the administration of a regulated market.

Article 3. The amendments and supplements to the Rules shall be adopted by the Board and shall be subject to advance approval by the Deputy Chairperson of the FSC as per the procedure established by the MFIA. The Rules shall be subject to clearance with or approval by other institutions as well in case the law requires that. The amendments and supplements to the Rules shall take effect as from the day succeeding the lapse of 14 (fourteen) calendar days from the day of publication of the said amendments and supplements, unless the Board has set another time period.

Article 4 (1). The market operator of the Exchange shall be Bulgarian Stock Exchange – Sofia AD, which company shall administrate, manage and organise the Exchange. The Exchange and the market operator thereof shall not be separate legal persons.

(2) Bulgarian Stock Exchange – Sofia AD, being a legal person concurrently performing the functions of an Exchange and a market operator, shall have the right to exercise each of the rights related to the regulated market, and holds the licences issued by the FSC as required to organise such regulated market.

(3) Bulgarian Stock Exchange – Sofia AD, as a market operator, shall be an independent and self-

regulating institution, which operates under the supervision of the FSC and subjugates the operation thereof to the law, to the Articles of Association thereof and to internal instruments, the Regulations and the resolutions of the Shareholders' General Meeting thereof.

Chapter Two OBJECTS AND PRINCIPLES OF THE EXCHANGE

Article 5. The Exchange shall enable and provide the members thereof with mechanisms for conclusion of transactions in financial instruments, carrying out an activity within the meaning given by Article 73 of the MFIA and Article 4, paragraph 14 of Directive 2004/39/EC.

Article 6. The transactions referred to under the foregoing Article shall be concluded solely through remote trading, by electronic means, using the trading system of the Exchange.

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

1. Ensuring equal terms for participation in the trading in financial instruments to all Exchange members and to the clients thereof;
2. Ensuring equal access to the market information to the Exchange members, to the market participants, as well as to all interested parties;
3. Application of unified rules for exchange trading, conclusion and execution of transactions in financial instruments;
4. Application of objective standards, honest and impartial treatment of the various Exchange members and the clients thereof in respect of the trading implemented on the markets organised by the Exchange;
5. Ensuring complete transparency regarding the pricing of the 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. Directors of Directorates.

Article 8. (2) The activities of the authorities referred to under Paragraph (1) shall be assisted by Specialised Directorates. The internal organization and structure of the Exchange ensures the performance of its operations in the capacity of a regulated market in compliance with the statutory requirements and the bylaws the application thereof.

(3) Under specific terms described in the Rules referred to in Article 2 (1), the Directors of the aforesaid Specialised Directorates may perform governance functions assigned thereto by the competent body in accordance with the procedure provided for under the present Rules and Regulations.

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

(2) The Board shall be vested with the following powers:

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 of the Arbitration Court with the Exchange;
3. Adopt decisions and issue orders in connection with the exercise of the powers thereof, which shall be binding on the participants in 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 the brokers thereof, and suspend or terminate the participation thereof in exchange trading;
6. Determine the terms and procedure for conclusion of transactions on the Exchange and ensure the lawful conduct of exchange trading;
7. Organise the operation of the Exchange in connection with the settlement of exchange transactions and the interaction with depositary institutions and clearing houses;
8. Participate in the organisation and the governance of the Guarantee Fund with the Exchange;
9. Set requirements to members' technical equipment, which requirements guarantee the conclusion and the settlement of transactions;
10. Ensure the observance of the Rules and Regulations by the Exchange members and the employees and clients of the said members;
11. Exercise control vis-à-vis the transactions executed by members of the Exchange, for the purpose of detecting breaches of the requirements of the law and of the Rules and Regulations, conduct of trading in breach of the established procedure or conduct that may involve market manipulation;
12. Impose sanctions on members and brokers upon violation of the Rules and Procedure and of the orders and decisions of the Board;
13. Determine the procedure for access and use of the facilities of the Exchange by the members thereof;
14. Exercise all other rights conferred thereon according to the law, the Articles of Association and these Rules and Regulations.

(3) The Board shall notify the FSC of all decisions thereof relevant to the operation of the Exchange as a regulated market, as well as regarding any amendments and supplements to the documents which have served as grounds for the issuance of a licence in accordance with the legal requirements and the time limits set.

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

1. Organise the implementation of the decisions of the Board in connection with the operation of the Exchange;
2. Represent the Board before the other bodies of the Exchange and before all third parties in connection with the operation of the Exchange;
3. Carry out, in co-operation with the specialised Directorates, day-to-day management and control over the operation of the Exchange;
4. Exercise other powers as well, as defined in the Rules and Regulations or assigned thereto under a decision made 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 covered under Paragraph (1) above. Any such person shall comply with the legal requirements set to the position of the Chief Executive Officer and shall be the subject to advance approval by the Deputy Chairperson of the FSC.

Chapter Four

RELATIONS BETWEEN EXCHANGE EMPLOYEES AND MARKET PARTICIPANTS

Article 11. Exchange employees may not enter into contractual relations with Exchange members, with issuers of financial instruments or with employees thereof, as a result of which contractual relations workforce or result of work is provided.

Article 12. Exchange employees may not:

1. Participate in the management and the control bodies of Exchange members, of the companies that have issued financial instruments traded on the Exchange, *inter alia* be procurators or other kind of representatives thereof;
2. Make any public statements recommending or stating assumptions in connection with exchange trading, *inter alia* before brokers and representatives of Exchange members;
3. Disclose or take advantage of any confidential information which has come to the knowledge thereof in connection with the performance of the official duties thereof. This prohibition shall furthermore apply to the time after termination of the employee relationship 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 could lead to a conflict of interest.

Article 13. (1) Each Exchange employee shall be obligated to disclose in writing to the Board of Directors any commercial, financial or other business interest that the said employee has and which affects the interests of BSE-Sofia AD or the interests of any Exchange member.

(2) In the performance of the duties thereof, Exchange employees shall be obligated to place the

interests of BSE-Sofia AD before their own interests.

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

Article 14. The Exchange shall not be held liable for any damage caused to the members or to members' clients upon the use of the trading system and the technical equipment of the Exchange, except where the said damage was caused by Exchange employees acting fraudulently or with extreme negligence.

SUPPLEMENTARY PROVISIONS

§ 1. The terms used in these Rules, where not defined, shall be understood within the meaning within which these are used in the POSA, the MFIA, the MAMAFIA and the instruments regulating the application thereof, respectively, in general commercial legislation and commercial practice.

§ 2. Within the meaning given by these Rules:

1. "Market information" shall be the information generated by the Exchange in connection with the trading implemented thereon.
2. "Clearing" shall be the procedures for determination of the receivables and the liabilities of each one of the Exchange members and the mutual netting of the said receivables and obligations in connection with the transactions in financial instruments as concluded.
3. "Settlement" shall be the procedures for the discharge of obligations to transfer cash and/or financial instruments in connection with transactions and the registration thereof into an account held with a depositary institution.
4. "Depositary institution" shall be CD or another depositary of financial instruments, designated in compliance with the requirements of Articles 100 and 101 of the MFIA.
5. "Clearing house" shall be CD or another institution performing clearing functions, designated in compliance with the requirements of Article 101 of the MFIA.

§ 3. The following abbreviations are used in these Rules:

1. "the Exchange": Bulgarian Stock Exchange – Sofia AD or, respectively, the regulated market organised by Bulgarian Stock Exchange – Sofia AD.
 2. "the Board": the Board of Directors of Bulgarian Stock Exchange – Sofia AD.
 3. "the Chief Executive Officer": the Chief Executive Officer of Bulgarian Stock Exchange – Sofia AD.
 4. "the System": the electronic trading system wherethrough exchange trading is implemented.
 5. "the FSC": the Financial Supervision Commission.
 6. "the Deputy Chairperson of the FSC": the Deputy Chairperson of the FSC in charge of the Investment Activity Supervision Division.
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7. “CD”: Central Depository AD.

8. “the MFIA”: the Markets in Financial Instruments Act.

9. “the POSA”: the Public Offering of Securities Act.

10. “the MAMAFIA”: the Measures against Market Abuse with Financial Instruments Act.

11. “Directive 2004/39/EC”: Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments.

TRANSITIONAL AND FINAL PROVISIONS

§ 1. These Rules and Regulations shall be in force as from 26 May 2011.
