

**BULGARIAN
STOCK
EXCHANGE-SOFIA**



**BULGARIAN
STOCK EXCHANGE**
SOFIA

RULES AND REGULATIONS

**PART IV
TRADING RULES**

Chapter One TRADING SESSIONS

Section One GENERAL PROVISIONS

Article 1. (1) The Exchange, through the System and in accordance with the non-discrimination rules thereof, matches or facilitates the matching of interests in purchase and sale of financial instruments admitted to trading on a market organised by the Exchange on the part of the Exchange members and the clients thereof, the result of which being the conclusion by and between the parties concerned a contract regarding the said financial instruments.

(2) The Exchange shall ensure equal conditions for participation in trading to the Exchange members and the clients thereof.

(3) Trading on the markets organised by the Exchange shall be remote and shall be implemented by means of an electronic trading System.

(4) Participation in trading sessions shall be accomplished through broker terminals (trading terminals) connected to the System. Each participant in trading shall be responsible for the exercise of control over the access to the terminal assigned thereto and to all electronic devices connected to the System, as well as for safeguarding the secrecy of the unique identification numbers and passwords entrusted thereto.

(5) Solely brokers admitted according to the procedure established by the Membership Rules may enter data into the System. Each broker shall be responsible for the exercise of control over the access to the terminal assigned thereto, as well as for safeguarding the secrecy of the unique identification numbers and passwords entrusted thereto.

(6) All transactions, executed using the unique identification numbers and passwords assigned to an Exchange member's brokers, shall be obligatory and binding upon the said Exchange member.

(7) The conditions for connection of a trading terminal and for access to the System shall be established under mandatory instructions issued by the Board and shall constitute part of, or an annex to, the agreement for the participants in the markets organised by the Exchange, or to the membership agreement with the Exchange. Control over the compliance with the conditions referred to under sentence one shall be exercised by the Board or by a person duly designated thereby.

Section Two TRADING PHASES AND DURATION

Article 2. (1) A trading session shall be the officially announced time period during which transactions may be executed on the Exchange.

(2) Members may enter, modify and cancel buy and sell orders during the session, as well as in the pre-trading and in the post-trading phase, within time periods fixed by the Board.

(3) The duration and the schedule of the trading sessions shall be determined by the Board. Trading shall be carried out in parallel on all market segments.

(4) Any change in the frequency and duration of trading sessions compared to the established schedule, as well as in the time period set for entry of orders, shall be effected by the Board and shall be published in the Exchange Bulletin at least five (5) business days in advance.

(5) The location of conclusion of all transactions according to the procedure established by these Rules shall be the City of Sofia.

(6) At each trading session of the Exchange, members shall be represented by brokers duly admitted in accordance with the procedure established by the Membership Rules. Each broker shall be identified in a manner endorsed by the Board.

Article 3. (1) If financial instruments are traded continuously on the respective market segment, the trading sessions shall proceed through the following phases in the order specified hereunder:

1. Opening auction;
2. Continuous trading;
3. Closing auction.

(2) During continuous trading, one or more intraday auctions may be scheduled.

Article 4. If financial instruments are not traded continuously on the relevant market segment, trading sessions shall consist of one or more auctions.

Article 5. The overall conduct of trading sessions shall be organised and controlled by the Director of Trading.

Chapter Two BUY AND SELL ORDERS AND QUOTES

Section One GENERAL PROVISIONS

Article 6. Transactions in financial instruments admitted to trading on the Exchange shall be

executed on the basis of the buy and sell orders entered by the Exchange members and of the market maker quotes (exchange transactions).

Article 7. Orders and quotes shall constitute a firm request to buy or to sell a particular amount of financial instruments at a set price or at a market price and at particular additional parameters.

Article 8. By placing orders or quotes, the brokers shall declare their readiness to settle the transactions executed as a result of the said orders or quotes within the standard settlement period.

Section Two

TYPES OF EXCHANGE ORDERS

Article 9. (1) The following principal types of exchange orders shall be permissible on the Exchange:

1. limit orders: orders to buy or sell a particular amount of financial instruments at a specified limit price;
2. market orders: orders to buy or sell a particular amount of financial instruments at the best price on the exchange market at the time of entering the said orders into the Exchange trading system;
3. market-to-limit orders: market orders, which are executed at the price of the best limit order on the other side of the order book. Where, at the time of entering, such an order does not exist or solely market orders exist on the other side of the order book, the market-to-limit order shall be rejected by the System.

(2) Depending on the conditions set for execution thereof during continuous trading, orders may be of the following types:

1. immediate-or-cancel orders, which are executed immediately and as fully as possible. The non-executed part of any such order is rejected by the System;
2. fill-or-kill orders, which are executed immediately and fully, and where this is not possible, any such order is rejected by the System;
3. book-or-cancel, which remain active in the System only if these are not immediately executable, or are otherwise rejected by the System.

(3) Depending on the validity thereof, orders may be:

1. good-till-cancelled orders: orders which are transferred from one exchange session to the next one, until cancelled; however, for a period which may not exceed three hundred and sixty (360) calendar days;
 2. good-for-day orders: orders only valid for one session which, upon the session's end, are rejected by the System;
 3. good-till-date orders: orders whose unexecuted part is transferred from one exchange session to the next one until a specified period, which, however, may not be longer than three hundred and sixty (360) calendar days.
-

(4) Depending on the phase of the trading session for which these are intended, orders shall be valid:

1. Only in opening auction;
2. Only in closing auction;
3. Only in intraday auctions;
4. Only in auctions, regardless of the type thereof;
5. For the entire trading session.

Article 10. (1) It shall be permissible to enter stop orders on the Exchange, the execution of which shall be possible upon reaching a predefined price (a stop price).

(2) Stop orders shall be of the following types:

1. Stop market orders, which are automatically entered into the System as market orders where the current market price reaches the stop price set or exceeds the said stop price for stop buy orders, or respectively reaches or falls below the said stop price for stop sell orders;
2. stop limit orders, which are automatically entered into the System as limit orders where the current market price reaches or exceeds the stop price set for stop buy orders, or respectively reaches or falls below the said stop price for stop sell orders.

Article 11. (1) It shall be permissible to enter iceberg orders on the Exchange: good-for-day limit orders, which are characterised by an overall volume and by a peak volume and in which only the peak's remainder is visible in the System at any time.

(2) The minimum overall volume of an iceberg order shall be one thousand (1,000) financial instruments.

(3) The minimum peak size shall be 5 per cent (5%) of the overall volume of an iceberg order; however, not less than one hundred (100) pieces of the respective financial instrument.

(4) Upon execution of the unexecuted part of the peak volume, the System shall enter an order having the same price and a new peak until depletion of the overall volume.

(5) The last order entered into the System shall be of a volume equal to the overall peak size of the iceberg order.

(6) Iceberg orders shall not be marked as such in the System.

(7) During auctions, iceberg orders shall participate in the price determination with the overall volume thereof.

(8) No additional execution conditions and trading restrictions may be assigned to iceberg orders.

Section Three PRIORITIES OF ORDERS

Article 12. (1) Upon entry of an order into the System, the said order shall be allocated *ex officio* a priority and a unique number. There shall be the following priorities of the orders entered on the Exchange:

1. First priority: price priority;
2. Second priority: time of entry priority, the prices of the respective orders being equal.

(2) Price priority shall ensure that:

1. Buy orders with a higher limit price take precedence over orders with a lower limit price and, respectively, sell orders with a lower limit price take precedence over orders with a higher limit price;
2. Market orders take precedence over limit orders.

(3) The time of entry priority shall ensure that orders which were entered earlier take precedence in the case where these are limited at the same price.

(4) Between market orders, only the time of entry priority shall apply.

(5) Upon modification of the parameters of an existing order on the part of the broker in the System, a new time stamp shall be assigned to the said order if the new parameters of the order affect adversely the execution and the priorities of the rest of the existing orders.

(6) An order shall be deleted by the System upon:

1. Being cancelled by the broker; or
2. Being cancelled *ex officio* by the System consequent to the lapse of the validity thereof; or
3. Being cancelled *ex officio* by the Exchange consequent to an express written request on the part of the Exchange member which entered the said order; or
4. Being fully executed consequent to the conclusion of a transaction thereon.

(7) A newly entered peak volume of an iceberg order shall have the same price priority as the preceding peak volume.

Section Four ORDER PARAMETERS

Article 13. (1) Each exchange order shall mandatorily contain:

1. Unique number allocated by the System;
 2. Exact time of entry;
-

-
3. BSE code of the issue of financial instruments;
 4. Buy/sell identification;
 5. Principal type of the order;
 6. Price conditions;
 7. Overall volume of the order, and in the cases of iceberg orders, peak volume as well;
 8. Stop price, in the cases of stop orders;
 9. Identification of the Exchange member and the broker who entered the order in question;
 10. Execution conditions;
 11. Validity constraints;
 12. Identification of the trading session phase for which they are intended;
 13. Marking whether the order is for own or for somebody else's account.

(2) Not all parameters covered under Paragraph (1) need be visible in the System.

(3) During the pre-trading and post-trading phase in which entry of orders is permissible, brokers shall have information only on the orders entered thereby.

Article 14. (1) In respect of financial instruments admitted to trading on the Exchange, the Board shall establish round market lots for each type of instruments separately. The Exchange shall inform the participants in Exchange trading of each change in the said lots, where announcing the date from which the new lots are to be considered minimum tradable units.

(2) Solely orders in round lots shall be permissible for entry during continuous trading.

(3) Orders of any volumes may participate in the auctions.

(4) Limit orders in odd lots received by the members from different clients may be aggregated into round lots solely under the terms established by Article 37 of Ordinance No. 38.

Article 15. (1) Buy and sell orders and quotes shall be entered with a tick size accurate to the third decimal place, except in the cases where the Rules provide otherwise.

(2) The price of buy and sell orders for interest-bearing bonds shall not include the interest accrued since the date of the last coupon payment until the moment of order's entry. In the case of zero-coupon bonds, the price of buy and sell orders shall include a proportional part of the discount as per the applicable convention.

(3) The price of the orders referred to under Paragraph (2) above shall be entered as a percentage of the nominal value of one market lot.

Section Five

MARKET MAKER QUOTES

Article 16. (1) The System shall furthermore permit the entry of quotes by Exchange members registered as market makers according to the procedure established by the Membership Rules.

(2) A quote shall be the simultaneous entry into the System of a buy limit order and a sell limit order.

(3) A quote shall be good-for-day.

(4) Each market maker may enter only one quote for a particular issue, in respect of which issue it is a market maker.

Chapter Three EXCHANGE TRANSACTIONS

Section One CONCLUSION OF TRANSACTIONS AS A RESULT OF AUCTIONS

Article 17. (1) Each auction shall consist of at least the following stages, occurring as per the below order:

1. A call phase;
2. A price determination phase.

(2) During the call phase, brokers may enter new orders, as well as modify and cancel existing orders.

(3) During the call phase, if there are orders executable against one another, solely information on the indicative auction price, market imbalance information, as well as information on accumulated volumes, is displayed in the System.

(4) The indicative auction price is the price which would be attained if execution of the orders was immediately proceeded with.

(5) Where there are no orders executable against one another, the best bid and ask prices, as well as the accumulated volumes at the best bid and best ask prices, are displayed in the System.

Article 18. The duration of the call phase shall be determined by the Board, and upon the lapse of the said duration the call phase shall be randomly ended by the System within a period also determined by the Board.

Article 19. (1) The price determination phase starts after the call phase is completed.

(2) The auction price is the price of a limit order with the highest executable volume and, respectively, the lowest surplus, depending on the existing orders in the System at the end of the call phase.

(3) If there are two or more limit prices with the same executable volume, the following rules shall apply upon determination of the auction price:

1. The auction price equals the best bid price if the surplus is on the sell side (surplus of offerings);
2. The auction price equals the best ask price if the surplus is on the buy side (surplus of demand).

(4) If there is a surplus of offerings for one part of the limit order prices and a surplus of demand for another part, or if there is no surplus for all limit order prices, then:

1. If the reference price is higher than or equal to the highest limit price at which there is a surplus of demand, the auction price equals that limit price;
2. If the reference price is lower than or equal to the lowest limit price at which there is a surplus of offerings, the auction price equals that limit price;
3. If the reference price lies between the two best bid and ask prices, the auction price equals the reference price.

(5) If only market orders are executable against one another at the end of the call phase, the auction price equals the reference price.

(6) If there are no executable orders at the end of the call phase, the System does not determine an auction price and proceeds with the next phase of the session.

Article 20. If an auction price is determined, the System proceeds with execution of the orders executable against one another at the said price, and a trade confirmation is sent to each of the parties to the transactions.

Article 21. (1) Upon completion of the price determination phase, all market orders and limit orders which were not executed or were only partially executed shall be forwarded to the next possible trading phase according to their respective restrictions.

(2) If there is no auction price, the market-to-limit orders which were entered during the call phase shall be deleted *ex officio* by the System.

(3) If there is an auction price, the partially executed and non-executed market-to-limit orders shall be entered into the System as limit orders with a price equal to the auction price. Iceberg orders shall be transferred to the continuous trading phase with their respective remaining peak volumes.

(4) The book-or-cancel type of orders shall be deleted upon starting an auction. Any book-or-cancel orders entered during an auction shall be rejected by the System.

Article 22. (1) The price achieved at the closing auction shall serve as a closing price for the respective session.

(2) If no price has been achieved at the closing auction, the closing price for the respective session of the particular financial instrument shall equal the reference price.

(3) If no transactions are executed in the particular instrument at the respective session, the closing price shall equal the closing price for the preceding session.

Section Two

CONCLUSION OF TRANSACTIONS DURING CONTINUOUS TRADING

Article 23. The continuous trading phase is proceeded with upon completion of the opening auction or of the intraday auction.

Article 24. During continuous trading the System displays information only on the accumulated order volumes of each limit price and on the number of orders at each limit price.

Article 25. (1) During continuous trading, each order newly entered into the System shall be immediately checked for execution against orders on the other side of the order book according to the priorities allocated to the said orders.

(2) In addition to the priorities as allocated, price determination during continuous trading shall be carried out according to the following rules:

1. If an incoming market order meets an order book with market orders only on the other side, this market order is executed at the reference price;
 2. If an incoming market order, market-to-limit order or limit order meets an order book with limit orders only on the other side, the price of the transaction executed equals the highest bid price, in the cases of entry of a sell order or, respectively, the lowest ask price, in the cases of entry of a buy order;
 3. If an incoming market-to-limit order meets an order book with market orders only or market and limit orders or no orders at all on the other side of the book, the System rejects this market-to-limit order;
 4. If an incoming market order meets an order book with market orders and limit orders on the others side, then the incoming order is executed against the market orders in accordance with price/time priority at the reference price or at the highest limit price with respect to non-executed bid market orders or, respectively, at the reference price or at the lowest limit price with respect to non-executed ask market orders;
-

5. If an incoming limit order meets an order book with market orders only on the other side, then the incoming order is executed against the market orders at the reference price, and if this violates the priority of execution, at the price of the limit order itself;

6. If an incoming limit order meets an order book with market orders and limit orders on the other side, then the incoming order is executed against the market orders in accordance with the price/time priority at the reference price, and if this violates the priority of execution, at the highest bid price, in the cases of entry or a sell order or, respectively, at the lowest ask price, in the cases of entry of a buy order.

(3) In addition to the cases referred to under Item 3 of Paragraph (2), non-executed market orders shall be executed immediately against the next order entered on the other side of the order book. In this case, the following principles shall apply:

1. Market orders are given the reference price as a “virtual” price. On this basis, such orders are executed at the reference price, provided that this does not violate the priority of execution;

2. If orders cannot be executed at the reference price, they are executed in accordance with the priority of execution at a price above the reference price, in the cases of non-executed bid market orders, or at a price below the reference price, in the cases of non-executed ask market orders. The price of execution equals either the price of a limit order already within the order book or the price of an incoming limit order depending on the priority of execution as allocated.

(4) If an incoming order does not meet any incoming order on the other side of the order book, no price is determined and no transaction is effected.

(5) Partially executed market-to-limit orders are entered into the System as limit orders with a price equal to the price of the transaction executed therein and a volume equal to the volume of the said orders remaining after the conclusion of the transaction.

(6) If, after the entry of a limit order, the best bid price in the order book proves to be lower than the best ask price, no price is determined and no transaction is effected.

(7) Immediately upon conclusion of a transaction as a result of orders executable against one another, a trade confirmation shall be forwarded to each of the parties to the transactions.

Section Three

SPECIAL REQUIREMENTS FOR MARKET MAKERS’ ACTIVITY

Article 26. (1) Market makers shall be obligated to enter quotes continuously during ninety per cent (90%) of the time:

1. From the beginning of the opening auction until the end of the intraday auction;

2. During volatility interruptions.

(2) If the respective financial instrument is traded only in auctions, market makers shall be obligated to enter quotes continuously during the said auctions, including during the volatility interruptions.

Article 27. (1) Market makers shall participate in the auctions, including upon volatility interruptions, by entering quotes within one (1) minute as of the start of the call phase.

(2) In the cases referred to under Paragraph (1), market makers shall enter quotes continuously throughout the price determination phase, and may modify not only the bid and ask prices, but also the volume of the quote.

Article 28. (1) Market makers shall have the right to update the price and the volume of the quotes thereof at any time during the trading session, as well as in the pre-trading and the post-trading phase, during which entry of orders is permissible.

(2) Market makers shall be obligated to enter a new quote within two (2) minutes as of the withdrawal of the previous quote or, respectively, as of the full execution of the said quote.

(3) Market makers of issues of shares which does not comply with the requirements set under Article 39 (2) of Part III shall be obligated to enter a new quote within ten (10) minutes as of the withdrawal of the previous quote or, respectively, as of the full execution of the said quote.

Article 29. (1) Each Exchange member shall have the right to enter an electronic request to all market makers that are registered as such with regard to a given issue, requesting quotes.

(2) The requests shall indicate whether the respective member is interested in buying or selling financial instruments of the relevant issue, as well as the respective volume.

(3) Information on the request forwarded shall be sent through the System to all brokers without disclosing specific parameters.

(4) Solely the market maker of the respective issue shall have information on the Exchange member that sent the quote request.

(5) Each market maker shall be obligated to respond to a request within two (2) minutes by placing a quote, regardless of whether the said market maker is obligated to enter quotes continuously at the time of entry of the request.

(6) The market maker shall maintain the quote entered as a result of a request with unmodified parameters in the order book for at least one (1) minute.

Article 30. (1) The maximum bid/ask spread of market maker's quotes may not exceed 5% for an

issue of shares and structured products and 1% for an issue of bonds.

(2) The maximum bid/ask spread of market maker's quotes with regard to an issue of shares which does not comply with the requirements of Article 39 (2) of Part III may not exceed 15%.

(3) The spread shall be calculated according to the following formula:

$$\text{Spread} = \left(\frac{A}{B} - 1 \right) * 100(\%),$$

where "A" is the sell order price, and "B" is the buy order price.

Article 31. (1) The minimum value of a quote in money terms at the time of entry shall be two thousand five hundred Bulgarian levs (BGN 2,500).

(2) The minimum value of a quote in money terms for an issue of shares which does not comply with the requirements of Article 39 (2) of Part III at the time of entry of the said quote shall be five hundred Bulgarian levs (BGN 500).

Article 32. (1) Once every month, not later than the 10th day of the current month, the Exchange shall check the extent to which the respective market makers fulfilled the obligation thereof under this Section during the last preceding calendar month.

(2) If as a result of the check no breaches of the requirements for the activity of the respective market maker are ascertained, the Exchange shall remit the said market maker the amounts paid under Chapter Four of the Tariff of Fees Collected by the Exchange in connection with the activity thereof as market maker of the given financial instrument.

Section Four

SPECIFIC CONDITIONS FOR CONDUCT OF IPO AUCTIONS

Article 33. (1) Initial public offering on the Exchange shall be effected by means of admission of the issue which is offered for subscription by an Exchange member authorised by the issuer to the Initial Public Offering Segment.

(2) Initial public offering on the Exchange shall be implemented by means of organising an auction under Section One with the following specifics:

1. The brokers receive information from the System solely on the orders entered thereby;
 2. The sell order is entered by the Exchange *ex officio* on the basis of the application for admission of the issue to the Initial Public Offering Segment as submitted;
 3. The issuer or a duly authorised investment intermediary may specify a price range within which the auction price is to be determined.
-

(3) The determination of a price range within which the auction price is to be determined precludes the entry of orders at prices beyond the said range.

(4) The auction price determination phase is proceeded with upon completion of the call phase.

(5) Upon determination of the auction price, trading in the issue concerned is suspended until the moment of admission of the said issue to any of the other markets organised by the Exchange.

Article 34. The duration of the IPO auction and the time schedule for the conduct thereof shall be determined by a decision of the Board.

Article 35. The provisions of Chapter Four shall not apply to the transactions in financial instruments admitted to the Initial Public Offering Segment.

Article 36. The issues of financial instruments which have been underwritten by Exchange members shall be offered for sale following the admission thereof to trading on any of the other markets organised by the Exchange.

Section Five **SUBSCRIPTION RIGHTS TRADING RULES**

Article 37. (1) The provisions of Sections One and Two shall apply within the time limit set for trading rights under the capital increases of public companies.

(2) Trading of rights on the Exchange shall be suspended for the period from the last quotation date to the date of conducting the auction referred to under Article 112b (7) of the POSA.

(3) On the fifth business day following the final date for transfer of the rights, the Exchange shall organise the auction referred to under Article 112b (7) of the POSA.

(4) The auction shall be conducted according to the procedure established by Section One, with sell orders being entered solely by the Exchange member handling the capital increase.

(5) The order referred to under Paragraph (4) above shall be a market order for the entire quantity of unexercised rights and shall be entered within one (1) minute as of the start of the call phase.

(6) Following the end of the auction, trading in the rights issue shall be discontinued.

Article 38. (1) The provisions of Sections One and Two above shall apply to trading in rights under the initial increase of capital of special purpose investment companies.

(2) The Exchange member handling the capital increase shall enter a market order for sale of the entire rights issue within one (1) minute as of the start of the call phase at the opening auction on the first trading day.

Article 39. Article 37 above shall apply to the subsequent capital increases of special purpose investment companies.

Article 40. The provisions of Chapter Four above shall not apply to the transactions in rights under capital increases of public companies and special purpose investment companies as executed on the Exchange.

Section Six

TRADING RULES FOR BONDS AND COMPENSATORY INSTRUMENTS

Article 41. The provisions of Section One and Two above shall apply to trading of interest-bearing bond issues on the Exchange with the following exceptions:

1. The price of buy and sell orders for bonds shall not include the interest accrued since the date of the last interest payment until the time of entry of the order. In the case of zero-coupon bonds, the price of buy and sell orders shall include a proportional part of the discount as per the applicable convention.
2. The price of buy and sell orders for bonds shall be entered into the System as a percentage of the nominal value of one market lot.

Article 42. (1) The Exchange shall report the interest accrued for each issue of interest-bearing bonds admitted to trading on a daily basis by means of the official website thereof.

(2) The Exchange shall report a proportional part of the discount as per the applicable convention for each issue of zero-coupon bonds admitted to trading on a daily basis by means of the official website thereof.

Article 43. (1) In the trade confirmations on interest-bearing bonds, the System shall send information, *inter alia*, on the price including the interest accrued from the time of the last interest payment until the settlement date of the transaction.

(2) In the trade confirmations on zero-coupon bonds, the execution price shall coincide with the price containing a proportional part of the discount as per the applicable convention.

Article 44. (1) The provisions of Section One and Two above shall apply to trading in zero coupon bond issues on the Exchange, except that the price of buy and sell orders shall be entered into the System as a percentage of the nominal value of one market lot.

(2) The provisions of Section One and Two above shall apply to trading in compensatory instruments on the Exchange, except that the price of buy and sell orders shall be entered into the

System at the absolute value per one Bulgarian lev (BGN 1) of nominal value.

Section Seven

VOLATILITY INTERRUPTIONS AND MARKET ORDER INTERRUPTIONS

Article 45. (1) If, during continuous trading, upon entry of an executable order into the System the potential execution price of the respective order lies outside a pre-defined static price range around the last price achieved as a result of an auction and, if there is no such price, around the closing price for the preceding day, a volatility interruption shall be initiated.

(2) If, during continuous trading, upon entry of an executable order into the System the potential execution price of the respective order lies outside a pre-defined dynamic price range around the reference price, a volatility interruption shall be initiated.

(3) A volatility interruption shall trigger a change in the trading form from continuous trading to an auction.

(4) Volatility interruptions during continuous trading shall be indicated to brokers by the System.

(5) The call phase shall have a minimum duration of two (2) minutes.

(6) The rules for organising auctions under Section One above shall be effective during volatility interruptions during continuous trading.

Article 46. (1) If, during an auction, at the end of the call phase the potential auction price lies outside a pre-defined static price range around the last auction price and outside a pre-defined dynamic price range around the reference price, a volatility interruption shall be initiated.

(2) A volatility interruption during an auction shall initiate an extension of the call phase by two (2) minutes.

(3) Volatility interruptions during an auction shall be indicated to brokers by the System.

(4) The System shall automatically proceed with the price determination phase upon the lapse of the extension if there are orders executable against one another and if the potential auction price lies within extended price ranges defined in respect of the values referred to under Paragraph (1) above.

(5) The extended price ranges referred to under the foregoing Paragraph shall be two and a half times wider than the price ranges referred to under Paragraph (1) above.

(6) If, upon the lapse of the extension, the potential execution price lies outside the extended price ranges, the price determination phase shall be proceeded with following manual intervention on the part of the Exchange.

(7) If the potential execution price lies outside the extended price ranges and the interruption was not executed as of the start of the closing or the intraday auction, the closing auction shall be proceeded with following the end of the interruption as per the procedure of Paragraph (6) above, and its schedule shall remain unchanged.

(8) If, following the end of the extended price determination phase, there are no active orders executable against one another in the System, the next phase of the trading session shall be proceeded with or, respectively, the end of the said session shall be indicated.

Article 47. (1) In respect of the issues of shares admitted to the BSE Market, Premium Equity Segment, the dynamic price range shall be five per cent (5%) around the reference price, and the static price range shall be ten per cent (10%) around the last price attained at an auction.

(2) In respect of the issues of shares admitted to the BSE Market, Standard Equity Segment, and BSE Market's Special Purpose Vehicles Segment, and traded continuously, the dynamic price range shall be ten per cent (10%) of the reference price, and the static price range shall be twenty per cent (20%) of the last price attained at an auction.

(3) In respect of the issues of shares admitted to the Bulgarian Alternative Stock Exchange Market (BaSE), the dynamic price range shall be fifteen per cent (15%) of the reference price, and the static price range shall be thirty per cent (30%) of the last price attained at an auction.

(4) In respect of the issues of shares only traded at scheduled auctions, as well as in respect of the issues of instruments issued by collective investment schemes, the price range shall be thirty per cent (30%) of the price attained at the preceding auction.

(5) In respect of the issues of bonds, the dynamic price range shall be two point five per cent (2.5%) of the reference price, and the static price range shall be five per cent (5%) of the last price attained at an auction.

(6) In respect of the issues of compensatory instruments admitted to trading, the dynamic price range shall be ten per cent (10%) of the reference price, and the static price range shall be twenty per cent (20%) of the last price attained at an auction.

(7) In respect of the issues of leveraged structured products admitted to trading, the dynamic price range shall be ten per cent (10%) of the reference price, and the static price range shall be twenty per cent (20%) of the last price attained at an auction.

(8) In respect of the issues of no-leverage structured products admitted to trading, the dynamic price range shall be five per cent (5%) of the reference price, and the static price range shall be ten per cent (10%) of the last price attained at an auction.

(9) In respect of the other types of financial instruments, with regard to which no dynamic and static price range is expressly defined, the ranges defined under Article 47 (2) shall apply.

(10) In extraordinary situations arising from events or circumstances of material importance for the international financial markets and affecting the markets of the Exchange, by decision of the Chief Executive Officer, and during their absence – of the Director of Trading, within a maximum of one trading session the price ranges referred to under the foregoing paragraphs may be additionally extended by thirty per cent (30%). The Exchange members shall be informed through the System of each particular case.

Article 48. The rules for conduct of an auction under Section One above shall apply during volatility interruptions.

Article 49. (1) If market orders or market-to-limit orders within the System are active; however, not executable during an auction at the end of the call phase, an interruption for the execution of the said orders shall be initiated.

(2) A market order execution interruption may be initiated only once per given auction.

(3) A market order execution interruption shall initiate an extension of the call phase by two (2) minutes.

(4) Without prejudice to Paragraph (3) above, the volatility interruption during an auction shall be terminated immediately upon all market orders or, respectively, all market-to-limit orders, become executable.

(5) Market order execution interruptions shall be indicated to brokers by the System.

(6) The rules for conduct of an auction under Section One above shall apply during a market order execution interruption.

Section Eight CORPORATE EVENTS

Article 50. (1) Upon occurrence of corporate events directly affecting the market prices of a given instrument formed, such as a capital increase, dividend payments etc., the Exchange shall

automatically adjust the last closing price as of the last date of conclusion of transactions giving right to participate in the respective corporate event.

(2) The adjustment shall be made at the first trading session next succeeding the last date of conclusion of transactions, as a result of which transactions the transferee has the right to receive the dividend, to participate in the capital increase, etc. corporate events under the preceding Paragraph that may lead to theoretical change in the price.

(3) The adjustment shall reflect the theoretical impact of the corporate event on the market price.

(4) Following the adjustment thus made, all active orders in the System shall be deleted *ex officio*.

(5) Following the adjustment thus made, the static and the dynamic price ranges under Section Seven above shall be calculated for the adjusted prices.

Section Nine

MARGIN PURCHASES AND SHORT SALES

Article 51. (1) Margin purchases and short sales shall be executed according to the procedure established by Ordinance No. 16 and in accordance with the provisions of these Rules.

(2) To execute margin purchases for the account of a client, brokers shall enter buy orders into the System.

(3) To execute short sales for own account or for the account of clients, brokers shall enter sell orders into the System.

(4) Each order for a margin purchase and for a short sale shall be compulsorily marked as such upon the entry thereof.

(5) Exchange members shall enter orders for short sales for their own or client's account solely if they are able to deliver the financial instruments that are subject-matter of the order as contemplated.

(6) Upon execution of margin purchases and short sales, it shall be impermissible to aggregate orders of analogous parameters submitted by different clients.

(7) Orders for short sales shall be entered into the System as "good-for-day" orders.

(8) Orders for short sales, entered during continuous trading, may be fill-or-kill orders or immediate-or-cancel orders.

Article 52. (1) Exchange members, with the exception of banks, may not execute margin purchases or short sales if they have violated the capital requirements set under Article 19, Paragraphs (1), (2) and (3) and Article 20, Paragraph (1) of Ordinance No. 35, and where the violation has not been remedied, as well as whilst these are implementing a rehabilitation programme duly approved by the FSC.

(2) Exchange members may not enter orders for short sales of particular financial instruments if they have transactions in the same issue of instruments that have not been settled within the days of regular settlement cycle through their fault and under which transactions they act as short sellers.

(3) The provision of Paragraph (1) above shall not apply in the events of effected short sales for the account of a client, under which the lender of securities is a person that is different from the Exchange member.

Article 53. (1) Following the end of each trading session, the Exchange shall daily report in the official bulletin thereof the financial instruments that comply with the requirements set under Article 8 (1) of Ordinance No. 16, which may be subject to short sales during the next trading session and which may be furnished in security upon execution of margin purchases and short sales.

(2) If a particular issue of financial instruments ceases to comply with the requirements referred to under Paragraph (1) above, the execution of short sales of the said issue shall be discontinued, effective from the next succeeding trading session.

Article 54. (1) Transactions resulting from margin purchases and short sales, executed before the issue concerned ceases to comply with the requirements, shall be settled according to the standard procedure.

(2) Short positions, which have been opened as a result of short sales, shall be closed according to the standard procedure through execution of a purchase.

Section Ten

SPECIFIC CONDITIONS FOR CONCLUSION OF TRANSACTIONS IN FINANCIAL INSTRUMENTS LISTED ON THE BSE MARKET, PRIVATISATION SEGMENT, AND AS A RESULT OF TECHNICAL PERFORMANCE OF AUCTIONS ON THE EXCHANGE

Article 55. (1) The Board may determine specific conditions for the conclusion and settlement of transactions in financial instruments listed on the BSE Market, Privatisation Segment, including the use of another System.

(2) On the grounds of a contract concluded with the Privatisation and Post-Privatisation Control

Agency, the Exchange may organise the technical performance of auctions for determining the buyers according to the procedure established by Chapter Fifteen of the OCPA, respectively, by Item 2 of Article 3 (1) of the OAC.

(3) The Board shall approve the System, the type, the algorithm of the auctions, the permissible types of orders, as well as the time period during which the said auctions are conducted.

Article 56. (1) Following the end of each auction, the Exchange shall forward to the members who have submitted the executable orders a report containing, as a minimum, the following information:

1. Transaction code;
2. Code allocated to the financial instruments;
3. Name of the issuer of the financial instruments;
4. Number of market lots subject-matter of the transaction;
5. Size of the market lot;
6. Unit value of the transaction;
7. Total value;
8. Means of payment;
9. Specification as to whether the executed order is for the account of the respective member or for the account of a client of the said member;
10. Fee due to the Exchange in connection with the executed order, if such fee is payable;
11. Total value of all transactions resulting from executed order;
12. Total value of the fees due to the Exchange as a result of orders executed at the relevant auction, if such fees are payable.

(2) The information covered under Paragraph (1) above shall be also sent to the Privatisation and Post-Privatisation Control Agency and *Central Depository* and, respectively, to the Exchange member which has applied for the listing of the financial instruments on the BSE Market, Privatisation Segment.

(3) Following the end of each auction, the Exchange shall publish the parameters of all orders entered by the members, irrespective of whether the said orders were executed or not.

Article 57. In the cases referred to under Article 55 (2), the transactions executed by and between the parties shall be settled according to the procedure provided for under the OCPA or, respectively, under the OAC. The provisions of Chapter Four shall not apply.

Section Eleven

CORRECTIONS OF TRANSACTIONS EXECUTED ON THE EXCHANGE

Article 58. Exchange members shall be obligated to check whether the information on the results of the trading session received contains any errors and non-conformities compared to the order books

of the said members immediately upon the conclusion of a transaction by the System.

Article 59. (1) Correction of parameters of Exchange transactions shall be permissible if the respective change does not affect the counterparty to the transaction, including in cross transactions.

(2) Until the end of the post-trading phase, during which phase entry of orders is permissible, brokers shall be able to modify parameters of the transactions executed thereby directly in the System.

(3) In cases other than those referred to under Paragraph (2), if there are any errors upon the conclusion of transactions, brokers shall file for a correction by 3:30 p.m. on the day next succeeding the day of executing the transaction, by means of submitting an application for correction in a standard form.

(4) The Exchange may require the presentation of additional particulars and documents certifying the allowance of the error.

(5) The Exchange shall perform the correction filed for and shall notify the respective depository institution or clearing house thereof. Such notification shall at least state:

1. Transaction's number;
2. BSE code of the company;
3. Exchange code of the broker-seller;
4. Exchange code of the broker-buyer;
5. Number of financial instruments;
6. Unit price;
7. For whose account the sale is effected;
8. For whose account the purchase is effected;
9. Description of the correction performed.

Article 60. The provisions of the present Section shall also apply to transactions in financial instruments listed on the BSE Market, Privatisation Segment, as well as to transactions resulting from the technical performance of auctions by the Exchange according to the procedure established by Article 55 (2).

Section Twelve

CANCELLATION OF TRANSACTIONS EXECUTED ON THE EXCHANGE

Article 61. In the cases of an error where entering an order which has led to the conclusion of one or more transactions, the obligation of the Exchange members under Chapter Four may be only netted upon conclusion of a reverse transaction for the same quantity and with the same counterparty according to the procedure established by Chapter Five; however, only if the rules of the depository

institution or clearing house allow for this.

Article 62. (1) In cases other than those referred to under the foregoing Article, any transactions executed as a result of indisputable errors made by brokers where entering orders into the System, by means of which the said transactions have been executed, may be cancelled by a decision of the Chief Executive Officer, and during their absence – of the Director of Trading.

(2) For cancellation of transactions, the respective Exchange member that allowed the mistake shall submit an application request in a standard form to the Exchange not later than the end of the post-trading phase on the day, onto which the transaction was executed, attaching thereto:

1. A document certifying the consent of the counterparty to the transaction on the cancellation thereof;
2. A declaration on the lack of an order entered with parameters equal to the parameters of the erroneously entered order;
3. An explanation regarding the reasons and the circumstances which have led to the entry of the order with erroneous parameters;
4. An unconditional consent by the Exchange member to meet in full all potential claims that may arise against the Exchange in connection with the cancellation of the transaction;
5. A declaration in a standard form by the applicant and by the counterparty under the transaction to the effect that these are aware of and accept the terms and conditions and the time limits of the procedure for cancellation of transactions, including the possibility that the transaction may not be cancelled;
6. A copy of the client order as submitted, which was subsequently entered with erroneous parameters by the broker.

(3) The Exchange shall immediately notify the rest of the participants of the submission of an application through the System and/or on the website of the Exchange.

Article 63. (1) The Chief Executive Officer, respectively the Director of Trading, shall pronounce on the application request for cancellation by rendering a decision by the end of the day of receipt thereof.

(2) The Exchange shall notify in writing the Exchange members which constitute parties to the transaction of the decision referred to under Paragraph (1) above on the day of rendition of the said decision, where the written notification may be forwarded to the Exchange member-addressees also by a facsimile transmission or by another electronic means. The decision shall be final and shall enter into effect as of the moment of the rendition thereof.

(3) The cancellation of a transaction shall lead to an extinguishment of the obligation under Chapter Four as imposed on the members which are parties to the said transaction.

(4) The cancellation of a transaction executed in violation of these Rules shall not lead to an extinguishment of the grounds for imposition of a sanction.

Article 64. Upon the rendition of the decision whereby the request of cancellation is granted, the relevant fee according to the Tariff of Fees Collected by the Exchange shall become due.

Section Thirteen

SUSPENSION OF ONE OR MORE ISSUES FROM TRADING

Article 65. (1) The Board, under the terms and conditions established by Article 91 of the MFIA, shall have the right to adopt a decision on suspension from trading of issues of financial instruments admitted to trading in the following cases:

1. Upon occurrence of any event related to the respective instruments or the issuer thereof, which may affect the price of the said instruments;
2. Upon initiation of proceedings for transformation of the issuer;
3. Upon submission of an application to the CD on entry of a modification in the nominal value of the financial instruments;
4. Upon an amendment introduced to the parameters of an issue of bonds compared to those originally underlying the Prospectus, which calls for re-registration of the issue as per the procedure established by the Listing Rules;
5. Where the issuer has failed to fulfill the obligation thereof to disclose the information under Article 27 of Ordinance No. 2;
6. Where the issuer, the authorised Exchange member, the management company or, respectively, the person that has requested admission to trading of the financial instruments without the issuer's consent, has not paid the annual fee for maintenance of the listing or the fee for admission to trading of a new issue of shares of the same class which has already been admitted to trading, within the time limits set under the Tariff of Fees Collected by the Exchange.

(2) In the cases referred to under Items 1 to 4 of Paragraph (1) above, the Chief Executive Officer may make a decision on suspension from trading for a period of up to three (3) business days. A decision on suspension from trading under Paragraph (1), limited to one (1) business day, may also be made by the Director of Trading.

(3) Where a temporarily suspended issue appears to be an underlying instrument in respect of an issue of structured products admitted to trading, the authority that has declared the suspension may also declare suspension of trading in the respective issue of structured products for the same period.

(4) The Exchange shall notify immediately the FSC and the issuer of the decision on suspension. The Exchange shall also notify of the decision under sentence one above the market operators of the other regulated markets, onto which the respective financial instruments have been admitted to

trading.

(5) If, upon the expiry of the period of suspension, the grounds for making the respective decision are still valid, the authority that has made the decision may adopt another such decision, thereby extending the period. Paragraphs (1) and (3) shall apply respectively.

(6) When the grounds for the suspension cease to exist, trading shall be resumed by a decision of the authority that has adopted the decision on suspension, unless the last mentioned decision stipulates otherwise.

(7) The Exchange shall publish the decisions on suspension from trading and on resumption of trading in the Exchange Bulletin.

Article 66. Issues admitted to trading may be suspended from trading without the need of a decision under Article 65 (1) or (2) only where:

1. For the period from conducting the auction on the Initial Public Offering Segment to the admission of the issue to any of the other markets organised by the Exchange;
2. For the period from the final date for transfer of rights under the increase of capital of a public company to the date of the auction referred to under Article 112b (7) of the POSA.

Section Fourteen

SUSPENSION OF CONCLUSION OF TRANSACTIONS

Article 67. (1) The Board shall have the right to adopt a decision on suspension of the entry of orders and the conclusion of transactions on the markets of the Exchange in the cases where:

1. There is a failure in the System;
2. There is a failure in the overall equipment used on the Exchange in connection with the implementation of trading;
3. There is a failure in the national telecommunication or technical networks rendering the access of participants to the System impossible;
4. There is an emergency that endangers the normal execution of the Exchange transactions, or where there is a risk of such failures occurring;
5. There is a major national and international crisis, including strikes, riots, martial law or natural disasters, as well as upon other such events that may endanger or render the execution of the Exchange transactions impossible.

(2) The Exchange shall notify immediately the FSC of the decision under the foregoing Paragraph.

(3) The settlement of the transactions executed until the time of adoption of the aforesaid decision may be postponed.

(4) The Chief Executive Officer may make the decision referred to under Paragraph (1) above for a period of up to one (1) business day. Paragraph (2) shall apply respectively.

Chapter Four

SETTLEMENT OF TRANSACTIONS EXECUTED ON THE EXCHANGE

Section One

GENERAL PROVISIONS

Article 68. (1) The method of settlement of transactions executed on the Exchange shall be defined as “delivery versus payment.” The transfer of financial instruments and the payment in consideration of the said instruments shall be simultaneous and interrelated.

(2) Simultaneous transfer of financial instruments and payment in consideration thereof means that the buyers’ financial instruments account and the seller’s cash account are credited on the same day.

(3) Interrelated transfer of financial instruments and payment in consideration thereof means that effecting a payment without transfer of financial instruments in consideration thereof or vice versa is impossible.

(4) Exchange members shall observe the “delivery versus payment” principle for all transactions executed on the Exchange, including upon cross transactions. For this purpose, the Exchange members shall be obligated to require from every buying client of theirs to provide the respective moneys needed for the settlement of each their transaction, as well as any selling client to provide the respective financial instruments, subject-matter of a transaction executed, except for the cases provided for under Ordinance No. 16.

(5) Paragraph (4) above shall not apply in the cases where the financial instruments or, respectively, the moneys of the clients are kept by another person taking part in the transaction settlement process. In this case, the observance of the principle shall be ensured by the respective person.

Article 69. Each transaction executed on the Exchange shall be considered settled upon execution of the transfer of the financial instruments and the payment in consideration thereof by the parties to the transaction.

Article 70. (1) Steps for settlement of the transaction shall commence immediately following the registration of the transaction on the Exchange or after the end of the trading session, depending on the method of trading, and shall end with the registration of the transaction duly settled.

(2) The duration of the steps as undertaken in order to settle a transaction at each depository institution or clearing house shall be determined according to the rules for settlement of transactions

adopted by the said institution or house.

Article 71. In connection with the settlement of transactions executed on the Exchange, each member shall be obligated to:

1. Settle the transactions executed for own account and for clients' account in accordance with the procedure and within the time period provided for under Article 70;
2. Open and to maintain accounts with a commercial bank or with a clearing house in order to effect the payments due under transactions in financial instruments;
3. Open and maintain an account with a commercial bank specified by the Exchange in order to effect the payments due under obligations to the Exchange;
4. Open and maintain accounts for the purpose of holding and transferring financial instruments with the respective depository institution.

Section Two

REPORT ON TRANSACTIONS

Article 72. (1) Following the end of each trading session, the Exchange shall forward a report on the gross value of the transactions executed for the day to the respective depository institution and/or clearing house, which report shall serve as an order for transfer of the financial instruments and for payment under the transactions effected. As a minimum, the report shall contain the following information:

1. Transaction's code;
2. Parties to the transaction;
3. Code of the financial instruments;
4. Number of market lots subject-matter to the transaction;
5. Size of the market lot;
6. Unit price of the transaction, including the interest accrued from the date of the last interest payment to the date of transaction's settlement– applicable to transactions in corporate or municipal bonds;
7. Currency in which the price of the transaction is expressed;
8. The rate of exchange at which the transaction is settled;
9. Specification as to whether the transaction is for the account of the respective member or for the account of a client thereof;
10. The equivalence of the transaction in Bulgarian levs.

(2) Applicable to transactions in corporate and municipal bonds, whose settlement date is after the date of determination of the bondholders entitled to receive the next interest payment; however, before the date of the interest payment itself, the report shall state, as unit price, the price per market lot plus the interest accrued from the date of the last interest payment to the settlement date of the transaction, less the full amount of the interest payment in Bulgarian levs or in the Bulgarian lev equivalence according to the exchange rate of the BNB.

(3) The transactions in respect of which an application for cancellation has been submitted shall be included in the report upon rendition of a decision whereby the request for cancellation is rejected.

Article 73. (1) Following the end of each trading session, the Exchange shall provide each member with a report on the transactions executed by the said member for the respective session by electronic means.

(2) As a minimum, the report shall contain the following information:

1. Transaction's code;
2. Parties to the transaction;
3. Codes of the financial instruments involved;
4. Number of market lots subject-matter to the transaction;
5. Size of the market lot;
6. Unit price of the transaction, including the interest accrued from the date of the last interest payment to the date of transaction's settlement – applicable to transactions in corporate or municipal bonds;
7. A proportional part of the discount as per the applicable convention;
8. Currency in which the price of the transaction is expressed;
9. The rate of exchange at which the transaction is settled;
10. Specification as to whether the transaction is for the account of the member concerned or for the account of a client thereof;
11. Specification as to whether cancellation has been applied for in respect of the transaction in question;
12. The equivalence of the transaction in Bulgarian levs;
13. Name of the issuer;
14. Fee due to the Exchange for the transaction in question;
15. Total value of all transactions.

(3) In respect of transactions in municipal and corporate bonds, Article 72 (2) shall apply, respectively.

(4) Non-acceptance or non-receipt of the report referred to under Paragraph (1) above for any reasons beyond the control of the Exchange shall not release the members from the obligation to settle the transactions.

(5) Any discrepancies between the information reported to the members and the information reported to the respective depository institution or clearing house shall be impermissible.

(6) Following the end of each trading session, the Exchange shall submit a report on the trading fees due on the basis of the orders executed for the respective session to each member by electronic

means.

Article 74. Exchange members shall be obligated to provide the respective depository institution or clearing house with additional data, which data is sufficient for the settlement of the transactions in a form, of contents and within time limits as per the requirements established by the rules of the respective institutions.

Article 75. The right to disseminate the information generated by the trading executed on the Exchange, including the reports under the present Section, shall be limited to persons who have executed a contract with the Exchange for performance of the activity in question.

Section Three
PAYMENTS IN CONNECTION WITH EXCHANGE TRANSACTION AND TRANSFER
OF FINANCIAL INSTRUMENTS

Article 76. (1) Payments on transactions in financial instruments executed on the Exchange and the entries of the said transactions into the register of the respective depository institution or clearing house shall be effected as per the procedure established by the rules of the said institution or house.

(2) The Board may also designate a clearing and settlement system or systems other than CD if the necessary connections and arrangements between the said systems and CD are in place and in compliance with the requirements of Articles 100 and 101 of the MFIA.

Article 77. All transactions executed on the Exchange shall be settled in the currency, into which the transaction itself is expressed, unless the rules of the respective clearing house provide otherwise.

Article 78. (1) Members shall be obligated to maintain a balance into the cash accounts thereof for payments under transactions in financial instruments, which balance is sufficient to meet the gross value of the payments under all transactions in which the respective Exchange member is a buyer.

(2) Members shall be obligated to maintain a balance into the financial instruments accounts thereof with the depository institution, which balance is sufficient to meet the gross value of the obligations for delivery under all transactions in which the respective Exchange member is a seller.

(3) Paragraphs (1) and (2) above shall not apply if the rules of the respective depository institution or clearing house provide for a different procedure.

(4) Partial payment or partial delivery of financial instruments under an Exchange transaction shall be impermissible.

Article 79. (1) Members shall be obligated to maintain a balance into the accounts thereof in order to pay the obligations due to the Exchange and arising in connection with the transactions executed, which balance is sufficient to meet the payments under the said obligations as determined for each trading day.

(2) The Exchange shall determine the amount of members' obligations to the Exchange for each trading day and shall debit the members' accounts.

Article 80. A delay in the settlement of an exchange transaction through the fault of one or both parties shall not lead to the nullity or the voidability of the said transaction.

Article 81. (1) In the event where as a result of a delay in the settlement of an exchange transaction through the fault of an Exchange member, the said member or a client thereof receives any dividend distributed by the issuer or another similar payment whereto the said member or client would not have otherwise been entitled, the respective Exchange member shall be obligated to restitute the payment received in full amount to the non-defaulting party to the transaction.

(2) In the event where as a result of a delay in the settlement of an exchange transaction through the fault of an Exchange member, the said member or a client thereof becomes entitled to participate in a capital increase, which the said member or client would not have otherwise enjoyed, the respective Exchange member shall be obligated to restitute the rights or, respectively, the shares of the capital increase in full amount to the non-defaulting party to the transaction immediately following the first quotation date of the said rights or shares.

(3) In case the party blameworthy for the delay may not be identified, or the delay is through the fault of both parties involved, the said parties shall settle the relationships therebetween in a mutually satisfactory manner.

(4) The Exchange shall not constitute a party in the relationships between members in connection with the provisions of Paragraphs (1) to (3) above.

Article 82. Where the appropriate arrangement is in place, the Exchange shall receive confirmation on registration of transactions from the depository institution or clearing house, whereupon the Exchange shall indicate the said transactions as settled.

Article 83. All steps undertaken with regard to the settlement of transactions shall be performed in accordance with a time schedule established by the respective depository institution or clearing house.

Article 84. Members shall be obligated to provide the respective depository institution or clearing house with additional data, which data is sufficient with a view to the settlement of the transactions

in a form, of contents and within time limits as set under the rules of the respective institution.

Chapter Five
OFF-REGULATED MARKET TRANSACTIONS

Section One
GENERAL PROVISIONS

Article 85. (1) Information on transactions in financial instruments admitted to trading, which transactions are executed outside the Exchange, may be reported by the parties to the said transactions through the Exchange by means of registering the transactions in the System through a special module to the System.

(2) Registration of transactions under Paragraph (1) above shall be effected by means of the initiation and confirmation of the said transactions by the counterparty thereto. Exchange members may also select automatic confirmation of transactions initiated against them via the System.

(3) Upon initiation of the transaction's registration, the brokers shall indicate whether in respect of the transaction in question these wish to:

1. Report information to the depositary institution or to the clearing house for the purposes of the settlement, as well as to make the information public; or
2. Report information only to the depositary institution or the clearing house for the purposes of the settlement if permissible by the rules thereof.

(4) Upon confirmation of the transaction by the counterparty, the System shall send confirmation to both parties involved, including the cases of automatic confirmation.

(5) The registration provided for herein may be effected both during the trading session and in the time periods referred to under Article 2 (2) above.

(6) Any transactions remaining unconfirmed by the end of the day shall be deleted by the System *ex officio*.

(7) A settlement date other than those applicable to Exchange trading may be set upon initiation of a transaction where the rules of the respective depositary institution and/or clearing house whereat the transaction is to be settled so admit.

(8) Upon initiation of a transaction, a deferred publication of the information on the said transaction may be set according to the procedure established by Article 28 of Directive 2004/39/EC and Articles 28 and 33 of Regulation No. 1287/2006.

Article 86. (1) If the volume or price of a transaction executed outside a regulated market, with regard to which transaction information is reported, fall outside of a pre-defined range, the System shall publish the respective transaction, marking it as potentially erroneous.

(2) The Exchange member shall be sent feedback on the marking and shall be afforded an opportunity to confirm the transaction as correct.

(3) Information shall be reported following the confirmation of the transaction, and the said transaction shall be marked as correct.

Section Two
CORRECTION OF PARAMETERS AND CANCELLATION OF TRANSACTIONS
EXECUTED OUTSIDE THE REGULATED MARKET

Article 87. (1) The procedure established under Section Twelve of Chapter Three above shall not apply to the cancellation of the registration of transactions executed outside the regulated market through the System's special module.

(2) Transactions executed outside the regulated market, which are registered in the System, may be cancelled by each counterparty solely after consent from the other counterparty, whereas until the end of the post-trading phase on the day the transaction was executed, the consent may be granted via the System.

(3) The automatic confirmation consent of initiated transactions shall lead to automatic reversal of the registered transactions when initiated by counterparty.

Article 88. (1) A correction of parameters that have no bearing on the counterparty under the transaction shall be effected as per the procedure of Article 59 by the respective broker who registered the transaction in question.

Article 89. Transactions executed outside a regulated market shall be disregarded where determining the reference price.

Article 90. The requirements for round lots shall not apply to the transactions executed outside a regulated market, if such requirements have been established in respect of trading in the respective instrument.

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 statutory instruments

on the application thereof, respectively, in the general commercial legislation and the commercial practice.

§ 2. Within the meaning given by these Rules:

1. “Reference price” shall be the price of the last transaction executed during continuous trading or at an auction.
 2. “Market maker” shall be an Exchange member providing liquidity of one or more issues of financial instruments admitted to trading on the Exchange by placing quotes with defined minimum parameters, including by virtue of a contract with the issuer of the instruments.
 3. “Round lot” shall be a fixed quantity of financial instruments of a particular issue, volumes in multiples of which alone can be subject to an Exchange transaction.
 4. “Odd lot” shall be a quantity of instruments which is not a multiple of the round lot.
 5. “Indisputable error” shall be an error made by a broker upon the entry of an order, which has led to the conclusion of one or more transaction and the existence of which mistake is not disputed by the counterparty to the transaction.
 6. “Cross transaction” shall be a transaction in which the Exchange-member buyer and the Exchange-member seller are one and the same person.
 7. “Minimum price variation: shall be the minimum change in the price of the buy and sell orders permissible for the respective type of instruments.
 8. “Clearing” shall be the procedures for determination of the receivables and obligations of each one of the Exchange members and the mutual offsetting of the said receivables and obligations in connection with the transactions in financial instruments as executed.
 9. “Settlement” shall be the procedure for fulfilment of the obligations to transfer cash and/or financial instruments in connection with transactions and the registration of the said transactions on an account with a depositary institution.
 10. “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.
 11. “Clearing house” shall be CD or another institution performing clearing functions, designated in compliance with the requirements of Article 101 of the MFIA.
 12. “Structured products” shall be warrants, certificates, as well as any financial instruments based on one or more underlying financial instruments, interest rates, indices and other such, the transactions in which can be settled by the method of delivery versus payment.
 13. “Theoretical value of a structured product” shall be:
 - a) In cases of warrants – the price formed in result of the application of the generally adopted theoretical method for assessment of similar instruments.
 - b) In cases of other structured products - the product of the coefficient of exercise (exchange) and the non-negative difference between the price (value) of the underlying instrument and the price due by the holder of the structured product at the exercise of the rights upon it, if any.
 14. “Leveraged structured products” shall be these instruments, for which a unit of the percentage change in the value of the underlying instrument shall lead to greater change in the value of the structured product.
-

15. “No-leverage structured products” shall be instruments, for which a unit of the percentage change in the value of the underlying instrument shall lead to equal or less change in the value of the structured product.

16. “Discount” shall be the reduction in the par value of a financial instrument.

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

1. “The Exchange” – *Bulgarian Stock Exchange – Sofia* or, respectively, the regulated market organised by *Bulgarian Stock Exchange – Sofia*.
 2. “The Board” – the Board of Directors of *Bulgarian Stock Exchange – Sofia*.
 3. “The Chief Executive Officer” – the Chief Executive Officer of *Bulgarian Stock Exchange – Sofia*.
 4. “The Director of Trading” – the Director of the Trading Directorate at *Bulgarian Stock Exchange – Sofia*.
 5. “The System” – the electronic trading system wherethrough the exchange trading is implemented.
 6. “The BNB” – the Bulgarian National Bank.
 7. “The FSC” – the Financial Supervision Commission.
 8. “The Deputy Chairperson of the FSC” – the Deputy Chairperson of the FSC in charge of the Investment Activity Supervision Department.
 9. “CD” – *Central Depository*.
 10. “BALII” – Bulgarian Association of Licensed Investment Intermediaries.
 11. “ABB” – Association of Banks in Bulgaria.
 12. “The PPCA” – the Privatisation AND Post-Privatisation Control Agency.
 13. “MFIA” – Markets in Financial Instruments Act.
 14. “POSA” – Public Offering of Securities Act.
 15. “MAMAFIA” – Measures Against Market Abuse of Financial Instruments Act.
 16. “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.
 17. “Regulation No. 1287/2006” – Commission Regulation (EC) No 1287/2996 of 10 August 2006 implementing Directive 2004/39/EC of the European Parliament and of the Council as regards record keeping obligations for investment firms, transaction reporting, market transparency, admission of financial instruments to trading, and defined terms for the purposes of that Directive.
 18. “Ordinance No. 2” – FSC Ordinance No. 2 dated 17 September 2003 on Prospectuses upon Public Offering of Securities and on Disclosure of Information by Public Companies and Other Securities Issuers.
 19. “Ordinance No. 16” – FSC Ordinance No. 16 dated 7 July 2004 on the Terms and Procedure for Execution of Margin Purchases, Short Sales and Lending of Securities.
 20. “Ordinance No. 35” – FSC Ordinance No. 35 dated 17 October 2006 on the Capital Adequacy and Liquidity of Investment Intermediaries.
 21. “Ordinance No. 38 – FSC Ordinance No. 38 dated 25 July 2007 on the Requirements for the Business of Investment Intermediaries.
 22. “OCPA” – Ordinance Establishing the Terms and Procedure for the Organisation and Conduct
-

of Centralised Public Auctions for Sale of Shares Held by the State.

23. “OAC” – Ordinance on Auctions and Competitions.

TRANSITIONAL AND FINAL PROVISIONS

§ 1. These Rules shall be in force as from 10 October 2012.

§ 2. The provisions of Article 9 (3), items 1 and 3, 85 (2) and (4), and 87 (2) and (3) shall become effective as from 26 November 2012.
