

Table of Contents

1. Historical Overview
2. Principles and Mission Statement
3. Management
4. Membership
5. Markets
6. Types of auctions
7. Listing Requirements
8. Information Disclosure
9. Trading
10. Statistics 2004
11. Privatisation through the Exchange
12. The Index SOFIX
13. The Index BG40
14. COBOS
15. Clearing and Settlement
16. Market Surveillance
17. Information Services
18. International Relations
19. List of Licensed Investment Intermediaries

1. Historical Overview

The Bulgarian stock market began developing in the early 20th century. The first Stock Exchange Act was adopted in 1907 and regulated the structure and operations of the stock and commodities exchanges. In 1914 under the King's Decree No.7 from 15th April the first real stock exchange in Bulgaria was established. Until the 1930's the stock market was at its heights. The trading volume on the stock exchange was relatively high and the number of listed companies rose to 30. After WWII the stock exchange was closed. The Bulgarian capital market was revived in 1991 with the adoption of the new Commercial Code. At the end of the same year "The First Bulgarian Stock Exchange JSC" was officially registered. The start of stock trading in Bulgaria coincided with the deep structural, economic and social changes that took place after 1989. In the period 1992-94 around 20 stock exchanges sprang up in the country. But the market remained unregulated and without any strict rules until the Securities, Stock Exchanges and Investment Intermediaries Act was voted in July 1995. In accordance with the requirements of the new law a Securities & Stock Exchange Commission was set up. By the end of 1995 most of the regional exchanges united under the name of "Bulgarian Stock Exchange". In 1996 another major institution of the capital market – the Central Securities Depository – was created.

This was the year when the Commission introduced the requirement for all listed companies to work out a Prospectus, which was to be approved by the regulatory organ. Due to the fact that no company traded on the Exchange fulfilled this requirement, trading operations were stopped for a year.

The operations were resumed in October 1997 after the BSE-Sofia was officially licensed by the Commission. The first trading session took place on October 21st. At that time trading was concentrated on the Free Market, where all the companies from the Mass Privatization Program were administratively placed. In January 1998 the cable producing company "Elkabel" was listed on the Official Market. By 1999 the number of listed companies on the Official Market reached 32. In the meantime, it became obvious that the dynamic development of the capital market in the period 1996-1999 necessitated new legislation in this field. By end-1999 Parliament voted the new Public Offering of Securities Act. This act guaranteed in a much more effective way the protection of the investors, the integrity of the market, the principles of equal access, transparency and irrevocability of the transactions.

The Securities & Stock Exchange Commission was renamed to National Securities Commission, but stopped existing in March 2003, when a new supervisory organ – the Commission for Financial Supervision – was created.

2. Principles and Mission Statement

The Bulgarian Stock Exchange-Sofia is a joint stock company with a capital of BGL 293 393. The Bulgarian state controls through a non-cash contribution(building) 44% of the

capital. The rest of the shareholders are local or foreign legal and natural persons. Two-thirds of them are by law financial institutions – banks, brokerage firms, insurance companies. One thousand shares give the right to membership, if their owner is a licensed investment intermediary.

The Exchange sees as its main mission to guarantee its members and their clients equal conditions for the participation in the trading process; equal access to market information; unified rules and regulations for stock trading and execution of transactions with securities; irrevocability of the deals; full transparency regarding the price formation and immediate disclosure and dissemination of the trading results.

3. Management

The highest decision making authority at the BSE-Sofia is the General shareholders' meeting. The operational management is in the hands of the Board of Directors, which is elected by the General shareholders' meeting, and the Chief Executive Officer.

Three main departments carry out the operations at the Exchange: "Trading System & Surveillance", "External Relations & Communications" and "Administration & Accounting".

The members of the Board of Directors are the following:

Mrs. Bistra ILKOVA – Chairperson
Mr. Victor PAPAHOV – Deputy-Chairperson
Mr. George DRAYCHEV – CEO
Mrs. Liudmila ELKOVA – Member
Mr. Vladimir VLADIMIROV – Member
Mr. Todor BRESHKOV – Member
Mr. Philip PASHOV – Member
Mr. Plamen GEORGIEV – Member
Mr. Atanas BANGACHEV - Member

4. Membership

Members of the Bulgarian Stock Exchange-Sofia can be foreign or domestic legal persons – banks and investment intermediaries, licensed by the Commission for Financial Supervision to trade with securities. They are obliged to be members of the Central Depository or to have a contract with a Depository member. Members must own at least 1000 BSE shares and to employ at least one dealer/broker.

Currently the Exchange has 90 members, while the number of brokers licensed by the Financial Supervision Commission reached 130.

5. Markets

Official Market

- Equities Market, which according to the qualitative and quantitative requirements of the Rules & Regulations of the BSE-Sofia is divided into:
 - Segment “A”
 - Segment “B”
 - Segment “C”
- Bond Market:
 - Segment “Government Bonds”
 - Segment “Municipal Bonds”
 - Segment “Corporate Bonds”.

Unofficial Market

The Unofficial Market is divided into the following market tiers in accordance with the type of securities traded:

- Unofficial Equities Market
- Unofficial Bond Market
- Unofficial Market for other dematerialised securities under the Public Offering of Securities Act.

The Exchange organises a “primary market” for IPO’s and a “Privatisation Market” for the sell-off of residual state-owned shares.

6. Types of auctions

The continuous order driven auction is the standard method for execution of trades on the BSE floor. It is a type of auction that meets orders, that are sorted out and executed according to the following priorities: first, according to the price and second, according to the time of entering the order. This is the main method of trading on the BSE and is usually called “normal trading.”

Along with the main auction system orders can be also executed as “registered trades.” These are directly registered in the system by one of the sides in the transaction. The other side only confirms the deal. The possibilities to execute such type of trades are strictly defined in the Rules & Regulations of the BSE.

Another type of auction is the open auction with a delay in the execution of the trades. It is used for IPO’s and all kinds of initial public offerings, tender offers, auctions with rights, etc.

The main principle for the execution of transactions through this auction is the same as in the continuous order driven auction with only one difference – the auction is not continuous. This type of auction permits the putting in of orders only for a limited period

of time, which are then sorted out according to the price and time priorities, but the trades are not executed. After this period has expired it is forbidden to enter or cancel orders. Then begins the execution of orders, starting with those that have highest priority.

The BSE operates also three types of closed auctions – Mixed auction, European auction and American auction.

All three auctions function on the basis of limit buy orders (limited price and quantity) and market buy orders (with a fixed value for buying at the market price), which compete for the execution of trades with a given quantity of orders at the minimum price. All three auctions are closed, i.e. every participant can see only his own orders and the parameters of the offering, but cannot see the orders of the other participants.

The BSE uses the Mixed auction to facilitate the sale of residual state-owned stakes in public companies. The privatisation of shares is to a great extent similar to the initial public offering, because in both cases a given quantity of shares is offered for the time to the investors.

The difference among the three types of the closed auction is in the price formation after the trading procedure. The European auction gives the possibility for all limit orders to be executed at their price, while the market orders are executed at the lowest price of a limit order (that is at the price of the last limit order that can be executed). The American auction is known also as “single price auction”. It permits all deals to be executed at the average-weighted price of the limit orders that can be finalised. The Mixed auction is a hybrid between the other two. It permits the execution of limit orders at their price and the execution of market orders at the average-weighted price of limit orders that can be finalised.

7. Listing Requirements

Listing requirements for the Official Market

Segment “A”

Equity issues can apply for listing on this segment, if they have been traded at least 6 months on Segment “B” or at least one year on Segment “C” or on the Unofficial Market, or if the net value of the issue is minimum BGN 20 million, and which fulfils the following additional requirements:

- the issuer must have at least 3 years of business history;
- at least 400 shareholders owning shares from this issue;
- at least 25 % free-float;
- market capitalisation of the issue must not be less than BGN 20 million (this requirement is applied only in the case when the issue has already been traded on of the markets or on the Unofficial Market in accordance with the above mentioned criteria, immediately before the registration);

- the average monthly volume resulting from trades with this issue must be at least 1,000 shares (this requirement is applied only in the case when the issue has already been traded on of the markets or on the Unofficial Market in accordance with the above mentioned criteria, immediately before the registration).

Segment “B”

Equity issues can apply for listing on this segment, if they have been traded at least 1 year on “Segment “C” or on the Unofficial Market, or if the net value of the issue is minimum BGN 10 million, and which fulfils the following additional requirements:

- the issuer must have at least 2 years of business history;
- at least 100 shareholders owning shares from this issue;
- at least 10 % free-float;
- market capitalisation of the issue must not be less than BGN 10 million (this requirement is applied only in the case when the issue has already been traded on of the markets or on the Unofficial Market in accordance with the above mentioned criteria, immediately before the registration);
- the average monthly volume resulting from trades with this issue must be at least 1,000 shares (this requirement is applied only in the case when the issue has already been traded on of the markets or on the Unofficial Market in accordance with the above mentioned criteria, immediately before the registration).

Segment “C”

The following requirements must be met:

- the issuer must have at least 1 year of business history;
- the net value of the issue must not be less than BGN 500 000;
- the size of the issue must be not less than 50 000 shares;
- at least 100 shareholders must own shares from this issue;
- at least 5% free-float.

Minimum listing requirements for the Official Market			
Requirements	Segment A	Segment B	Segment C
Prospectus	Yes	Yes	Yes
Years of business history	3	2	1
Market capitalisation (BGN)	20,000,000	10,000,000	500,000
Free-float	25%	10%	5%
Number of shareholders	400	100	100
Minimum number of shares traded per month*	1000	1000	n/a
* Only in the case, when the issue has been traded on another market segment			

Listing requirements for the Unofficial Market

Issues that shall be admitted for trading on the Unofficial Market must meet the following requirements:

- they must be in a dematerialised form and registered at the Central depository;
- freely transferable;
- not be blocked at the Central Depository;
- the issuer must not be under a procedure of bankruptcy or liquidation;
- under a procedure of merger or acquisition;
- must meet the requirements of the Public Offering of Securities Act, regarding trading on the Unofficial Market.

8. Information Disclosure

The public companies in Bulgaria are obliged to disclose information through:

- press publications;
- notification of the Commission for Financial Supervision;
- notification of the BSE-Sofia;
- notification of the Central Depository.

Accordingly, the Commission, the BSE-Sofia and the Central Depository publish the information (which is public) in their official bulletins, Internet sites and provide it to third parties, as well as data vendors.

The advantage of this type of information disclosure is the simultaneous notification of different independent institutions and the press, which presupposes that the information will reach a very wide public and a big number of investors.

Information that the issuer is obliged to disclose continuously:

The issuer is under the obligation to present the following documents or notify the Commission for Financial Supervision and the Stock Exchange on a continuous basis about the following corporate information and events:

- the annual report not later than 90 days after the fiscal year has ended, as well as quarterly reports not later than 30 days after the end of every quarter;
- an audited annual financial statement;
- a program for the implementation of the internationally recognised corporate governance standards;
- biographical facts about the members of the boards of directors and controlling organs of the issuer;
- information about the persons that own over 10% of the shareholders' votes in the issuing company;
- changes in the articles of incorporation;
- changes in the management structure;
- bankruptcy procedures;
- decision about forthcoming mergers or acquisitions;

- all changes in the trading activity that might influence directly or indirectly the price of the issued shares;
- other important corporate news.

In addition the issuing company is obliged to inform the public through at least one national daily newspaper that its annual report has been presented and is available for all interested investors.

9. Trading

The Bulgarian Stock Exchange-Sofia guarantees its members and their clients equal access to the trading system. Trading can be carried out either on the BSE Floor or on a remote basis.

The trading system is electronic and order-driven. A modified version of the RTS System (NASDAQ based) was implemented in 2000. It offers all participants full transparency regarding the price formation, promotes liquidity and guarantees fail-free execution of orders.

Trading hours

Monday through Friday:

From 9:30 a.m. to 1:00 p.m. - normal trades on the Official and Unofficial Markets;

From 12:00 to 1:00 p.m. - block and other pre-negotiated (registered) trades.

The investment intermediaries and their brokers can put in their buy and sell orders Monday through Friday from 9:00 a.m. to 4:00 p.m.

Trading method

The trading method consists in the following:

- the buy and sell orders are entered into the trading system during the trading session;
- the orders match automatically in the system and are executed by keeping the price and time priority;
- client orders have priority over the own account;
- the minimum quotation is BGN 0.01.

For the purpose of stimulating the trading operations the Rules & Regulations of the BSE-Sofia provide the possibility for orders to be entered, which are outside of the price limitations, but this requires a special procedure. This type of orders can be valid only for the day.

The closing price of a security represents the average-weighted price formed as a result of the trades executed with this security throughout the trading session.

Price limits by markets	
Opening price	The closing price of a security represents the average-weighted price formed as a result of the trades executed with this security throughout the trading session.
Official Market	+/-15% is the range permitted in relation to the opening price at the trading session
Unofficial Market	+/-30% is the range permitted in relation to the opening price at the trading session

Types of orders

- Market order – buy and sell orders for a certain amount of securities at the best current available price; these orders do not contain a price;
- Limit order – an order placed to buy or sell a predetermined amount of shares at a specified price. They are subdivided into:
 - Good till cancelled
 - Single execution
 - Immediate

Priorities

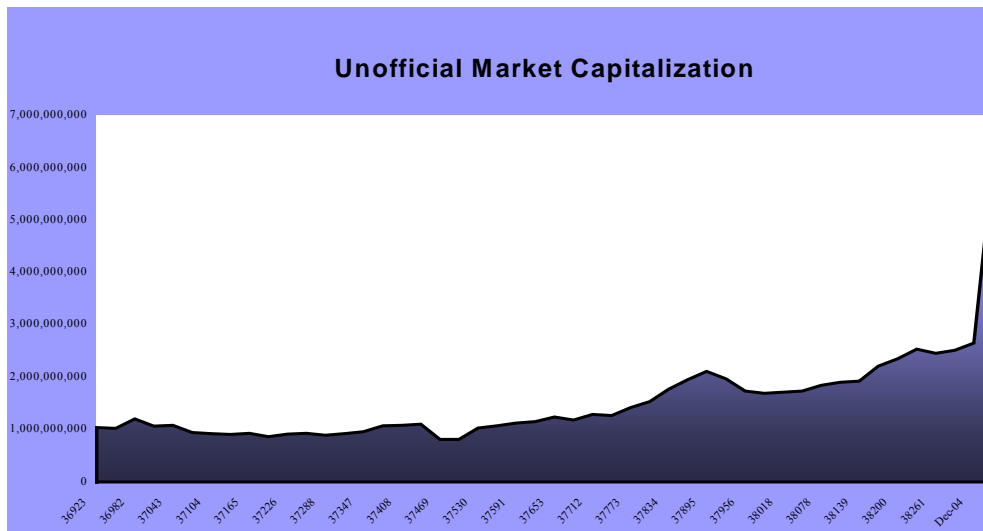
Trading on the BSE-Sofia is carried out by adhering to the “price and time” priority. The market orders are executed before the limit orders, because once they are entered into trading system they are matched to the best available price and thus the “price priority” rule is applied.

10. Statistics 2004

The market performance of the Bulgarian Stock Exchange in 2004 was overall good. It was a successful year not only for the Exchange, but for the Bulgarian capital market as a whole. The trading results confirm this assumption and as can be seen in the table below. Compared to 2003 the traded volumes and values are more than doubled, while the number of transactions went up by 97%. The major market segments – the Official and Unofficial equity markets, with the exception of Segment “A”, also registered a significant increase in all market parameters.

Market	Volume (in lots)			Turnover (in BGN)			Trades		
	2004	2003	Change	2004	2003	Change	2004	2003	Change
Block and prearranged deals	558 368 705	304 953 997	83%	435 421 351	151 169 771	188%	273	307	-11%
Tender offer	1 046 150	702 595	49%	4 187 706	11 248 017	-63%	17	17	0%
Buy-back transaction	17 990	133 066	-86%	74 659	1 612 750	-95%	1	8	-88%
Privatisation deals paid in BGN	2 355 613	352 712	568%	14 682 784	16 490 690	-11%	676	155	336%
Privatisation deals paid in Comp. notes	980 869	4 380 471	-78%	14 978 798	284 063 012	-95%	371	2 108	-82%
Official Market Segment A	920 515	62 733	1367%	6 550 438	531 523	1132%	52	237	-78%
Official Market, Segment B	12 714 043	5 472 260	132%	40 808 478	15 526 423	163%	3 811	3 681	4%
Official Market, Segment C	133 096 484	9 446 666	1309%	428 572 249	44 825 512	856%	32 028	14 065	128%
Official Market, corporate bonds	39 160	39 066	0%	42 329 495	41 534 670	2%	355	263	35%
Official Market, municipal bonds	78	0		77 942	0		3	0	
Official Market, Gov't bonds	0	0		0	0		0	0	
Unofficial Market Equities	29 725 989	24 394 715	22%	184 815 870	120 022 574	54%	32 862	22 492	46%
Unofficial Market Bonds	46 173	14 155	226%	83 320 756	25 970 050	221%	365	185	97%
Unofficial Market of Compensatory Notes	637 834 428	337 447 049	89%	233 221 148	78 103 747	199%	49 862	19 702	153%
Unofficial Market Other securities	19 658 946	809 125	2330%	2 584 352	410 240	530%	197	104	89%
Deals under Art. 54, par. 5	0	145 000	-100%	0	269 909	-100%	0	13	-100%
Primary Market Equities	339 539	0		1 861 077	0		221	0	
Primary Market Bonds	0	1 320	-100%	0	1 320 000	-100%	0	8	-100%
Primary Market Other securities	300 150	0		98 563	0		66	0	
Primary Market Gov't bonds	0	0		0	0		0	0	
Big volumes of Shares	2	0		314 690	0		2	0	
Centralised Public Auction	11 446 246	0		58 717 997	0		3 396	0	
Remote Public Auction	247	0		43 638 867	0		247	0	
Total:	1 408 891 327	688 354 930	105%	1 596 257 221	793 098 888	101%	124 805	63 345	97%

As a result of the price increase of almost all of the most actively traded issues on the exchange in 2004, the capitalisation increased 48% in comparison to 2003 and reached BGN 4,03 billion.



Market Capitalisation (BGN)	As of 29.12.2004	As of 23.12.2003	Change
Official Market A	53,424,836	28,000,924	91%
Official Market B	423,328,539	283,474,143	49%
Official Market C	898,123,568	674,509,506	33%
Unofficial Market	2,658,327,856	1,736,023,634	53%
TOTAL	4,033,204,800	2,722,008,207	48%

11. Privatisation through the Exchange

As a result of the amendments in the legal framework in 2004 it became possible to organise and carry out centralised public auctions and remote public auctions. These auctions are similar to the ones used on the privatisation market for public offering of securities owned by the state, i.e. through the mixed closed auction. The main difference between both types of auctions is that during the remote public auction the state sells stakes of limited liability companies and not shares, as is the case during the centralised public auction.

In 2004 the BSE organised 8 centralised and 7 remote public auctions. Through the centralised auction 11,446,246 state-owned shares were sold at a total value of BGN 58,717,997, which were paid in BGN or in compensatory instruments. Through the remote auctions were privatised residual state-owned stakes of 247 companies for the total value of BGN 43,638,867.

In 2004 the privatisation process was carried also by means of public offerings. Issues of 50 publicly traded companies were registered on the BSE. The volume privatised and paid in cash increased 568% compared to 2003 and reached 2,355,613 lots.

12. Index SOFIX

The official BSE index SOFIX was started on 20 October 2000 at 100 basis points. It is calculated as a correlation of the sum of the market capitalisation of the companies within the index portfolio on the current day, and the sum of the market capitalisation of the companies within the index portfolio on the previous day.

Market capitalisation is defined as a product of the number of shares in issue and the average weighted price per share at the end of the trading session.

Only the most liquid companies traded on the regulated markets are included in the index portfolio. In addition the companies have to meet the following requirements:

- The issues have been traded on the regulated markets at least three months;
- Market capitalisation of each issue should be at least BGN 2 million;
- The number of shareholders of each company included in the index portfolio has to be at least 500;
- The shares of the issue must have been traded at least at 20% of all trading sessions during the last 3 months.

The number of the companies within the index portfolio could vary from 5 to 50.

Index Formula:

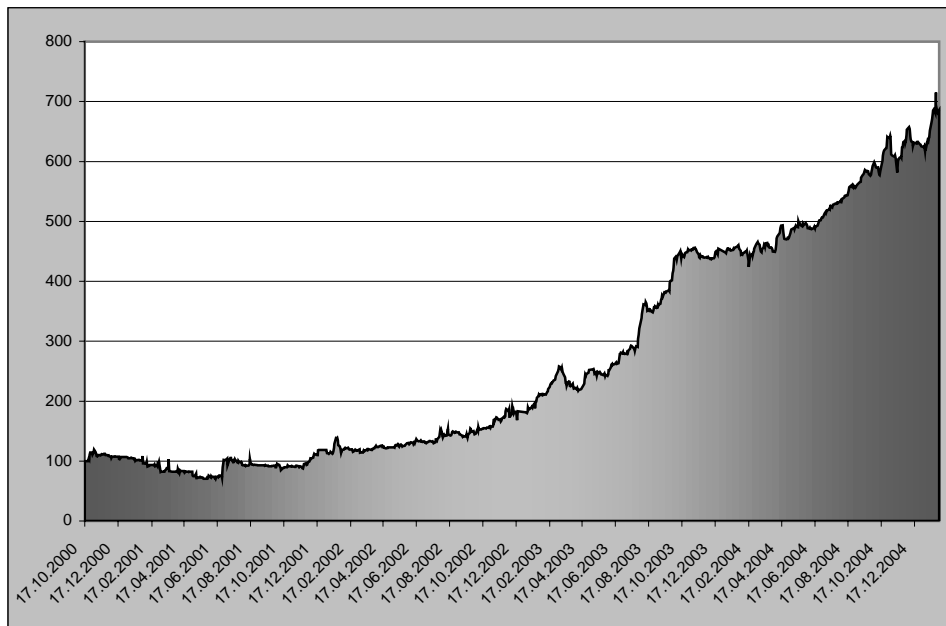
$$SOFIX_t = SOFIX_{t-1} \times \left[\frac{\sum_{i=1}^n N_{i,t} \times P_{i,t}}{\sum_{i=1}^n N_{i,t-1} \times P_{i,t-1}} \right]$$

Where:

- SOFIX - index of regulated markets of BSE-Sofia
- P - last average weighted price per share of a given company;
- N - number of shares in the issue
- n - numbers of issues included in the index portfolio;
- I - indicator for a given company /issue/
- t - day of the calculation

In 2004 the index SOFIX continued its upward trend from the previous year and reached record heights. At the start of 2004 the index was 447.93 points and at the last trading session on 29 December it had reached 625.31. There were certain corrections in the index portfolio – one company was removed and four were added.

SOFIX movement for the period 17.10.2000-17.12.2004



SOFIX	As of 29.12.2004	As of 23.12.2003	Change
	625.31	454.34	38%

Currently 13 companies are included in the SOFIX portfolio:

Slanchev bryag
Albena
Blagoevgrad BT
Bulgartabak Holding
Zlatni pyasatzi
Lukoil Neftohim Burgas
Petrol
Sofarma
Neohim
Orgahim
Biovet
Central Cooperative Bank
DZI

13. Index BG40

BG40 is based on the issues of shares of the Top 40 companies graded by the number of transactions executed in the last six months.

The issues included in the calculation of the index should meet the following criteria:

- To be fully subscribed to and secondary tradable; and
- To have been registered for trading on the Official or Unofficial Market for at least 3 months before included in the index. In case of transferring of an issue for trading from Unofficial to Official Market, then the date of registration of the issue for trading on the Unofficial Market will be considered as the initial date.

There are 40 companies included in the calculation of the index.

Current companies included in BG40:

- Industrial Holding Bulgaria PLC
- Doverie Obedinen Holding AD-Sofia
- Sinergon Holding AD-Sofia
- Albena Invest Holding AD-Albena
- Bulgarian Holding Company AD-Sofia
- Petrol AD-Sofia
- Kremikovtzi AD-Sofia
- Lukoil Neftohim Bourgas AD-Bourgas
- Sopharma AD-Sofia
- Biovet AD-Peshtera
- Severcoop Gumza Holding AD-Sofia
- Stara palnina hold AD-Sofia
- Blagoevgrad-BT AD-Blagoevgrad
- Himko AD-Vratza
- Bulgartabac-holding AD-Sofia
- Zlatni piasaci AD-Varna

- Zlaten lev AD-Sofia
- Neochim AD-Dimitrovgrad
- CB Central Cooperative Bank AD-Sofia
- Albena AD-Albena
- TK - Hold AD-Sofia
- Holding Sveta Sofia-Sofia
- Sv. Sv. Konstantin & Elena Holding AD-Varna
- Sparky Eltos AD-Lovetch
- Slantchev briag AD-Slanchev bryag
- Katex AD-Kazanlak
- Aktционер Favorit Holding AD-Sofia
- Oil & Gas Exploration & Production EAD-Pleven
- MG Elit Holding AD-Sofia
- Orgachim AD-Rouse
- Sofia-BT AD-Sofia
- Chernomorski Holding-Bourgas
- Investor.BG AD
- Riviera AD-Varna
- M+S Hydraulic AD-Kazanlak
- CB DZI Bank AD-Sofia
- Advance Invest AD-Sofia
- Alcomet AD-Shumen
- DZI AD-Sofia
- Fazerles AD-Silistra

Calculation Methodology of BG40

BG40 is computed as the base value is multiplied by the ratio between the sum of the corrected by the divisor for each company weighted-average price of the shares, included in the Index at the current moment, and the sum of the weighted-average price of the shares of the companies as of the base moment, and then multiplied by the adjusting coefficient on the Index base.

The weighted-average price is determined after each transaction during the trading session as a ratio between the traded value and the traded volume of each issue of the companies included in the BG40. If there is no transaction in shares of a certain company during a trading session, the last weighted-average will be considered when calculating the index. Block trades and transactions on the Privatisation Market are not considered when forming the weighted-average price.

Formula for calculation of BG40

$$BG\ 40_t = BG\ 40_{t-1} \times \left[\frac{\sum_{i=1}^{40} P_{i,t} \times D_{i,t}}{\sum_{i=1}^{40} P_{i,t-1}} \right] \times K$$

Where:

BG40 is an index on the regulated markets of BSE-Sofia;

$P_{i,t}$ is the weighted average price of the I-th issue on the T day;

$P_{i,t-1}$ is the weighted average price of the I-th issue on the T-1 day;

D_t is the divisor of the I-th issue for the current trading session;

i is the index for each specific issue;

t is the date, for which the index is calculated;

K is the adjusting coefficient (K=1, unless the index base has been changed).

If a corporate event requires a change in the divisor, the value of the divisor for the next trading session should be calculated in the following way:

$$D_{i,t+1} = \frac{P_{i,t}}{P_{i,t}^a}$$

Where:

$D_{i,t+1}$ is the divisor of the I-th issue for the next trading session;

$P_{i,t}^a$ is the adjusted weighted-average price for the I-th issue after the end of the session on the T day due to the corporate event on the T+1 day;

$P_{i,t}$ is the weighted-average price of the I-th issue on the T day.

A change in the base of BG40 (the issues included in its calculation) could be made on the grounds of a decision of the Board of Directors of the BSE-Sofia and should be announced in the Official Bulletin of the BSE-Sofia at least two weeks before enforcement. In this case, the adjusting coefficient for the next day (the T+1 day) will be calculated in the following way:

$$K_{t+1} = \frac{BG\ 40_{oldbase}}{BG\ 40_{newbase}}$$

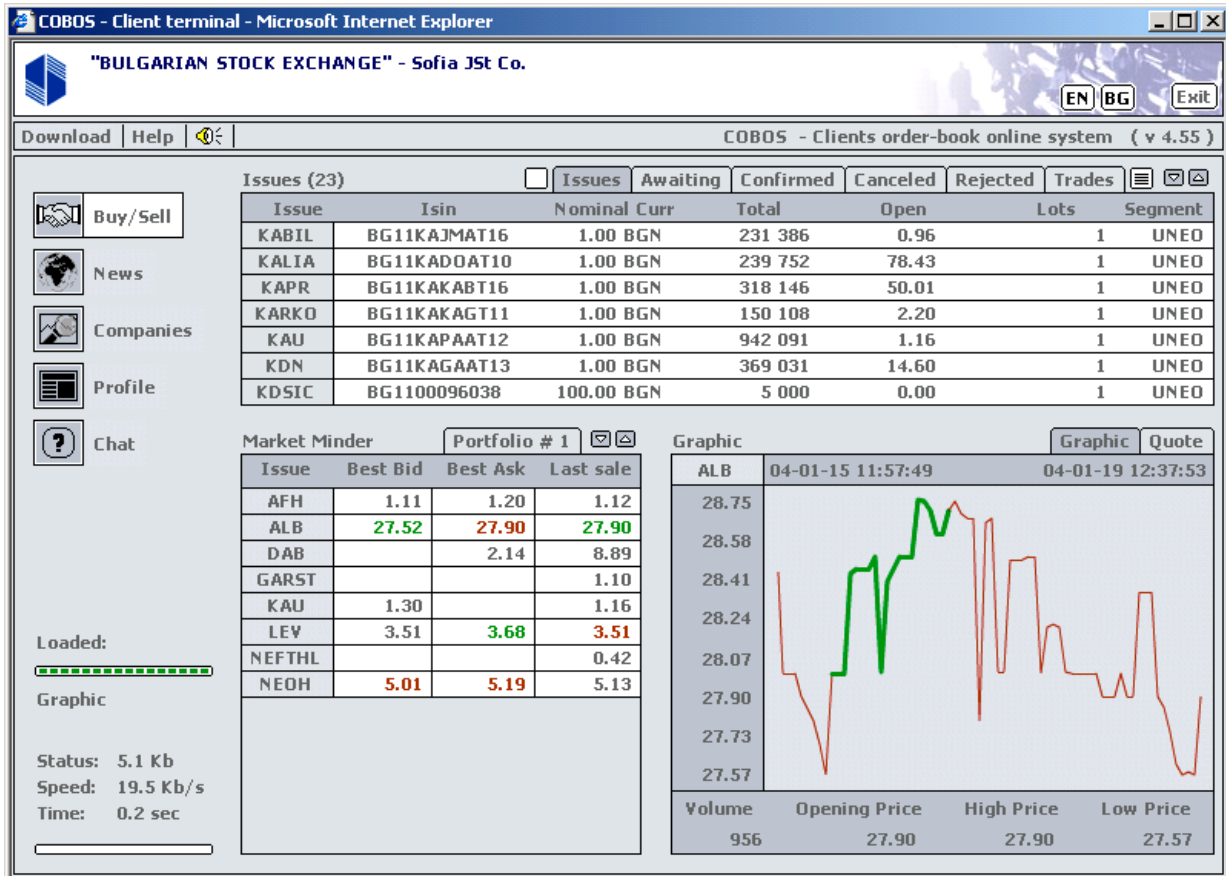
Where:

BG40 old base is the value of the index after the end of the session;

BG40 new base is the value of the index after the end of the session, but calculated using the new base.

14. COBOS

COBOS (Client Online Book Order System) was launched in March 2003 and represents an Internet-based application for secured and authorised real-time access to the trading system of the BSE.



The main screen of the COBOS clients' terminal

The general purpose of COBOS is order transmission and execution of trades on behalf of the exchange members' clients. Orders submitted to the trading system through COBOS are identical to all other orders and carry the same rights and obligations. The new service is a home-made product and is an intellectual property of the BSE.

Users of COBOS can only be investment intermediaries and administrators of COBOS, as well as clients of the subscribers.

In 2004 40.58% of the orders submitted to the trading system of the BSE were executed through the COBOS system. The number of the end-clients that transmitted their orders through COBOS reached 557. Their orders were executed by 27 members/subscribers out of 85 BSE members.

15. Clearing and Settlement

Each transaction executed on the Exchange is considered finalised after the securities have been transferred and the payment for them has been carried out. These operations are certified by a registration document, issued by the Central Depository.

The settlement cycle was reduced to T+2 after the Real-time Interbank Gross Settlement System(RINGS) was put in place in June 2003. The settlement method is called “delivery versus payment”, which means that the transfer of securities and the payment for them are done simultaneously. All payments are carried out electronically. The transfer of securities and the payments in relation to the settlement are done by the Central Depository.

The participants in the trading operations do not have the right to:

- put in orders with the aim of creating the wrong impression that certain securities are traded more actively and the demand is higher; or such that increase or decrease the share price for tax purposes or for reaching a pre-negotiated price;
- execute such transactions on the BSE-Sofia that do not lead to a change of ownership; or such that cause increase or decrease of the share price with the aim of “motivating” other persons to buy or sell the same shares;
- acquire or transfer securities, for which they have inside information;
- give to other persons inside information.

The participants may not enter orders on the Exchange in the case that:

- they have information, which is not public, about a forthcoming packet transaction with these securities;
- they want to execute trades with options on certain securities and they have information, which is not public, about a forthcoming packet transaction with these securities.

16. Market Surveillance

A special unit at the BSE-Sofia is responsible for investigating and preventing abusive, manipulative, or illegal trading practices. It conducts continuous real-time computer surveillance to detect any fraudulent activity in a stock's price. More specifically the responsibility of the surveillance staff is to check:

- the orders that have been entered outside of the price limits;
- the execution of transactions close to or outside of the price limits;
- neglecting the clients' interests;
- transactions or orders that might seem suspicious and resulting from insider trading.

Measures against market manipulation

The participants in the trading operations do not have the right to:

- put in orders with the aim of creating the wrong impression that certain securities are traded more actively and the demand is higher; or such that increase or decrease the share price for tax purposes or for reaching a pre-negotiated price;

- execute such transactions on the BSE-Sofia that do not lead to a change of ownership; or such that cause increase or decrease of the share price with the aim of “motivating” other persons to buy or sell the same shares;
- acquire or transfer securities, for which they have inside information;
- give to other persons inside information.

The participants may not enter orders on the Exchange in the case that:

- they have information, which is not public, about a forthcoming packet transaction with these securities;
- they want to execute trades with options on certain securities and they have information, which is not public, about a forthcoming packet transaction with these securities.

17. Information Services

The Bulgarian Stock Exchange-Sofia offers a large variety of information services that include trading statistics, bulletins, specific stock prices, index movement, etc. Some of the information is provided on a real-time basis, some of it is “end-of-the-day” and another part is offered on a weekly or monthly basis.

The Exchange has signed agreements with the major global data vendors like “Thomson Financial”, “Reuters”, “Bloomberg”, “Deutsche Telekurs”, “Internet Securities” and others.

The rising interest in the stock market sector among analysts and investors made it necessary to launch new information services, which gave a better picture of the economic landscape in Bulgaria on the one hand and reflected the global standards in this field on the other.

In addition to the fruitful co-operation with the specialised financial newspapers (“Capital”, “Dnevnik”, “Pari”, “Banker” and “Cash”), which publish on a daily and weekly basis stock market information, the Board of Directors of the BSE adopted standardised information packages that are offered to investors using the great variety of Internet tools.

Keeping in pace with the current trends in the information field and in order to reach a very wide audience, the BSE-Sofia developed its web-site and gives free access to most of the statistical data. Interested persons can follow the trading session results with a 15-minute delay on www.bse-sofia.bg, as well as historical data about all the traded securities. There is also a continuous corporate news service that can be seen on the screen.

The official BSE web-site continued to be modernised in 2004 and the goal will be to assure easy access to a larger amount of stock market information. In the coming months the individual investors will be able to discover financial data and full information on the issuer companies.

18. International Relations

As a result of the dynamic developments on the Bulgarian stock market in 2004, the interest of foreign investors in regard to the BSE increased significantly. The Exchange continued to develop its international relations as well as on a bilateral level, as on a multilateral level. With the forthcoming accession of Bulgaria to the EU the financial and other support for the capital market by different European institutions is becoming more active.

In 2004 in the framework of the bilateral exchange program of the Federation of Euro-Asian Stock Exchanges (FEAS) the Deputy Chairman of the BSE Mr. Victor Papazov paid a visit to the Stock Exchange of Azerbaidjan and signed a Memorandum of Understanding between both exchanges. The BSE was host to a visit of a delegation of the Armenian Stock Exchange.

Among the important events of 2004 was the visit at the BSE of the Lord Mayor of London Alderman Robert Finch. This visit was the result of the rising interest of British investors in the Bulgarian capital market.

Being a member of such prestigious international organisations as FEAS, the Federation of European Securities Exchanges (FESE) and the World Federation of Exchanges (WFE) gave the opportunity to big number of BSE junior and senior officers to participate in international conferences, seminars, courses. Especially active were BSE's contacts with the stock exchanges from Southeast Europe – the Istanbul, Athens, Zagreb, Bucharest, Macedonia and Belgrade stock exchanges.

In 2004 two major projects were realised with foreign financial support. "First Initiative", an organisation supported by the World Bank, the IMF and European state agencies, financed a "Feasibility Study for a Derivatives (Futures & Options) Market in Bulgaria." The second project was financed by the Norwegian government and its goal was to train the staff of the IT Department at the "Oracle" University in Slovenia. Forthcoming are projects that will be realised with the financial support of the governments of Japan, Netherlands and Italy.

19. List of Licensed Investment Intermediaries, members of the BSE