

Markets in Financial Instruments Act

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Text in Bulgarian: Закон за пазарите на финансови инструменти

PART ONE

GENERAL PROVISIONS

Chapter One

GENERAL PROVISIONS AND TERMS

Article 1. (1) This Act shall regulate:

1. the activity of investment intermediaries and regulated markets in financial instruments;
2. the requirements to the persons managing and controlling the persons covered under item 1, as well as to the persons with qualifying holding in the persons under item 1;
3. the state supervision to ensure compliance with this Act.

(2) The purpose of this Act shall be:

1. to ensure protection of investors in financial instruments, inter alia by creating conditions to supply them with full and more appropriate information regarding the market in financial instruments;
2. to create conditions for the development of a transparent, open and efficient market in financial instruments;
3. to uphold the stability and the public confidence in the market in financial instruments.

Article 2. Regulation and supervision of the activities of the persons under Article 1 shall be carried out by the Financial Supervision Commission, hereinafter referred to as the "Commission", and the Deputy Chairperson of the Commission heading the Investment Supervision Division, hereinafter referred to as "Deputy Chairperson".

Article 3. The subject of this Act shall be the following financial instruments:

1. securities;
2. instruments other than securities:
 - (a) money market instruments;
 - (b) units in collective investment undertakings;
 - (c) options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivative instruments, financial indices or financial measures which may be settled physically or in cash;
 - (d) options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event);

(e) options, futures, swaps and any other derivative contracts relating to commodities that can be physically settled provided that they are traded on a regulated market and/or on a multilateral trading facility;

(f) (supplemented, SG No. 34/2015) options, futures, swaps, forwards and any other derivative contracts relating to commodities, outside those referred to in "e", that can be physically settled and which are not commercial papers and which in accordance with Article 38, paragraph 1 of Commission Regulation (EC) No. 1287/2006 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, hereinafter referred to as "Regulation (EC) No. 1287/2006" have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are cleared and settled through recognized clearing houses or are used as collateral in margin calls or short sales;

(g) derivative instruments for the transfer of credit risk;

(h) financial contracts for differences;

(i) (amended, SG No. 34/2015) options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, emission allowances or inflation rates, or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event), as well as any other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Article, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market or an MTF, are cleared and settled through recognized clearing houses or are subject to regular margin calls, as well as derivative contracts pursuant to Article 38, Paragraph 3 of Regulation (EC) No. 1287/2006.

Article 4. (1) This Act shall not apply to:

1. insurance companies under Article 1 of Council Directive 73/239/EEC on the coordination of laws, regulations and administrative provisions relating to the taking-up and pursuit of the business of direct insurance other than life assurance, the persons under Article 1 of Directive 2002/83/EC of the European Parliament and of the Council concerning life assurance and to the persons conducting reinsurance and retrocession under Council Directive 64/225/EEC on the abolition of restrictions on freedom of establishment and freedom to provide services in respect of reinsurance and retrocession;

2. persons who provide investment services solely for their parent undertakings, their subsidiaries or other subsidiaries of their parent undertakings;

3. persons who provide investment services only on an incidental basis in the course of professional activity provided that activity is regulated by laws or other regulations or a code of ethics which do not prohibit the provision of such services;

4. persons who do not provide investment services and do not perform other investment activities other than dealing in financial instruments on own account and who are not market makers and do not deal in financial instruments on own account outside a regulated market or a multilateral trading facility on an organized, frequent and systematic basis, by providing a system accessible to third parties in order to engage in dealings with them;

5. persons who provide investment services consisting exclusively in the administration of employee-participation schemes;

6. persons who provide investment services consisting solely of administration of employee-participation schemes and provision of investment services solely for their parent undertakings, their subsidiaries or other subsidiaries of their parent undertakings;

7. members of the European System of Central Banks, other bodies performing similar functions as well as public bodies charged with or intervening in the management of the public debt;

8. collective investment undertakings and pension funds whether or not coordinated at Community level, and the depositaries or managers of such undertakings;

9. (amended, SG No. 34/2015) persons dealing on own account in financial instruments or providing investment services relating to derivative commodity-related financial instruments or derivative contracts under Article 3, item 2 "I", to clients within their main business where such activity within the group is ancillary to their main business and their main business excludes provision of investment services within the meaning of this Act and annex I, sections "A" and "B" to Directive 2004/39/EC of

the European Parliament and of the Council and excludes provision of banking services within the meaning of annex I to Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ, L 176/338 of 27 June 2013), hereinafter referred to as "Directive 2013/36/EU";

10. persons who provide investment advice in the course of providing another professional activity not covered by this Act provided that the provision of such advice is not specifically remunerated;

11. (amended, SG No. 34/2015) persons whose main business is dealing on own account in commodities and/or derivative financial instruments relating to commodities; this exception shall not apply where such persons are part of a group the main business of which is the provision of other investment services within the meaning of this Act and of Directive 2004/39/EC of the European Parliament and of the Council and does not involve provision of banking services within the meaning of the Credit Institutions Act and Directive 2013/36/EU;

12. (supplemented, SG No. 34/2015) legal persons which provide investment services and/or perform investment activities consisting solely in dealing on own account on markets in financial futures or options or other derivatives and on cash markets for the sole purpose of hedging positions on derivatives markets or which deal for the accounts of other members of those markets or make prices for them and which are guaranteed by clearing members of the same markets, where responsibility for ensuring the performance of contracts entered into by such persons is assumed by clearing members of the same markets, save for the cases under Article 8, paragraph 6.

(2) The rights conferred under this Act shall not extend to the provision of services as counterparty in transactions carried out by public bodies dealing with public debt or by members of the European System of Central Banks performing their tasks as provided for by the Treaty establishing the European Community and the Statute of the European System of Central Banks or performing equivalent functions under national provisions.

Chapter Two

CONDITIONS FOR CONDUCT OF BUSINESS

Section I

General provisions

Article 5. (1) An investment intermediary shall be a person which provides one or more investment services and/or performs one or more investment activities as a regular occupation or a business on a professional basis.

(2) Investment services and activities shall be:

1. reception and transmission of orders in relation to one or more financial instruments, including intermediating for conclusion of transactions in relation to financial instruments;
2. execution of orders on behalf of clients;
3. dealing in financial instruments on own account;
4. portfolio management;
5. provision of investment advice to clients;
6. underwriting of issues of financial instruments and/or placing of financial instruments on the basis of an unconditional and irrevocable commitment to subscribe/acquire the financial instruments on own account;
7. placing of financial instruments without an unconditional and irrevocable commitment to acquire the financial instruments on own account;
8. operation of a multilateral trading facility.

(3) Investment intermediaries may furthermore provide the following ancillary services:

1. safekeeping and administration of financial instruments for the account of clients, including custodianship (holding clients' financial instruments and cash at a depositary institution) and related services, such as cash/collateral management;
2. granting loans for effecting of transactions in one or more financial instruments, subject to the condition that the person granting the loan is involved in the transaction under terms and according to a procedure established in an ordinance;
3. advice to undertaking on capital structure, industrial strategy and related matters, as well as advice and services relating to mergers and the purchase of enterprises;
4. provision of foreign exchange services, insofar as they are connected with the investment services provided;
5. investment research and financial analysis or other forms of general recommendations relating to transactions in financial instruments;
6. services relating to underwriting of issues of financial instruments;
7. under Paragraph 2 and items 1 - 6 in connection with the underlying asset of derivative financial instruments under Article 3, item 2 "d", "e", "f" and "g" insofar as they are connected with the provision of services under items 1 - 6 and Paragraph 2.

Article 6. (1) Investment services may be provided and investment activities may be performed as a regular occupation or business on a professional basis solely by a joint-stock company or a limited liability company which has its seat and registered office on the territory of the Republic of Bulgaria, has obtained authorisation for conduct of business in an investment-intermediary capacity from the Commission, under the terms and according to the procedure established by this Act and by the instruments of secondary legislation for the application thereof.

(2) The provision of one or more investment services and/or the performance of one or more investment activities as a regular occupation or business on a professional basis may be carried out by a bank, which has obtained authorisation for provision of such services and performance of such activities from the Bulgarian National Bank.

Article 7. (1) (Supplemented, SG No. 22/2014, effective 11.03.2014) Investment intermediaries, with the exception of banks, may not effect any other commercial transactions as a regular occupation or business on a professional basis with the exception of those referred to in Paras. 2 and 3.

(2) Investment intermediaries which provide investment services and perform investment activities under Article 5, Paragraph 2, items 3 and 6 may furthermore effect foreign exchange transactions if they have obtained authorisation under the terms and according to the procedure established by effective legislation.

(3) (New, SG No. 22/2014, effective 11.03.2014) Investment intermediaries who are entitled to perform investment activities pursuant to Article 5, Para. 2, item 3, may bid directly on their own account, while investment intermediaries who are entitled to perform investment activities pursuant to Article 5, Para. 2, item 2 may bid on behalf of clients in two-day spot auctions under the terms and following the procedure of Commission Regulation (EU) No. 1031/2010 of 12 November 2010 on the timing, administration and other aspects of auctioning of greenhouse gas emission allowances pursuant to Directive 2003/87/EC of the European Parliament and of the Council establishing a scheme for greenhouse gas emission allowances trading within the Community (OJ L 302/1, 18 November 2010), hereinafter "Regulation (EU) No. 1031/2010", upon obtaining authorisation from the Commission issued pursuant to Article 13, Para. 4.

(4) (New, SG No. 22/2014, effective 11.03.2014) Investment intermediaries willing to perform activities referred to in Para. 3 on behalf of clients should:

1. hold initial capital of no less than BGN 1,000,000;
2. maintain own funds which are more than or equal to the amount referred to in item 1 above at any time following the permit issue.

(5) (New, SG No. 22/2014, effective 11.03.2014) Investment intermediaries who obtained authorisation pursuant to Article 13, Para. 4 shall perform the activities referred to in Para. 3 in compliance with the requirements of Regulation (EU) No 1031/2010.

Article 8. (Amended, SG No. 95/2009, effective 1.01.2010, SG No. 34/2015) (1) Investment intermediaries, except for those under paragraphs 2, 3, 5 and 6, shall have initial capital of no less than BGN 1,500,000. Investment intermediaries

whose authorisation covers performance of the activity referred to in Article 5, paragraph 2, item 8, shall have initial capital of no less than BGN 1,500, 000.

(2) An investment intermediary which does not perform any of the activities referred to in Article 5, paragraph 2, items 3 and 6 but holds money or financial instruments of clients and which offers one or more of the services under Article 5, paragraph 2, items 1, 2 or 4, shall have minimum initial capital of no less than BGN 250,000.

(3) An investment intermediary whose authorisation does not cover the holding of money or financial instruments of clients and does not provide the investment services and the activities under Article 5, paragraph 2, items 3 and 6 shall have initial capital of no less than BGN 100,000.

(4) For the purposes of paragraphs 2 and 3, maintaining positions in financial instruments outside the trading book for the purpose of investing own funds shall not be deemed activity under Article 5, paragraph 2, item 3.

(5) An investment intermediary which is not authorised to provide ancillary services under Article 5, paragraph 3, item 1 and which provides only one or more of the investment services under Article 5, paragraph 2, items 1, 2, 4 and/or 5, and which is not authorised to hold money or financial instruments of clients and which for that reason may not at any time place itself in debt with those clients, shall meet one of the following requirements:

1. shall have initial capital of no less than BGN 100,000;

2. shall have Professional Indemnity insurance valid within the European Union and the European Economic Area or another commensurate guarantee which covers the damages that might occur as a result of guilty default on its obligations relating to his activity as investment intermediary; the minimum insurance amount of the insurance shall amount to the lev equivalent of EUR 1,000,000 for every insurance event and the lev equivalent of EUR 1,500,000 - for all insurance events per year;

3. a combination of the requirements under items 1 and 2 shall be in place so as to ensure a coverage level equivalent to that under items 1 or 2.

(6) Local firms within the meaning of Article 4, paragraph 1, item 4 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (OJ, L 176/1 of 27 June 2013) hereinafter referred to as "Regulation (EU) No. 575/2013", willing to be authorised for the activity performed thereby under the procedure of this Act and to enjoy the rights under Article 15, paragraph 4, shall have initial capital of no less than BGN 100,000.

(7) The initial capital of investment intermediaries, except for those referred to in paragraphs 5 and 6, shall be comprised of one or more elements listed in Article 26, paragraph 1 "a" - "e" of Regulation (EU) No. 575/2013.

(8) No less than 25 per cent of the capital under paragraphs 1 – 6 shall be paid in upon filing the application for obtaining authorisation and the remaining amount shall be paid in within 14 days from receipt of a written notification under Article 14, paragraph 4.

(9) Any investment intermediary shall issue solely dematerialized shares entitling the holder to a single vote. Should the investment intermediary be a limited liability company, the voting power of each member shall be proportionate to the participating interest held thereby in the capital.

Article 8a. (New, SG No. 34/2015) (1) Any investment intermediary shall have its own funds, which shall be adequate to the inherent risks assumed thereby, which capital is determined in accordance with the requirements of this Act, the statutory instruments for its application and Regulation (EU) No. 575/2013.

(2) The investment intermediary authorised to provide investment services under Article 5, paragraph 2, items 3 and 6 shall meet the liquidity requirements hereunder, Regulation (EU) No. 575/2013 and the statutory instruments for their application.

(3) Other requirements to investment intermediaries related to their capital, capital adequacy and liquidity, types of liquidity buffers to be maintained, the terms and procedures for their formation and update, and for waiver from the obligation for maintaining capital buffers, the terms and procedures for their waiver from the liquidity requirements, for reporting and disclosure of information by investment intermediaries and supervision over compliance with such requirements are laid down in an ordinance and Regulation (EU) No. 575/2013. The ordinance may define the financial instruments that investments intermediaries may hold for own account in the cases of performing investment services under Article 5, paragraph 2, item 2.

(4) Any investment intermediary shall rectify the deficiencies and any other non-conformities with the requirements of the law, inter alia with the International Financial Reporting Standards, as may have been committed in the reports of capital adequacy and liquidity, as well as in the financial statements, ledgers and other accounting records, as indicated by the Deputy Chairperson, within a reasonable time limit as shall be set by the Deputy Chairperson.

Article 9. The annual financial statements of an investment intermediary shall be certified by a registered auditor. The results of the audit of the annual financial statements as conducted by the auditor shall be shown in a separate report, compiled in a standard form endorsed by the Deputy Chairperson, which shall be included in the annual report.

Article 10. (1) Any investment intermediary shall set aside a Reserve Fund containing no less than 10 per cent of the capital. Should the assets in the Reserve Fund fall below the said minimum level, the company shall be obliged to supply the deficient resources within one year.

(2) Until the assets in the Reserve Fund reach the required level, any investment intermediary shall transfer thereto no less than one fifth of the profit thereof after payment of due taxes and before distribution of dividend. The said company may furthermore replenish the assets in the Fund from other sources as may be provided by the articles of association or by a resolution of the general meeting.

(3) (Repealed, SG No. 34/2015).

Article 10a. (New, SG No. 34/2015) The Deputy Chairperson shall review the rules, strategies, processes and mechanisms introduced by the investment intermediary in accordance with this Act, Regulation (EU) No. 575/2013 and the statutory instruments for their application, taking into account the technical criteria for supervisory review and evaluation, and shall assess the risks to which the activity of the investment intermediary is exposed or causes. The procedure, manner and the technical criteria for the review and evaluation shall be laid down in an ordinance.

Article 11. (1) Any investment intermediary shall be managed and represented jointly by at least two persons meeting the requirements covered under Paragraph 2. The persons referred to in sentence one may authorize third parties to perform specific actions.

(2) Any person, who has been elected member of a management or supervisory body of any investment intermediary or manages its business shall:

1. have higher education and professional experience necessary for management of the business of the investment intermediary in accordance with the services and activities referred to in Article 5, Paragraphs 2 and 3;

2. have no conviction for a premeditated offence at public law;

3. hold no previous membership of a management body or a supervisory body of, and no previous status as general partner in, any corporation against which bankruptcy proceedings have been initiated or which has been dissolved by bankruptcy and leaving any creditor unsatisfied;

4. not have been declared bankrupt or is not undergoing bankruptcy proceedings;

5. be no spouse of any other member of a management body or a supervisory body of the company, and be no lineal or collateral relative to any such person up to the third degree of consanguinity and not actually cohabit with such a member;

6. be under no effective disqualification from occupying a position of property accountability;

7. (supplemented, SG No. 109/2013, effective 20.12.2013) in the last year preceding the act of the relevant competent body has held no previous membership of a management body or a supervisory body in a company whose authorisation has been withdrawn for conduct of activity subject to licensing by the Commission or by the Bulgarian National Bank or by a relevant body of another country, except in the cases where the authorisation has been withdrawn at the request of the company as well as where the act of withdrawal of the authorisation granted has been duly repealed;

8. (supplemented, SG No. 77/2011, SG No. 109/2013, effective 20.12.2013, SG No. 34/2015) no administrative penalties have been imposed on him in the last preceding three years for gross violation of this Act, the Public Offering of Securities Act, the Market Abuse with Financial Instruments Act, the Special Investment Purpose Act, the Collective Investment Schemes and Other Undertakings for Collective Investments Act, Regulation (EU) No. 575/2013 or of the statutory instruments for application thereof or of the relevant legislation of another country;

9. (supplemented, SG No. 77/2011, SG No. 109/2013, effective 20.12.2013, SG No. 34/2015) no administrative penalties have been imposed on him in the last preceding three years for gross violation of this Act, the Public Offering of Securities Act, the Market Abuse with Financial Instruments Act, the Special Investment Purpose Act, the Collective Investment Schemes and Other Undertakings for Collective Investments Act, Regulation (EU) No. 575/2013 or of the statutory instruments for application thereof, characterized as systematic;

10. (supplemented, SG No. 77/2011, SG No. 109/2013, effective 20.12.2013) not have been dismissed from a management or supervisory body of a company under this Act, the Public Offering of Securities Act, the Collective Investment Schemes and Other Undertakings for Collective Investments Act, the Market Abuse with Financial Instruments Act, the Special Investment Purpose Act or under the relevant legislation of another country on the basis of the enforcement administrative measure taken, except where the act of the Commission has been duly repealed.

(3) A member of a management or supervisory body of an investment intermediary as well as a person authorized to manage and represent him shall be a person of good repute and shall not pose a threat to the management of the investment intermediary, the interests of investors and shall not obstruct investment supervision.

(4) The requirements under Paragraphs 2 - 3 shall furthermore apply to natural persons who represent legal entities - members of the management and supervisory bodies of the investment intermediary.

(5) The requirements under Paragraphs 2 - 3 shall furthermore apply to any other persons who may conclude transactions independently or jointly with another person on the account of the investment intermediary.

(6) The circumstances under Paragraph 2, items 3 - 10 shall be ascertained by a declaration.

(7) (Supplemented, SG No. 34/2015) The persons under paragraphs 2 and 5 shall be subject to approval by the Deputy Chairperson before their registration with the commercial register and the persons under paragraph 4, prior to their appointment as representatives of the legal persons – members of the management and supervisory bodies of the investment intermediary. The Deputy Chairperson shall pronounce within 15 days from filing of the application with the documents enclosed thereto ascertaining compliance with the requirements set for such persons. For the purposes of paragraph 2 the Deputy Chairperson shall also make enquiries in the database of administrative penalties maintained by the European Banking Authority (EBA). The Deputy Chairperson shall refuse to grant approval if any of the persons does not meet the requirements herein or if with his activity or influence on decision-making he may harm the soundness of the company or its operations.

(8) Professional experience within the meaning of Paragraph 2, item 1 shall be in place if the person has worked at least:

1. one year in non-bank financial sector enterprises or in banks provided that his responsibilities were connected with the main business of such enterprises, or

2. three years in government institutions or other public legal entities whose main functions include management and control of national or international public financial assets or management, control and investment of funds in funds established by a statutory instrument;

3. (new, SG No. 34/2015) six months in banks and/or undertakings under item 1 and one year and 6 months in public institutions and/or public legal entities under item 2.

(9) The Commission shall take the enforcement administrative measure under Article 118, Paragraph 1, item 5 where a person under Paragraphs 2 - 5 no longer meets the requirements under Paragraphs 2 or 3.

Article 11a. (New, SG No. 34/2015) (1) Included as members of the management and supervisory bodies shall be persons with the required knowledge, skills and professional expertise corresponding to the specifics of the activities performed by the investment intermediary and the major risks to which it is or may be exposed.

(2) The members of the management and supervisory bodies of the investment intermediary shall dedicate sufficient time to ensure the proper performance of their functions.

(3) Members of the management and supervisory bodies of the investment intermediary may also be persons who participate in the management of other legal entities, provided this shall not prevent the effective performance of their duties in the management of the investment intermediary. The limitations for simultaneous participation in the management of the investment intermediary and other entities and the terms and procedure for exemption from such limitations shall be laid down in an

ordinance.

Article 11b. (New, SG No. 24/2009, effective 31.03.2009, renumbered from Article 11a, SG No. 34/2015) Any person, having qualified holding in an investment intermediary, must have good reputation, professional experience, and financial stability corresponding to its qualified holding and observing all other requirements set forth in this Act.

Article 12. The requirements for natural persons who by contract effect directly transactions in financial instruments and provide investment advice as well as the procedure for acquiring or revoking the right to exercise such activity shall be set out in an ordinance.

Section II

Granting and withdrawal of authorisation

Article 13. (1) The performance as a regular occupation or business on a professional basis of one or more services and activities under Article 5, Paragraphs 2 and 3 by persons other than banks shall be subject to granting of authorisation by the Commission.

(2) To obtain authorisation under Paragraph 1, an application shall be submitted in a standard form, enclosing therewith:

1. the articles of association or the memorandum of association;
2. particulars of the capital referred to in Article 8 herein;
3. a programme of operations of the company, setting out, inter alia, the activities which the company plans to carry out, as well as the internal organization thereof;
4. particulars of the persons referred to in Article 11;
5. general conditions applicable to contracts with clients;
6. the rules for the personal transactions in financial instruments of the members of the management and supervisory bodies of the investment intermediary and the employees of the investment intermediary;
7. (supplemented, SG No. 43/2010) particulars of the persons who or which hold, directly or indirectly, a qualifying holding in the applicant company and of the number of voting rights held thereby; any such persons shall submit declarations in writing, completed in a standard form as prescribed by the Deputy Chairperson, regarding their actual owners and the origin of the resources wherefrom payments have been effected for subscribed shares, specifying inter alia whether the said resources are borrowed, and the taxes paid thereby during the five last preceding years;
8. particulars of the persons wherewith the applicant has close links;
9. any other documents and information as may be prescribed by an ordinance.

(3) Where the investment intermediary wishes to perform services and activities under Article 5, Paragraphs 2 and 3 which are not covered by its authorisation, the investment intermediary shall submit an application to the Commission for extension of its authorisation, enclosing the documents under Paragraph 2, items 1, 2, 3 and 5 therewith, as well as any other documents and information as may be prescribed by an ordinance.

(4) (New, SG No. 22/2014, effective 11.03.2014) An investment intermediary willing to perform activities referred to in Article 7, Paragraph 3 shall make an application to the Commission and shall attach to it the documents referred to in Paragraph 2, items 1, 2, 3, and 5 as well as other documents and information required by ordinance. The application may be made together with the application referred to in Paragraph 2; in such a case the Commission shall issue separate decisions on each of the applications.

(5) (Renumbered from Paragraph 4, SG No. 22/2014, effective 11.03.2014) Where a market operator seeks authorisation to organize a multilateral trading facility and the persons who manage the activity of the multilateral trading facility are the same persons who manage the activity of the regulated market, it shall be deemed that said persons satisfy the requirements of Article 11, Paragraphs 2 and 3.

(6) (Renumbered from Paragraph 5, SG No. 22/2014, effective 11.03.2014) The Commission shall grant authorisation to a market operator to organize a multilateral trading facility provided the market operator meets the relevant conditions under this Chapter except for Article 14, Paragraph 4, item 1 and Article 16, Paragraph 1, item 7.

Article 14. (1) (Amended, SG No. 22/2014, effective 11.03.2014) The Commission shall issue a decision on the application referred to in:

1. Article 13, Paragraphs 2 and 3 - within three months of receipt, and where supplementary information and documents were requested - within one month of their receipt;
2. Article 13, Paragraphs 4 - within one month of receipt, and where supplementary information and documents were requested - within one month of their receipt;
3. Article 13, Paragraphs 4, submitted together with the application referred to in Article 13, Paras. 2 and 3 - within three months of receipt, and where supplementary information and documents were requested - within one month of receipt.

(2) Based on the documents submitted the Commission shall verify compliance with the requirements for granting of the requested authorisation or extension of an authorisation granted, as the case may be. If the information and documents submitted are incomplete, incorrect, non-compliant with statutory requirements or additional information or evidence of their authenticity is necessary, the Commission shall send a communication of the deficiencies and non-conformities established or the additional information and documents required.

(3) In the cases of Article 111, Paragraphs 1 and 2 the Commission shall request the opinion of the relevant competent authority and the time limit under Paragraph 1 shall start to be in effect from the date of receipt of the requested opinion. The Commission shall pronounce no later than six months from receipt of the application and of the additional particulars and documents requested under Paragraph 2.

(4) The time limit under Paragraphs 1 and 3 shall be considered complied with if the Commission notifies the applicant in writing within the time limit set that it will grant authorisation for conduct of activity as investment intermediary or will extend the scope of the authorisation granted, as the case may be, if the applicant certifies within fourteen days after receipt of the said notification that:

1. the entrance contribution has been paid to the Investor Compensation Fund;
2. the capital required under Article 8 herein has been fully paid in.

Article 15. (1) (Supplemented, SG No. 22/2014, effective 11.03.2014, amended, SG No. 34/2015) The Commission shall grant authorisation for provision of investment services and performance of investment activities as a regular occupation or business on a professional basis or extension of the scope of already granted authorisation or authorisation referred to in Article 7, Paragraph 3, as the case may be, only if it judges that the applicant meets the requirements herein, Regulation (EU) No. 575/2013 and the statutory instruments for their application.

(2) (Amended, SG No. 34/2015) The Commission may refuse to grant authorisation or refuse extension of the scope of already granted authorisation, as the case may be, for some of the requested services and activities under Article 5, Paragraph 2 in respect of which it judges that the applicant does not meet the requirements herein, Regulation (EU) No. 575/2013 and the statutory instruments for their application.

(3) The authorisation under Paragraph 1 shall specify in detail the investment services and investment activities which the person is authorized to perform. The authorisation may include the right to perform one or more of the services under Article 5, Paragraph 3. The authorisation may not be granted solely for the provision of the services under Article 5, Paragraph 3.

(4) The authorisation under Paragraph 1 shall allow performance of the specified therein services and activities under Article 5, Paragraphs 2 and 3 throughout the European Union and the European Economic Area, either through the establishment of a branch or the free provision of services, unless the Commission has explicitly authorized performance thereof in third countries.

(5) The Commission may grant authorisation for performance of the services and activities under Article 5, Paragraphs 2 and 3 on the territory of the Republic of Bulgaria through a branch of a legal person from a third country provided that:

1. the person is authorized under its national law to perform such services and activities, and

2. the authority supervising the market in financial instruments in the country where the person is registered exercises supervision over it on a consolidated basis.

(6) The Commission may recognize the authorisation for performance of the services and activities under Article 5, Paragraphs 2 and 3, granted to a legal person from a third country, where this is provided for by an international contract to which the Republic of Bulgaria is a party.

(7) The person from a third country shall have the rights and obligations of the investment intermediary for which the Republic of Bulgaria is the home Member State, unless the Act provides for otherwise.

(8) (New, SG No. 21/2012) The Commission shall notify the European Securities and Markets Authority (ESMA) of the authorization granted to an investment intermediary.

Article 16. (1) The Commission may refuse to issue authorisation or to extend the scope of a granted authorisation where:

1. (supplemented, SG No. 34/2015) the capital of the applicant does not meet the requirements under Article 8 and 8a;
2. a member of the management or supervisory bodies of the company or of the persons under Article 11, Paragraphs 2, 4 and 5 does not meet the requirements herein if with his activity or influence on decision-making he could jeopardize the soundness of the company or its operations;
3. a person who holds directly or indirectly a qualifying holding in the applicant, with his activity or influence on decision-making could jeopardize the soundness of the company or its operations;
4. the general conditions under Article 13, Paragraph 2, item 5 do not protect sufficiently the interests of investors;
5. the applicant has submitted false data or documents with untrue content;
6. the persons holding directly or indirectly a qualifying holding in the applicant company have made contributions with borrowed funds;
7. the entrance contribution to the Investor Compensation Fund has not been paid in;
8. close links exist between the applicant and other persons which might cause serious difficulties in the exercise of effective supervision by the Commission;
9. the laws, regulations or administrative provisions of a third country governing the activity of a person closely linked with the applicant, or difficulties involved in their enforcement, prevent the effective exercise of the supervisory functions of the Commission or its Deputy Chairperson, as the case may be;
10. the programme for the operations or other documents of the applicant reveal that the greater part of the activity will be performed on the territory of another Member State and the application for granting authorisation from the Commission aims to evade the stricter requirements for investment intermediaries in said Member State on whose territory the applicant intends to conduct business;
11. (new, SG No. 43/2010) in its opinion the activity the applicant intends to perform does not provide the reliability and financial stability necessary;
12. (new, SG No. 43/2010) in its opinion the size of the property owned by the persons who/which have subscribed 10 and over 10 percent of the capital, and/or their operations in their scale and financial results do not correspond to the shareholding in the applicant and raise doubts regarding the reliability and capability of these persons to provide capital support to the applicant if needed;
13. (new, SG No. 43/2010) the origin of the funds used by the persons, who/which have subscribed 10 and over 10 percent of the capital, to make contributions, is not clear and legal;
14. (renumbered from Item 11, SG No. 43/2010, amended, SG No. 34/2015) the applicant does not meet the other requirements as set out by the Act, Regulation (EU) No. 575/2013 and the statutory instruments for their application.

(2) (Amended, SG No. 43/2010) In the cases under paragraph 1, items 1, 2, 4, 6 and 14 the Commission shall refuse to grant authorisation only if the applicant fails to rectify deficiencies and fails to provide the required documents within the time limit set,

which shall not be less than one month.

(3) In addition to the cases under Paragraph 1 the Commission may refuse to grant authorisation to an investment intermediary from a third country to provide services and perform activities under Article 5, Paragraphs 2 and 3 on the territory of the Republic of Bulgaria through a branch should it deem that the supervision exercised over said investor on a consolidated basis by the relevant competent authority in the country at its registered office does not meet the requirements set out herein and in the statutory instruments for its application.

(4) (New, SG No. 43/2010) The Commission may refuse to issue authorisation if the actual owners of a shareholder with a qualifying holding cannot be identified.

(5) (Renumbered from Paragraph (4), SG No. 43/2010) Any refusal by the Commission to grant authorisation shall be reasoned in writing.

(6) (New, SG No. 22/2014, effective 11.03.2014) The Commission shall refuse to issue the authorisation referred to in Article 7, Paragraph 3 in the cases referred to in Paragraph 1, items 1, 5, 10, 11, and 14. Paragraphs 2 and 5 respectively shall apply to the refusal.

Article 17. In the cases of refusal the applicant may submit a new application for granting of authorisation for performance of the services and activities under Article 5, Paragraphs 2 and 3 no earlier than six months after the entry into effect of the decision on the refusal.

Article 18. (1) (Amended, SG No. 34/2015) A person which does not hold authorisation for performance of the services and activities under Article 5, paragraphs 2 and 3 herein may not include in the business name thereof or use in advertising or for any other purpose words denoting performance of activities as investment intermediary.

(2) No authorisation for conduct of investment intermediary activity shall be granted to an applicant whose name is similar to the name of an existing investment intermediary in Bulgaria.

Article 19. The Registry Agency shall enter in the commercial register the company or the right to perform the services and activities under Article 5, Paragraphs 2 and 3 in its subject of activity, as the case may be, after it is presented with the authorisation granted by the Commission.

Article 20. (1) The Commission shall withdraw the granted authorisation if the investment intermediary:

1. does not commence performing the activity under Article 5, Paragraphs 2 within 12 months from granting of authorisation or expressly renounces the authorisation granted;

2. has provided false data which served as a ground for granting the authorisation or has used any other irregular means therefor;

3. no longer meets the conditions under which the authorisation was granted;

4. (supplemented, SG No. 77/2011, SG No. 34/2015) and/or persons under Article 11 have infringed under Article 32, paragraphs 1 and 2 of the Financial Supervision Commission Act, or have allowed infringement under Article 35, paragraph 1 and Articles 8 - 11 of the Measures against Market Abuse with Financial Instruments Act or another gross violation hereof, the Public Offering of Securities Act, the Measures against Market Abuse with Financial Instruments Act, the Special Purpose Investment Companies Act, the Collective Investment Schemes and Other Undertakings for Collective Investments Act, Regulation (EU) No. 575/2013 and the statutory instruments for their application;

5. has failed to fulfill the enforcement measure under this Act or in the cases of Article 77n, Paragraph 1 of the Public Offering of Securities Act.

(2) The Commission may withdraw the authorisation as granted where:

1. the investment intermediary has not performed the authorised services and activities under Article 5, Paragraph 2 more than six months;

2. (amended, SG No. 109/2013, effective 20.12.2013, SG No. 34/2015) the investment intermediary ceases to meet the requirements for capital adequacy or liquidity of this Act, Regulation (EU) No. 575/2013 and the statutory instruments for their

application;

3. the financial position of the investment intermediary has deteriorated for a long time and it is unable to meet its obligations;
4. (supplemented, SG No. 77/2011, SG No. 34/2015) the investment intermediary and/or the persons under Article 11 have infringed and/or have allowed systematic violations of this Act, the Public Offering of Securities Act, the Measures Against Market Abuse with Financial Instruments Act, the Special Purpose Investment Companies Act, the Collective Investment Schemes and Other Undertakings for Collective Investments Act, Regulation (EU) No. 575/2013 and the statutory instruments for their application;
5. the activity performed by the investment intermediary reveals that the greater part of the activity is performed in another Member State, and an authorisation has been obtained from the Commission in order to avoid more stringent requirements for investment intermediaries in the other Member State;
6. (new, SG No. 62/2015, effective 14.08.2015) if the reorganisation measures undertaken under Article 23a have yielded no result.

(3) (New, SG No. 22/2014, effective 11.03.2014) The Commission may withdraw the authorisation referred to in Article 7, Paragraph 3 where the investment intermediary:

1. does not make use of the authorisation referred to in Article 7, Paragraph 3 within 12 months of the issue, expressly renounces the authorisation or fails to perform activities in accordance with the authorisation for more than a year;
2. provided inaccurate information which served as grounds for issuing the authorisation;
3. no longer meets the conditions under which authorisation was granted or the requirements for performing the activity in accordance with the authorisation and for a period of three months does not achieve compliance with these requirements;
4. seriously and systematically infringes and/or allows another to infringe seriously or systematically the requirements for performing the activity in accordance with the authorisation.

(4) (Renumbered from Paragraph 3, SG No. 22/2014, effective 11.03.2014) The Commission shall notify in writing the company within 7 days from taking the decision on withdrawal of the authorisation.

(5) (Renumbered from Paragraph 4, SG No. 22/2014, effective 11.03.2014, amended and supplemented, SG No. 34/2015) Upon entry into force of any decision on authorisation withdrawal, the Commission shall file immediately a request to the Registry Agency for institution of liquidation proceedings against the company and where it has also another subject of activity, for deletion of part of its activity, or to the competent court for institution of bankruptcy proceedings, and shall take the necessary steps to notify the public.

(6) (New, SG No. 21/2012, renumbered from Paragraph 5, SG No. 22/2014, effective 11.03.2014) The Commission shall notify ESMA of the decision on the authorisation withdrawal.

(7) (New, SG No. 22/2014, effective 11.03.2014) In the cases referred to in Paragraph 3 Paragraphs 4 and 5 and Articles 21 - 23, respectively, shall apply.

(8) (New, SG No. 62/2015, effective 14.08.2015) An extract from the decision of the Commission on the withdrawal of the authorisation of an investment firm referred to in Article 8 (1) and (2) shall be published in the Official Journal of the European Union, as well as in two national dailies of each Member State in which the investment firm has a branch. An excerpt from the decision shall be submitted in Bulgarian.

Article 21. (1) The investment intermediary shall, within 7 days from the decision of the general meeting on its dissolution or discontinuation of activity, upon expiry of the term for which it was established, as well as upon occurrence of other grounds for dissolution prescribed in its articles of association or memorandum of association, request from the Commission to withdraw the authorisation granted.

(2) Together with the request under Paragraph 1 the investment intermediary shall enclose a plan for settling its relations with clients. The plan shall include transfer of customer financial instruments, money and other assets to an investment intermediary designated by the client, upon its consent.

(3) Where the condition under Paragraph 2, sentence two is not in place, the plan shall provide for transfer of client financial instruments, money and other assets to a depositary institution, including by opening new accounts of individual clients.

(4) The costs for implementation of the plan for settlement of relations with clients shall be at the expense of the investment intermediary.

(5) (Supplemented, SG No. 103/2012) The Commission shall withdraw the authorisation of the investment intermediary after the latter has settled its relations with clients and following the submission of a certificate, issued by the Investor Compensation Fund, of the absence of liabilities of the investment intermediary to the Fund.

(6) (Amended, SG No. 22/2014, effective 11.03.2014, SG No. 34/2015) The registry agency shall institute liquidation proceedings and shall delete from the company's subject of activity the performance of the services and activities under Article 5, paragraphs 2 and 3 after withdrawal of the authorisation for conduct of business as investment intermediary and receipt of the request under Article 20, paragraph 5.

(7) (New, SG No. 62/2015, effective 14.08.2015) Liquidation under paragraph 1 of the investment firm under Article 23a shall not be an obstacle for undertaking reorganisation measures or opening liquidation proceedings.

Article 22. (1) Outside the case under Article 21, Paragraph 1, within three days from becoming aware of the decision on withdrawal of the authorization, the investment intermediary shall notify its clients of the decision and of the possibility to designate another investment intermediary to which their financial instruments, money and other assets may be transferred.

(2) Within 5 working days from expiry of the time limit under Paragraph 1 the investment intermediary shall transfer the clients' financial instruments, money and other assets under the terms of Article 21, Paragraph 2, sentence two, Paragraphs 3 and 4.

(3) On taking the decision on withdrawal of the authorisation the Commission may oblige the investment intermediary to perform the actions under Paragraph 2 within a shorter period of time. The Deputy Chairperson may oblige the investment intermediary under the terms of Articles 118 - 121 to take other specific measures to protect the interests of its clients.

(4) The investment intermediary shall notify of its actions under Paragraphs 2 and 3:

1. its clients, within three working days from their performance;

2. the Commission, within three working days from expiry of the time limit under Paragraph 2 or expiry of the time limit set by the decision under Paragraph 3.

Article 23. (1) Upon withdrawal of the authorisation as granted thereof, as well as from judgment of court on institution of bankruptcy proceedings, an investment intermediary shall have no right to provide the services and to perform the activities covered under Article 5, Paragraphs 2 and 3.

(2) The Deputy Chairperson may order the conduct of examinations and may apply enforcement administrative measures under Article 118 herein until deletion of the company from the commercial register or, should the said company have other subject of activity, until final settlement of relations with the clients of the said company.

(3) All documents and any other information regarding the services provided and activities performed by the investment intermediary under Article 5, Paragraphs 2 and 3 and Article 7, Paragraph 2 herein, shall be kept for a period of five years:

1. by the investment intermediary where it is not deleted from the commercial register and the term shall be effective from the withdrawal of the authorisation;

2. by another person of which the Commission shall be notified and the term shall be effective from the deletion of the investment intermediary from the commercial register; the notification shall be made by the investment intermediary whose authorisation is withdrawn, within 14 days from withdrawal of the authorisation.

Section IIa

(New, SG No. 62/2015, effective 14.08.2015)

Reorganisation Measures and Winding-up Procedures

Article 23a. (New, SG No. 62/2015, effective 14.08.2015) (1) Reorganisation measures shall be measures aimed to preserve

or restore the financial position of an investment firm under Article 8(1) and (2) and which might affect the existing rights of third parties, including measures related to the possibility of suspension of payments, suspension of enforcement activities or reduction of claims. Those measures shall furthermore include the application of the resolution tools and the exercise of the resolution powers under the Recovery and Resolution of Credit Institutions and Investment Firms Act or under the relevant applicable law of another Member State.

(2) The measures referred to in paragraph 1 are those applied by the Commission, by the Deputy Chairperson respectively, and the competent authorities of another Member State measures in their capacity as supervisory authorities and resolution authorities.

(3) In case Article 115 of the Recovery and Resolution of Credit Institutions and Investment Firms Act applies, the provisions of Article 23b(3) shall not apply.

(4) The provisions of this section shall apply to the entities referred to in Article 1(1) items 3 - 7 of the Recovery and Resolution of Credit Institutions and Investment Firms Act.

Article 23b. (New, SG No. 62/2015, effective 14.08.2015) (1) The Commission, its Deputy Chairperson respectively, shall be the competent authorities for the application of reorganisation measures in relation to an investment firm under Article 23a, including in relation to its branches in other Member States.

(2) The conditions and procedure for the application of such measures and their legal consequences shall be governed by Bulgarian law, unless otherwise provided.

(3) When the Commission applies reorganisation measures in relation to an investment firm referred to in Article 23a, which has branches in other Member States, the Commission shall notify immediately, prior to the application of the measures, the competent authorities of those Member States of its decision, and where this is not possible, simultaneously with their application. In the notification the Commission shall indicate the consequences of the application of the measure.

(4) The acts of the Commission, its Deputy Chairperson respectively, for the application of the reorganisation measures shall be published on the Commission's website and in two central dailies in the Republic of Bulgaria within two business days from the date of issue thereof.

(5) An excerpt from the acts of the Commission, its Deputy Chairperson respectively, for the application of reorganisation measures, including the acts for the application of reorganisation measures in relation to a branch of an investment firm of a Member State, shall be published in the Official Journal of the European Union, as well as in two national dailies of each Member State in which the investment firm has a branch. The excerpt from the act shall be submitted in Bulgarian.

(6) The summary of the act under paragraph 4 shall contain a description of the legal and factual grounds for the issuance of the act, the name and address of the court in which the act may be appealed, as well as the timeframe for appeal.

Article 23c. (New, SG No. 62/2015, effective 14.08.2015) Before applying reorganisation measures to a branch of an investment firm of a third country which has branches on the territory of one or more Member States, the Commission shall inform the competent authorities of those Member States of its intention to apply reorganisation measures against that branch, as well as of the consequences thereof. In cases where prior notification of the competent authorities is not possible, the Commission shall notify them immediately after the application of the measures.

Article 23d. (New, SG No. 62/2015, effective 14.08.2015) (1) The reorganisation measures taken by the competent

authority of a Member State in relation to an investment firm authorised in that Member State shall be recognised directly and without formalities in the Republic of Bulgaria and of the moment they are subject to enforcement, shall have effect in relation to the branch of such investment firm carrying out activity in the Republic of Bulgaria, as well as against third parties in the Republic of Bulgaria. The legal consequences of the reorganisation measures shall be governed by the law of the Member State concerned, unless this Act provides for otherwise.

(2) The persons who administer reorganisation measures on the territory of the Republic of Bulgaria, undertaken by the competent authority of a Member State, shall enjoy the same status and powers as they may have under the law of such Member State. Those persons shall apply the Bulgarian law in the disposal of assets of the investment firm in the territory of the Republic of Bulgaria and in the settlement of employment relationships arising within the territory of the Republic of Bulgaria.

(3) The reorganisation measures undertaken by the competent authority of a Member State in relation to a branch of an investment firm authorised in a third country shall be recognised directly and without formalities in the Republic of Bulgaria and of the moment they are subject to enforcement, they shall have effect in relation to the third parties in the Republic of Bulgaria.

Article 23e. (New, SG No. 62/2015, effective 14.08.2015) (1) Competent for the liquidation or for the opening of bankruptcy proceedings against an investment firm authorised in the Republic of Bulgaria shall be the Bulgarian judicial or administrative authorities. The decision of those authorities shall furthermore have effect on the investment firm's branches in other Member States.

(2) Unless otherwise provided for in this Act, in case of liquidation proceedings and insolvency proceedings against an investment firm authorised in the Republic of Bulgaria, the Bulgarian law shall apply, including in reference to:

1. the chattels that are subject of the proceedings and the legal regime governing the chattels acquired by the investment firm after the opening of the proceedings;
2. the investment firm's rights and the powers of its liquidator;
3. the conditions under which set-offs are permitted;
4. the effects of the opening of the proceedings on current contracts to which the investment firm is a party;
5. the effects of the proceedings on the law suits brought by individual creditors against the investment firm;
6. the claims lodged against the investment firm, as well as their legal regime, if they arise after the opening of the proceedings;
7. the terms and requirements for lodgement and acceptance of the claims on the investment firm;
8. the rules for the allocation of funds raised from the conversion of assets into cash, the ranking of the claims of the investment firm's creditors, as well as the rights of creditors who have obtained partial satisfaction after the opening of the insolvency proceedings as a result of the liquidation of property collateral or through set-off;

9. the conditions for termination of the bankruptcy proceedings and the consequences thereof;

10. the creditors' rights after the termination of the proceedings;

11. the arrangements concerning the costs for the proceedings;

12. the terms and procedure for announcing the legal acts damaging the interests of the creditors null and void, voidable or unenforceable against them.

Article 23f. (New, SG No. 62/2015, effective 14.08.2015) (1) The Commission shall inform in good time the competent authority of the relevant Member States in which the investment firm carries on business through a branch that a liquidation has begun, informing it of the consequences resulting therefrom.

(2) The procedure for the notification under paragraph 1 shall also apply in the cases of a winding-up of a branch in the Republic of Bulgaria of the investment firm with its head office in a third country, when the investment firm concerned has a branch in another Member State as well. In these cases, the Commission and the competent authority shall coordinate their activities within the framework of the proceedings with the competent administrative and judicial authorities of the other host Member States.

Article 23g. (New, SG No. 62/2015, effective 14.08.2015) The invitation of the liquidator under Article 267 of the Commerce Act shall bear a heading in all official languages of the European Union "Invitation for lodgement of claim. Periods to be complied with."

Article 23h. (New, SG No. 62/2015, effective 14.08.2015) (1) Every creditor in the liquidation proceedings, including a public authority, has the right to lodge claims or to submit an objection thereon in the official language or in one of the official languages of the Member State concerned. In this case, the lodgement of the claim shall bear the heading in Bulgarian "lodgement of claim".

(2) The liquidator shall have the right to require the submission of a translation in Bulgarian of the documents referred to in paragraph 1.

(3) Unless otherwise provided for by law, every creditor in the liquidation shall send copies of supporting documents certifying his claim, if any, and shall indicate the nature of the claim, the date of origination and its amount, the invocation of a privilege, the property collateral or lien provided, and what assets are covered by his collateral.

(4) The claims of all creditors of the investment firm under Article 23a in respect whereof a liquidation is conducted shall be treated equally and shall have payment subordination on the basis of the same criteria, regardless of whether they have arisen in the territory of the Republic of Bulgaria or in the territory of other Member States.

Article 23i. (New, SG No. 62/2015, effective 14.08.2015) The liquidator shall regularly and appropriately inform the creditors of the investment firm under Article 23a in respect whereof a liquidation is carried out on the progress of the proceedings.

Article 23k. (New, SG No. 62/2015, effective 14.08.2015) In the application of the reorganisation measures or the opening of the winding-up procedures in respect of the investment firm under Article 23a the legal consequences shall be governed as follows:

1. for employment contracts and related relationships, by the law of the Member State applicable to the respective employment contract;
2. for contracts giving the right of use or acquisition of immovable property, by the law of the Member State in which the immovable property is located, which law shall also define which items are immovable and movable;
3. on the rights of the investment firm in relation to an immovable property, a ship or an aircraft, such rights being subject to registration in a public register, by the law of the Member State where the register is kept.

Article 23l. (New, SG No. 62/2015, effective 14.08.2015) (1) The application of reorganisation measures or the opening of winding-up procedures against an investment firm under Article 23a shall not affect the rights of creditors or third parties arising from property collateral in respect of tangible or intangible assets, including immovable or movable ones, specific or general items or sets of items that belong to the investment firm under Article 23a but are located on the territory of another Member State during the application of such measures or at the time of the opening of the winding-up procedure for the investment firm under Article 23a.

(2) The rights under paragraph 1 shall include the right:

1. to demand conversion into cash or to convert assets into cash and to satisfy from the liquidation proceeds, including when the assets are subject to a pledge or a mortgage;
2. to priority satisfaction, including by virtue of a pledge on a claim or by virtue of assignment of a claim as collateral;
3. of the person who has rights in an item, to require its return or recovery from whoever is in possession thereof or uses it without legal basis;
4. of usufruct of the assets provided as collateral.

(3) A right recorded in a public register and enforceable against third parties, by virtue of which a right under paragraph 1 may be acquired, shall be considered a right under paragraph 1.

(4) The provision of paragraph 1 does not preclude the possibility to request announcement of certain legal acts null and void, voidable or unenforceable under Article 23e(2) item 12.

Article 23m. (New, SG No. 62/2015, effective 14.08.2015) (1) The application of reorganisation measures or the opening of a winding-up procedure for the investment firm under Article 23a, which is the buyer of an item, shall not affect the seller's rights in such item under a contract for sale, with retention of title until full payment of the price, when at the time of the application of such measures or the opening of the winding-up procedure for the investment firm under Article 23a the item was located in the territory of another Member State.

(2) The application of reorganisation measures or the opening of a winding-up procedure for the investment firm under Article 23a, which is the seller of an item under a contract for sale under paragraph 1, shall not give grounds for termination of the

contract if the item was delivered, and shall not be an obstacle to the acquisition of title in the item by the buyer, when at the time of the application of such measures or the opening of the winding-up procedure for the investment firm under Article 23a the item being the object of sale was located in the territory of another Member State.

(3) The provisions of paragraphs 1 and 2 shall not preclude the possibility to demand announcement of certain legal acts null and void, voidable or unenforceable under Article 23e(2) item 12.

Article 23n. (New, SG No. 62/2015, effective 14.08.2015) (1) The application of reorganisation measures or the opening of a winding-up procedure for the investment firm under Article 23a shall not affect the right of its creditors to offset any of their claims against the claims of the investment firm under Article 23a on them, when the conditions for such set-off are in place in accordance with the law applicable to the claim of the investment firm under Article 23a.

(2) The provision of paragraph 1 shall not preclude the possibility to demand announcement of certain legal acts null and void, voidable or unenforceable under Article 23e(2) item 12.

Article 23o. (New, SG No. 62/2015, effective 14.08.2015) In the application of the reorganisation measures or the opening of a winding-up procedure in respect of the investment firm under Article 23a the applicable law shall be:

1. for the right of ownership or other rights in financial instruments within the meaning of Article 4(1) item 50 "b" of Regulation (EU) No. 575/2013, the existence or transfer of which entails their recording in a register, account or in a centralised depository institution located or kept in a Member State – the law of the Member State where the relevant register, account or centralised depository institution is located or kept;

2. for the netting agreements – the law that applies to the agreement which provides for netting in accordance with the provisions of Articles 100 and 103 of the provisions of the Recovery and Resolution of Credit Institutions and Investment Firms Act or relevant legislation of a Member State;

3. for the repurchase agreements – the law that applies to the agreement which provides for reverse repurchase, provided that item 1 is not violated in the application of the provisions of Articles 100 and 103 of the provisions of the Recovery and Resolution of Credit Institutions and Investment Firms Act, or relevant legislation of a Member State;

4. for transactions effected on a regulated market – the law applicable to the contract in respect of such transactions, provided that item 1 is not violated;

5. for pending court cases on items or rights of which the investment firm under Article 23a has been divested – the law of the Member State where the relevant law suit is conducted.

Article 23p. (New, SG No. 62/2015, effective 14.08.2015) (1) The persons who administer reorganisation measures, the liquidator or another competent judicial or administrative authority of the home Member State shall take all the necessary measures for registration of the reorganisation measures or for opening of a winding-up procedure for the investment firm under Article 23a in the relevant commercial, property or another public register in the territory of the Republic of Bulgaria, where such registration is compulsory under the Bulgarian law.

(2) The costs for the registration shall be considered part of the costs for the reorganisation measures or the winding-up procedure for the investment firm under Article 23a.

Article 23q. (New, SG No. 62/2015, effective 14.08.2015) (1) The provision of Article 23e(2) shall not apply to the rules for announcing null and void, voidable or unenforceable acts that are harmful to all creditors, where the beneficial owner of the act provides evidence that applicable to the harmful act for all creditors is the law of another Member State and that law does not allow the appeal of the act in the specific case.

(2) Where a reorganisation measure, as determined by a judicial authority, contains rules relating to the voidness, voidability or unenforceability of acts damaging all creditors, which acts have been executed prior to the enforcement of the measure itself, the rule under Article 23d(1), sentence two shall not apply to the cases under paragraph 1.

Article 23r. (New, SG No. 62/2015, effective 14.08.2015) The validity of an act executed after the application of a reorganisation measure or after the opening of a winding-up procedure for an investment firm under Article 23a by virtue of which the investment firm under Article 23a disposes against consideration with an immovable property, a ship or an aircraft subject to registration in a public register, or with financial instruments within the meaning of Article 4(1) item 50 "b" of Regulation (EU) No. 575/2013 or rights in such instruments, the existence or transfer thereof entailing their registration in a register, account or a centralised depository institution which is located in another Member State, shall be determined by the law of such Member State where the item is located or where the register, account or depository institution is kept/located.

Article 23s. (New, SG No. 62/2015, effective 14.08.2015) (1) All persons who submit or receive information in connection with the notification or consultation procedures under this section shall be bound by professional secrecy.

(2) Paragraph 1 shall apply in case Article 116 of the Recovery and Resolution of Credit Institutions and Investment Firms Act does not apply.

Article 23t. (New, SG No. 62/2015, effective 14.08.2015) (1) The decision of the competent authority in a Member State for the appointment of a person who administers the reorganisation measures or the winding-up procedures for an investment firm under Article 23a authorised in the Member State shall have effect in the territory of the Republic of Bulgaria. The persons shall prove their appointment by presenting a certified copy of the act of appointment, accompanied by a translation in Bulgarian, which shall not be legalised.

(2) The persons appointed under paragraph 1, as well as the persons authorised thereby shall furthermore have the right to exercise their powers deriving from the law of the Member State in respect of a branch of the investment firm referred under Article 23a in the territory of the Republic of Bulgaria, unless this Act provides for otherwise. They shall assist the creditors of the investment firm under Article 23a in the Republic of Bulgaria in connection with the exercise of their rights.

(3) When exercising their powers in the territory of the Republic of Bulgaria, the persons appointed under paragraph 1 shall comply with the Bulgarian law, including the procedures for converting the assets into cash and the provision of information to employees. In the exercise of such powers they may not exercise coercion or resolve legal disputes.

Section III

Organisational requirements for investment intermediaries. Qualifying holding

Article 24. (Supplemented, SG No. 21/2012, amended, SG No. 34/2015) (1) Any investment intermediary shall establish and maintain internal organisation in accordance with the nature, scope and complexity of the activity performed thereby and shall put in place:

1. an organisational structure with clearly set, transparent and consistent responsibility levels;
2. appropriate internal control systems, including reliable administrative procedures;
3. qualified staff, material, technical and software resources;
4. conditions for continuous and orderly provision of investment services and performance of investment activities in

accordance with this Act and the statutory instruments for its application;

5. conditions to prevent and identify conflicts of interest and where such conflicts of interest arise - to ensure fair treatment of clients, disclosure of information and protection of clients' interests from being adversely affected;

6. conditions for compliance with existing rules for personal transactions of the investment intermediary;

7. conditions for storage of all the information on the services and activities performed under Article 5, paragraphs 2 and 3;

8. conditions, in the cases where the investment intermediary holds financial instruments and funds belonging to clients, in order to meet the requirements of Article 34;

9. conditions for prompt and proper execution of client orders as well as execution of comparable orders according to the time of their receipt;

10. conditions for retaining the client interest in the cases of pooling of orders;

11. effective strategies and policies for identification, management, monitoring, assessment and reporting of risks to which it is or may be exposed and for keeping accounting records;

12. effective rules to limit risk when assigning a third party to perform important operational functions or services under Article 5, paragraphs 2 and 3;

13. effective control and safeguard arrangements for information systems;

14. policies and practices for the remunerations of persons working for the investment intermediary, and the requirements to the policy on the remunerations and its disclosure shall be laid down in an ordinance;

15. appropriate and effective procedures for internal whistle-blowing by employees of the investment intermediary, which shall ensure:

a) protection against unfair treatment of employees of the investment intermediary whistle-blowing about infringements;

b) personal data protection in accordance with the Personal Data Protection Act for the whistle-blower signalling about an infringement, and of the personal data of the persons in respect of whom the signal is wistleblowed;

c) ensuring confidentiality in all cases for the persons whistle-blowing about infringements, unless the infringement of confidentiality is required by law in case of subsequent pre-trial or trial proceedings.

(2) The investment intermediary shall apply internal control systems, administrative and accounting procedures allowing at any time verification of the compliance of the investment intermediary's activity with the rules adopted in accordance with this Act, Regulation (EU) No. 575/2013 and the statutory instruments for their application.

(3) The strategies and policies under paragraph 1, item 11 for identification, management, monitoring and reporting of risks to which the investment intermediary is or may be exposed include risks arising from the macroeconomic environment of operation of the investment intermediary at the relevant stage of the economic cycle.

(4) The internal organization under paragraph 1 shall be laid down in rules adopted by the management body of the investment intermediary, whose minimum contents shall be stipulated in an ordinance. The rules must ensure performance of comparable client orders according to the time of their receipt. The investment intermediary shall review the rules periodically but at least once annually, and where necessary, within a shorter period of time.

(5) The investment intermediary shall set appropriate ratios between the fixed and variable remunerations of the persons working for the investment intermediary, and the variable components of the remunerations shall not exceed 100 per cent of the fixed components.

Article 24a. (New, SG No. 34/2015) (1) The management or the supervisory body of the investment intermediary, as the case may be, depending on the internal allocation of functions:

1. shall be responsible for the effective and reliable management of the investment intermediary in accordance with statutory requirements, including the proper allocation of duties and responsibilities and duties for defining the organisational structure, for

adoption of the rules under Article 24 and for controlling their implementation, as well as for prevention and detection of conflicts of interest;

2. shall approve and control the implementation of the strategic goals of the investment intermediary and the strategy regarding risk and internal management;

3. shall ensure the integrity and continuous operation of the accounting and financial reporting systems, including financial and operating controls, and compliance with the statutory requirements and applicable standards;

4. shall manage and control compliance with the requirements hereunder as regards detection and provision of information;

5. shall be responsible for the efficient control over senior management staff;

6. shall control and assess from time to time the efficiency of the management systems in the investment intermediary and where necessary shall take the necessary measures for eliminating the identified inconsistencies.

(2) Investment intermediaries performing activity on the territory of the Republic of Bulgaria shall provide information to the Commission under Article 435, paragraph 2 "c" of Regulation (EU) No. 575/2013 within three days from the date of disclosure thereof.

(3) The criteria to be met by the investment intermediary so as to be deemed significant in view of the amount, internal organisation, nature, scope and complexity of the activity performed thereby, shall be laid down in an ordinance.

(4) The investment intermediaries which are significant in view of the amount, internal organisation, nature, scope and complexity of the activity performed thereby:

1. shall set up a remuneration committee;

2. shall set up a risk committee;

3. shall meet other requirements as laid down in the ordinance under paragraph 3.

Article 24b. (New, SG No. 34/2015) The investment intermediary shall have an internal control department, which shall operate independently and shall exercise ongoing control over the compliance with this Act, Regulation (EU) No. 575/2013 and the statutory instruments for their application by the persons charged with the management of the investment intermediary and all the other persons working under contract for the investment intermediary. The structure, organization, powers and relationships of the internal control department with the other bodies and persons working for the investment intermediary shall be set out in rules approved by the management body of the investment intermediary.

Article 24c. (New, SG No. 34/2015) (1) In case of a limit order by a client relating to shares admitted to trading on a regulated market, where it is not executed without delay in accordance with the effective market conditions, the investment intermediary shall, unless the client orders otherwise, facilitate execution of the order as soon as possible by announcing it publicly in a manner ensuring access of the other market participants.

(2) The obligation under paragraph 1 shall be deemed fulfilled by the investment intermediary upon transmission of the limit order to a regulated market and/or a multilateral trading facility.

(3) An ordinance may stipulate that the investment intermediary is not obliged to fulfil the obligation under paragraph 1 if the size of the order does not conform to the normal market volume.

Article 24d. (New, SG No. 34/2015) (1) The information stored by the investment intermediary about transactions concluded in financial instruments on behalf of a client shall contain at least particulars of the identity of the client and of the measures taken in performance of the Measures against Money Laundering Act and the Measures against Financing of Terrorism Act.

(2) The investment intermediary shall store the information about the services and activities performed under Article 5, paragraphs 2 and 3 at least 5 years.

Article 24e. (New, SG No. 34/2015) (1) With the permission of the Deputy Chairperson:

1. an investment intermediary not performing any of the investment services and activities under Article 5, paragraph 2, items 3 and 6 and executing orders of clients involving financial instruments may hold such instruments for its own account;

2. the requirements to an investment intermediary for maintaining an internal recovery plan in case of deteriorated financial condition may be limited;
3. an investment intermediary which is significant may be exempt from the requirement for setting up a risk committee;
4. an investment intermediary may set a different ratio of fixed to variable components of remunerations from that referred to in Article 24, paragraph 5;
5. an investment intermediary may be exempt from restrictions for simultaneous participation in the management of the investment intermediary and of other entities.

(2) With the decision of the Commission on a proposal by the Deputy Chairperson investment intermediaries may be exempt from one or more of their obligations related to the maintenance of capital buffers.

(3) The terms and procedure for the granting of the permits under paragraph 1 and of the decision under paragraph 2 and the terms and procedure for the granting of the permissions and approvals under Regulation (EU) No. 575/2013 shall be laid down in an ordinance.

Article 25. (1) Transformation of an investment intermediary may be effected solely after the prior approval by the Commission.

(2) To issue approval under Paragraph 1 an application shall be filed to the Commission, enclosing documents and particulars as set out in an ordinance.

(3) The Commission shall issue or refuse to issue approval under Paragraph 1 within one month from receipt of the application and where additional particulars and documents were requested, from their receipt. Article 14, Paragraph 2 shall apply mutatis mutandis.

(4) The Commission shall refuse to issue approval if the transformation under Paragraph 1 does not satisfy the requirements of the law, the applicant has submitted false data or documents with incorrect content or the interests of the clients of the investment intermediary are not protected.

(5) The Registry Agency shall enter the change under Paragraph 1 in the commercial register after it is presented with the approval issued by the Commission.

(6) The investment intermediary shall notify the Deputy Chairperson of any change in its general conditions under Article 13, Paragraph 2, item 5. Enclosed to the notification shall be the full wording of the general conditions and the protocol of the management body of their adoption. If the adopted changes do not meet the requirements herein or the statutory instruments for its application, the Deputy Chairperson shall have the right to require, within one month from submission of the general conditions, removal of the deficiencies, non-conformities and discrepancies established.

Article 25a. (New, SG No. 34/2015, amended, SG No. 62/2015, effective 14.08.2015) An investment firm, with the exception of those referred to in Article 1(1) item 2 of the Recovery and Resolution of Credit Institutions and Investment Firms Act, shall submit to the Commission for approval a reorganisation programme upon a significant deterioration of its financial position. The requirements to the reorganisation programme and the procedure for its approval, as well as the procedure for the approval of the recovery plans shall be determined by an ordinance.

Article 25b. (New, SG No. 34/2015, repealed, SG No. 62/2015, effective 14.08.2015).

Article 26. (Amended, SG No. 24/2009, effective 31.03.2009) (1) Any natural person or legal entity, or any persons, acting jointly, who have made the decision to acquire, directly or indirectly, a qualified holding in an investment intermediary, shall notify the Deputy Chairperson in writing prior to the acquisition.

(2) The requirement of Paragraph 1 shall also apply for any natural person or legal entity, or any persons, acting jointly, who have made the decision to subsequently increase, directly or indirectly, their qualified holding, in such a way that it would reach or exceed the one-fifth, one-third, or one-half capital thresholds or general meeting vote thresholds in an investment intermediary, or in such a way that the increase would result in the investment intermediary becoming their subsidiary.

Article 26a. (New, SG No. 24/2009, effective 31.03.2009) (1) Each natural person or legal entity, who has made the decision to transfer, directly or indirectly, part of its holdings, so that it no longer has a qualified holding in an investment

intermediary, must notify the Deputy Chairperson in writing before executing the transfer. The requirement under Sentence One shall also apply to the cases when, as a result of the transfer, that person's holding in the investment intermediary's capital falls below one half, one third, or one fifth, or the investment intermediary is no longer that person's subsidiary.

(2) Persons, whose holdings in an investment intermediary fall below the thresholds under Paragraph 1 as a result of third-party action or of some other circumstance, of which they were not aware and were unable to learn prior to seeing their holdings decreased, shall notify the Deputy Chairperson immediately upon becoming aware thereof.

(3) The persons shall attach to the notice under Paragraph 1 and 2 data on their effective holdings before and after the transfer, as well as any other data and documents, required by regulation.

Article 26b. (New, SG No. 24/2009, effective 31.03.2009) (1) The persons under Article 26 shall submit to the Deputy Chairperson a notice, indicating the holdings in the capital and the votes in the general meeting, respectively, they intend to acquire, as well as their effective holdings after the acquisition. The persons shall attach any other data and documents, required by regulation, to the notice as well.

(2) The Deputy Chairperson, within two business days after receiving the notice and any required data and documents under Paragraph 1, shall send the person a written confirmation on said notice, indicating the deadline for decision on the notice.

(3) (Amended, SG No. 21/2012) In the cases, when the notice under Paragraph 1 does not have all required data and documents attached, the Deputy Chairperson shall send, within the time limit under Paragraph 2, a written notice thereon to the person, listing all required data and documents to be attached.

(4) The Deputy Chairperson shall evaluate the acquisition based on the data in the notice, within 60 business days after the day of the written confirmation under Paragraph 2.

Article 26c. (New, SG No. 24/2009, effective 31.03.2009) (1) If the documents presented are incomplete, inaccurate, not compliant with the regulatory requirements, or any additional information or proof on the validity of the data presented is needed, the Deputy Chairperson, within the evaluation period, but not later than the 50th business day of this period, shall send a message indicating the identified deficiencies and discrepancies, or the required information and documents.

(2) The period for evaluation by the Deputy Chairperson shall be suspended for the period between the day the information and the documents have been requested under Paragraph 1 and the day the reply has been received by the person. The suspension may not last longer than 20 business days.

(3) The suspension of the period for evaluation by the Deputy Chairperson may last up to 30 business days in the cases when the person:

1. has a registered or permanent address, or is subject to regulation, outside of the European Union, or

2. (amended, SG No. 77/2011, SG No. 34/2015) is a natural person or legal entity, not subject to oversight under Directive 2004/39/EC, Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (OJ, L 302/32 of 17 November 2009), hereinafter referred to as "Directive 2009/65/EC, Directive 92/49/EEC, Directive 2002/83/EC, Directive 2005/68/EC and Directive 2013/36/EC.

(4) Except in the cases under Paragraph 1-3, any subsequent request to the person for additional information, related to the evaluation by the Deputy Chairperson, shall not result in suspension of the period.

Article 26d. (New, SG No. 24/2009, effective 31.03.2009) (1) (Supplemented, SG No. 43/2010) In cases of increasing or decreasing a qualified holding under Article 26, the Deputy Chairperson may issue a ban on the acquisition, if it is established that the requirements of Article 26e have not been met or if the information, supplied by the person, is incomplete, if the applicant has submitted incorrect data or untrue documents, or if the actual owners of a shareholder with a qualifying holding cannot be identified, if the stable management and the security of the investment intermediary is threatened, or if the interests of the investment intermediary's clients are not secure in some other way.

(2) The Deputy Chairperson shall notify the person in writing on her or his decision under Paragraph 1 within two business days after taking the decision and within the period under Article 26b, Paragraph 4, attaching the grounds for her or his decision.

(3) By person's request or on Deputy Chairperson's initiative, the grounds for the decision under Paragraph 1 shall be made

public.

(4) If the Deputy Chairperson does not issue a ban under Paragraph 1, the Deputy Chairperson may set a deadline for executing the acquisition, and may also extend this deadline, as needed.

(5) If, within the deadline under Article 26b, Paragraph 4, the Deputy Chairperson does not issue a ban on the acquisition and does not notify in writing the person thereon, the person may acquire the requested holding in the investment intermediary.

(6) Any persons, who have acquired or increased their qualified holding, before the Deputy Chairperson has announced her or his decision on the notice submitted, or, respectively, before expiration of the announcement deadline, or despite the ban on the acquisition, as well as in the cases, when they have not submitted a notice under Article 26 prior to acquisition, shall not be allowed to exercise their vote in the general meeting of the investment intermediary.

(7) The restriction under Paragraph 6 shall not apply, if a person, who has acquired or increased her or his qualified holding, not following the requirement of Article 26, Paragraph 1, within 7 business days after the acquisition, notifies the Deputy Chairperson thereon and the Deputy Chairperson confirms the acquisition following the requirements of the law.

(8) If any persons, who have a qualified holding in the investment intermediary, may hurt the stable management and the security of the investment intermediary, the Deputy Chairperson may impose a temporary or a permanent ban on these persons' voting rights in the general meeting of the investment intermediary.

Article 26e. (New, SG No. 24/2009, effective 31.03.2009) (1) The Deputy Chairperson shall evaluate the acquisition or the increase of the qualified holding, respectively, in order to ensure the stable and prudent management of the investment intermediary.

(2) When performing the evaluation, the Deputy Chairperson shall take into account the expected influence of the person over the investment intermediary and shall decide whether the person is suitable and financially stable. The evaluation shall be performed by applying the following criteria:

1. person's reputation;

2. reputation and professional experience of the persons, who will manage the activities of the investment intermediary as a result of the acquisition;

3. the financial stability of the person, relevant for the types of activities the investment intermediary performs or intends to perform;

4. (amended, SG No. 34/2015) whether the investment intermediary will be capable to meet or to keep meeting the requirements of this act, Regulation (EU) No. 575/2013 and the statutory instruments for their application, of the Supplementary Supervision of Financial Conglomerates Act, and, more specifically, whether the group, part of which it will become after the acquisition, has a structure allowing efficient supervision and efficient exchange of information between the competent authorities and definition and allocation of the responsibilities among them;

5. whether well-grounded assumptions may be made that, in relation with the acquisition, money laundering or terrorism financing is or will be performed, under the Measures Against Money Laundering Act or the Measures Against the Financing of Terrorism Act, or that the risk of such action will be increased.

(3) The Deputy Chairperson may issue a ban on the acquisition only if he or she has well-grounded reasons to believe, applying the criteria under Paragraph 2, that the persons are not suitable or if the information submitted by the person is incomplete.

Chapter Three

REQUIREMENTS TO THE ACTIVITY OF INVESTMENT INTERMEDIARIES

Section I

Relations with clients

Article 27. (1) An investment intermediary shall perform the services and activities under Article 5, Paragraphs 2 and 3 on behalf of a client based on a written contract therewith.

(2) When performing the services and activities under Article 5, Paragraphs 2 and 3 the investment intermediary shall act fairly, objectively and professionally in accordance with the best interests of its clients and shall inform them of the risks arising from transactions in financial instruments.

(3) The investment intermediary shall notify its clients of the existing compensation system for investors in financial instruments, including its scope and the guaranteed amount of client assets, and shall submit data about the terms and procedure for compensation upon request.

(4) The information provided by the investment intermediary to its clients and potential clients, including advertising materials and public statements of the members of the management and supervisory bodies of the intermediary and the persons working for it under contract shall be understandable, truthful, clear and shall not be misleading. The advertising materials of the investment intermediary shall be clearly designated as such.

(5) The investment intermediary shall provide to its clients and potential clients in an appropriate way and in compliance with the requirements of Paragraph 4 the following information:

1. particulars about the investment intermediary and the services provided thereby, including whether it performs activity or deals in financial instruments on own account;

2. the financial instruments the subject of the investment services provided by the investment intermediary and the investment strategies offered;

3. warning about risks relating to investments in the instruments under item 2 or in respect of specific investment strategies;

4. the venues of execution of transactions;

5. the types of client costs and their amount;

6. other circumstances set out in an ordinance.

(6) The information under Paragraph 5 shall be provided to the client in such a manner as to enable him to understand the nature and risks of the investment service and the specific financial instrument offered, ensuring the taking of an investment decision based on the information provided. The information may be provided in a standardized format.

(7) The investment intermediary shall provide its clients with sufficient information about the service provided, including the costs for the transactions and services provided on behalf of the client, where applicable.

Article 28. (1) When providing services under Article 5, Paragraph 2, items 4 and 5 the investment intermediary shall require from the client or the potential client information about his financial position, investment purposes, knowledge, experience concerning the services under Article 5, Paragraph 2, items 4 and 5 and his willingness to take risks as well as to update such information. The investment intermediary may not perform the services under Article 5, Paragraph 2, items 4 and 5 for a client who has not submitted the information under sentence one.

(2) When providing the services under Paragraph 1 the investment intermediary shall be guided by the information received under Paragraph 1.

(3) When providing investment services other than those under Paragraph 1 the investment intermediary shall require from the client or the potential client information about his knowledge and experience in the service provided as well as to update such information.

(4) Based on the information under Paragraph 3 the investment intermediary shall assess whether the investment service offered is suitable for the client or the potential client. If on the basis of the information received under Paragraph 3 the investment intermediary determines that the investment service offered is not suitable, it shall warn the client or the potential client thereof in writing.

(5) If the client or the potential client does not provide the information under Paragraph 3 or where he provides insufficient information to make the judgement under Paragraph 4, the investment intermediary shall notify the client or the potential client in writing that it cannot determine whether the investment service offered is appropriate for him.

(6) The investment intermediary providing investment services under Article 5, Paragraph 2, item 1 and/or 2 may provide such

services to a client where the latter has failed to provide the information under Paragraph 3 if:

1. the above services relate to shares admitted to trading on a regulated market or in an equivalent third country market as per the list of the European Commission, bonds or other securitised debt, excluding those bonds or securitised debt that embed a derivative instrument, money market instruments, units in collective investment schemes and other non-complex financial instruments;
2. the service is provided at the initiative of the client or a potential client;
3. the client or the potential client has been notified in writing that the investment intermediary shall not meet the obligations under Paragraph 4;
4. the investment intermediary complies with the requirements for treatment of conflicts of interest.

(7) The requirements under Paragraphs 1 - 6 shall not apply where the investment service is offered as part of a financial product regulated by Community law or by common European standards in connection with credit institutions or consumer credits regarding assessment of risk for the client and/or the requirements for provision of information.

Article 29. (1) When providing the services and performing the activities under Article 5, Paragraphs 2 and 3 the investment intermediary shall take all the necessary steps to identify potential conflict of interest between:

1. the investment intermediary, including the persons under Article 11, Paragraphs 2 and 5, any other persons working under contract for it and any person linked to it by control, on one side, and its clients, on the other side;
2. its individual clients.

(2) (Amended, SG No. 34/2015) If, despite the application of the rules under Article 24, Paragraph 4, still there is a risk for the interests of the client, the investment intermediary may not conduct activity on behalf of a client if it has not informed the client of the general nature and/or sources of potential conflicts of interest.

Article 30. (1) The investment intermediary shall execute the order of the client in the best interest of the client. The investment intermediary shall be deemed to have fulfilled this obligation provided that it has used reasonable efforts to establish the best price for the client according to the order, amount of costs, probability of execution, as well as all the other circumstances related to the execution of the order. In case of specific instructions by the client the investment intermediary shall execute the order following the instructions.

(2) The investment intermediary shall adopt, update and notify its clients of its policy on execution of client orders, ensuring performance of the obligations under Paragraph 1 as well as of material changes in such policy.

(3) The policy under Paragraph 2 shall include information about the venues of execution of client orders (type of financial instrument), advantages and disadvantages of individual execution venues (according to volume, price and execution costs) and about the venues on which the intermediary can achieve best execution. Included in the execution policy shall be at least execution venues which allow the investment intermediary to receive continuously the best possible results for the execution of its client orders.

(4) The investment intermediary may not execute orders on behalf of clients if it has not obtained their prior consent to the intermediary's policy.

(5) The investment intermediary shall execute client orders in accordance with the adopted execution policy and shall inform promptly the client of any changes in such policy.

(6) Where the order execution policy provides for the possibility that client orders may be executed outside a regulated market or a multilateral trading facility, orders may be executed this way provided the clients of the intermediary have been informed in advance and have given their express consent therefor.

(7) At the request of a client the investment intermediary shall demonstrate that it has executed his orders in accordance with the announced policy under Paragraph 2.

(8) The investment intermediary shall monitor the effectiveness of implementation of its order execution policy and, where appropriate, correct any deficiencies. The investment intermediary shall assess, on a regular basis, whether the execution

venues included in the order execution policy provide for the best possible result for the client or whether it needs to make changes to its execution arrangements.

Article 31. (1) The investment intermediary performing the services under Article 5, Paragraph 2, items 1, 2 and 3 may conclude transactions with eligible counterparties without being obliged to comply with the requirements under Article 27, Paragraphs 4 and 7, Articles 28, 30 and Article 33, Paragraph 2 in respect of specific transactions or in respect of any relevant ancillary service directly related to those transactions.

(2) Any entity defined as eligible counterparty hereof may request expressly not to be considered as such counterparty in general or in respect of an individual transaction.

Article 32. (1) The investment intermediary performing the services under Article 5, Paragraph 2 or ancillary services on behalf of a third party on the order of another intermediary shall have the right to receive the information about the third party as gathered by that intermediary.

(2) The investment intermediary on whose order the services under Paragraph 1 are performed shall be responsible for the completeness and correctness of the information provided.

(3) The investment intermediary performing the services under Article 5, Paragraph 2 shall have the right to receive and refer to the recommendations given to a third party by the other intermediary in respect of the service.

(4) The investment intermediary on whose order the services under Paragraph 3 are provided shall be responsible for the correctness of the recommendations given to the client.

(5) The investment intermediary under Paragraphs 1 and 3 shall be responsible for the execution of the order on which a transaction is concluded based on the information and recommendations received under Paragraphs 1 and 3.

(6) The investment intermediary may not transfer execution of investment and ancillary services on behalf of client to another intermediary as well execution of important operational functions to a third party if by doing so it will prevent the exercise of effective internal control or the ability of the Commission to exercise its supervisory functions.

(7) The cases in which the investment intermediary may transfer important operational functions and execution of investment services on behalf of client to another intermediary shall be set out in an ordinance.

Article 33. (1) The investment intermediary shall keep in a special order-book all orders made by its clients in accordance with the time of their reception.

(2) The investment intermediary shall execute without delay, fairly and orderly the client orders received, including observance of the time of reception of comparable orders.

(3) (Amended, SG No. 34/2015) The order-book under Paragraph 1 shall be kept on paper and/or electronically.

(4) For every transaction the name or the names of the parties thereto shall be indicated, the time of conclusion, as well as any other data set out in ordinance.

(5) The investment intermediary shall register in a special order-book, in accordance with the time of their execution, the transactions in financial instruments no later than by the close of the working day.

(6) (Amended, SG No. 34/2015) The investment intermediary shall maintain permanent records of all transactions, services and activities performed by it so as to allow the Commission and its Deputy Chairperson in exercising their supervisory functions under this Act and the statutory instruments for its application to ascertain compliance of the investment intermediary with its obligations in respect of its clients and potential clients as provided herein, in Regulation (EU) No. 575/2013 and in the statutory instruments for their application.

Article 34. (1) The investment intermediary shall separate its financial instruments and funds from those of its clients. The investment intermediary shall not be responsible to its creditors with the financial instruments and funds of its clients as well as with underlying securities in respect of depository receipts.

(2) The investment intermediary may not safekeep funds of its clients.

(3) The investment intermediary shall deposit the funds of its clients at:

1. a central bank;
2. a credit institution;
3. a bank authorised in a third country;
4. (amended, SG No. 77/2011) a collective investment scheme that has obtained authorization to conduct business in accordance with Directive 2009/65/EC or another collective investment undertaking that is subject to supervision by a competent supervision authority in a Member State, provided that it satisfies the following conditions:

(a) its main investment objective is to maintain a certain average net asset value (net profit) or net asset value equivalent to the capital raised by the investors plus margin;

(b) invest the funds raised exclusively in money market instruments with the highest possible credit rating assigned by a credit rating agency, whose maturity or residual term to maturity does not exceed 397 days, or in instruments with fixed income close to that of the foregoing instruments, or in instruments whose average residual term to maturity is 60 days; in addition, it may invest the funds in bank deposits;

(c) ensures same day liquidity or next day settlement.

(4) The investment intermediary may deposit the funds of its clients in the persons under Paragraph 3 in a close link capacity provided that the clients have given their consent thereto.

(5) The investment intermediary shall safekeep the financial instruments of its clients in a depository institution on client accounts to the account of the investment intermediary or on accounts opened to the account of a third party, under conditions and procedure set out in an ordinance.

(6) The investment intermediary shall keep informed its clients of balances and operations on the funds and financial instruments accounts kept by it, and of the conditions of the contracts for their safekeeping.

(7) (New, SG No. 42/2016) No enforcement and establishment of collaterals on the cash and the financial instruments of clients shall be allowed for obligations of the investment intermediary.

(8) (Renumbered from Paragraph 7, SG No. 42/2016) Except in the cases set out in an ordinance the investment intermediary may not use:

1. on its account the funds and financial instruments of its clients;
2. on account of its client funds and financial instruments of other clients;
3. on account of its client its own funds or financial instruments.

(9) (Renumbered from Paragraph 8, SG No. 42/2016) Safekeeping and registration of government securities issued on the domestic market shall be effected under the conditions and procedure of the Government Debt Act and the statutory instruments for its application.

Article 35. (1) In performing its activity the investment intermediary shall keep the commercial secret of its clients and their repute.

(2) No member of the management and supervisory bodies of any investment intermediary, no employee thereof, nor any other person working for the said intermediary may disclose, unless authorized therefor, or use to their own benefit or to the benefit of any other persons any facts and circumstances regarding the balances and accounts for the operations in the financial instruments and funds held for clients of the said investment intermediary, nor any other facts and circumstances constituting a trade secret, which may have come to the knowledge thereof in the performance of the official and professional duties thereof.

(3) Upon assumption of position or commencing activity for the investment intermediary, any person covered under Paragraph 2 shall sign a declaration, pledging to safeguard any secrets covered under Paragraph 2.

(4) The provision of Paragraph 2 shall furthermore apply to the cases where the said persons are off duty or have been suspended.

(5) Except to the Commission, to the Deputy Chairperson and empowered officials of the administration of the Commission, or on the regulated market whereof it is a member and for the purposes of the control activities thereof and within the order of inspection, an investment intermediary may disclose any information covered under Paragraph 2 solely:

1. (amended, SG No. 94/2015, effective 1.01.2016) with the consent of the client thereof;

2. (new, SG No. 94/2015, effective 1.01.2016) in accordance with Title Two, Chapter Sixteen, Section IIIa of the Tax and Social Insurance Procedure Code, or

3. (renumbered from Item 2, SG No. 94/2015, effective 1.01.2016) in pursuance of a judgment of the court of law rendered under the terms and according to the procedure established by Paragraphs 6 and 7.

(6) Any court of law may order disclosure of the information covered under Paragraph 2 acting on request from:

1. a public prosecutor, should there be reason to believe that a criminal offence has been committed;

2. the minister of finance or a person authorized thereby, in the cases referred to in Article 143, Paragraph 4 of the Tax and Social Insurance Procedure Code;

3. the director of the territorial directorate of the National Revenue Agency where:

(a) should it be proven that the person inspected has frustrated the conduct of an audit or inspection or has failed to keep accounts as required, or that there are material deficiencies in the said accounts;

(b) a competent public authority has established by a written statement the occurrence of a fortuitous event which has led to the destruction of the accounting records of the person inspected;

4. (amended, SG No. 38/2012, effective 19.11.2012) the Commission for Forfeiture of Illegally Acquired Assets and the directors of the territorial directorates thereof;

5. the director of the Public Financial Inspection Agency, where a public financial inspection agency officer has established by a written statement that:

(a) the management of the organization or person inspected frustrates the conduct of a financial inspection;

(b) the organization or person inspected fails to keep accounts as required, or the said accounts are deficient or false;

(c) there is reason to believe that a deficiency has occurred or a criminal offence has been committed;

(d) bank accounts must be distrained in order to secure any claims ascertained by the financial inspection;

(e) a public authority has established by a written statement the occurrence of a fortuitous event which has led to the destruction of accounting records of the organization or person inspected;

6. (amended, SG No. 95/2009, effective 1.12.2009) the director of the National Customs Agency and the heads of the customs offices where:

(a) it has been established by a written statement drawn up by the customs authorities that the person inspected has frustrated the conduct of a customs inspection and has failed to keep the required records, or the said records are deficient or false;

(b) any customs violations have been established by a written statement drawn up by the customs authorities;

(c) bank accounts must be distrained to secure any claims ascertained by the customs authorities and collectible thereby, as well as to secure the payment of fines, legal interest and other such;

(d) a competent public authority has established by a written statement the occurrence of a fortuitous event which has led to the destruction of the accounting records of the entity inspected by the customs authorities;

7. (amended, SG No. 69/2008, SG No. 53/2014, SG No. 14/2015) the director of the National Police Directorate General or the director of the regional directorate of the Ministry of Interior, for the purposes of investigation under instituted criminal proceedings;

8. (amended, SG No. 109/2007) the Chairperson of the State Agency for National Security or an official duly authorized thereby where this is necessary for national security protection;

9. (new, SG No. 109/2013, effective 1.01.2014) the executive director of the National Revenue Agency or an official authorised thereby - in the cases under Article 143f, paragraph 6 of the Tax and Social Insurance Procedure Code.

(7) The regional judge shall rule on the request in camera by a reasoned judgment within 24 hours after filing of the said request, setting a time limit for disclosure of the information covered under Paragraph 2. Any such judgment of the court shall be unappealable.

(8) (Amended, SG No. 109/2007, SG No. 69/2008, SG No. 93/2009, effective 25.12.2009) The investment intermediary shall provide the director of the National Investigation Service, the Chairperson of the State Agency for National Security or the Secretary General of the Ministry of Interior with information regarding balances and operations on the accounts of the companies with over 50 per cent state and/or municipal participation.

(9) Should there be reason to believe that an organized criminal activity or money laundering has been committed, the chief prosecutor or a deputy authorised thereby may require from the investment intermediary to provide the information under Paragraph 2.

Article 36. (1) The investment intermediary shall allow the professional clients under section I of the annex to enjoy a higher level of protection which is granted to retail clients. The investment intermediary shall inform the professional client under section I of the annex prior to any provision of services that, based on the information received from the client, the latter is deemed to be a professional client and will be treated according to the rules for professional clients, unless the investment intermediary and the client agree otherwise.

(2) The investment intermediary shall inform the professional client under section I of the annex that he can request a variation of the terms of the agreement in order to secure a higher degree of client protection.

(3) The investment intermediary shall provide a higher degree of protection of a client under section I of the annex on his request, where the clients judges that he cannot properly assess and manage the risks associated with the investment in financial instruments.

(4) The higher level of protection under Paragraph 3 shall be provided on the basis of a written agreement between the investment intermediary and the client under section I of the annex, specifying expressly the specific services, activities, transactions, financial instruments or other financial products in respect of which the client will be provided a higher level of protection.

(5) The higher level of protection under Paragraph 3 ensures to the client under section I of the annex that he will not be considered a professional client for the purposes of the regime applicable to the activity of the investment intermediary.

Article 37. (1) Clients other than those mentioned in section I of the annex, including public sector bodies and private individual investors, may request to be allowed to waive the higher level of protection afforded by the conduct of business rules of investment intermediaries.

(2) The investment intermediary may treat a client under Paragraph 1 as a professional client provided the relevant criteria under item 1 of section II of the annex and the procedure under item 2 of section II of the annex have been fulfilled. A client in respect of whom the conditions under sentence one are fulfilled shall not be presumed to possess the knowledge and experience of the clients under section I of the annex.

(3) The investment intermediary shall not apply the rules providing a higher degree of protection for clients only where, on the basis of its assessment of the experience, knowledge and skills of the client, it can draw a reasoned conclusion that, in light of the nature of the transactions or services the client intends to use or enter into, the client is capable of making his own investment decisions and understanding the risks involved.

(4) The assessment under Paragraph 3 may be conducted in accordance with the terms and procedure for assessment of the persons who manage the activity of investment intermediaries, insurance companies or credit institutions in accordance with Community law. Where the client under Paragraph 2 has no management body of its own, subject to assessment shall be the person who is authorized to enter into transactions on behalf of the legal person.

(5) Where a client of the investment intermediary is defined as a professional client in accordance with a procedure and criteria analogous to those under section II of the annex, this Article shall not apply.

(6) The investment intermediary shall implement appropriate written internal procedures and policies defining the clients as professional.

(7) The clients of an investment intermediary defined as professional under Paragraphs 1 - 6 shall notify the investment intermediary of any change in the particulars that served as a ground for defining them as professional clients.

(8) In the cases where the investment intermediary in the course of the activity performed by it establishes that a client defined as a professional under Paragraphs 1 - 6 no longer meets the conditions under item 1 of section II of the annex, under which he has been defined as a professional client, the investment intermediary shall take the necessary measures for application of a higher degree of protection in respect of said client in accordance with the internal procedures and policies referred to in Paragraph 6.

Section II

Disclosure of information by investment intermediaries

Article 38. (1) (Amended, SG No. 103/2012) The investment intermediary shall inform the Commission of the transactions in financial instruments admitted to trading on a regulated market, concluded thereby, at the earliest possible opportunity but no later than the close of the working day following the day of conclusion of the transaction.

(2) The notification under Paragraph 1 may be made directly by the investment intermediary or by a third party acting on its behalf. The notification under Paragraph 1 may also be made through a trading system or through a separate reporting system approved by the Deputy Chairperson, or through the regulated market or a multilateral trading facility via whose system the transaction was effected. In the cases of sentence two where the notification of the transactions is effected directly by the system, Paragraph 1 shall not apply.

(3) The Commission shall provide the information under Paragraph 1 to the competent institution in respect of the most relevant market in such financial instruments. The Commission shall provide said information where it has received it in the capacity of a competent authority of the host country to the competent authority of the home country, unless the competent authority states that it does not want to receive such information.

(4) An investment intermediary which concludes transactions in shares admitted to trading on a regulated market outside a regulated market and multilateral trading facility shall disclose publicly the information about the type, issue, quantity and the unit price of the financial instruments subject to the transaction, the currency of the transaction, the date and hour of its conclusion, specifying that the transaction is concluded outside a regulated market and multilateral trading facility.

(5) (Amended, SG No. 34/2015) Disclosure under paragraph 4 shall be conducted on a reasonable commercial basis in one of the following ways:

1. publication of the information using technical means of the regulated market on which the shares are traded if said market allows such disclosure;
2. technical means of the multilateral trading system on which the shares are traded;
3. publication of the information on the website of the investment intermediary or in other generally accessible means.

(6) Disclosure under Paragraph 4 shall be carried out:

1. up to three minutes from conclusion of the transaction if the transaction is concluded within the trading session of the most relevant market or within the normal hours for trading of the investment intermediary;
2. before opening the next trading session on the most relevant market or immediately after the beginning of the normal hours for trading of the investment intermediary, whichever is earlier, excluding the cases of item 1.

Article 38a. (New, SG No. 34/2015) (1) All investment intermediaries, except for the investment intermediaries under Article 8, paragraph 5, shall disclose on an annual basis, separately for the Republic of Bulgaria, the Member States and third countries in which they have subsidiaries or have established branches, the following information on a consolidated basis:

1. name/s, description of activities and geographic location;
2. turnover amount;
3. number of full-time employees (equivalent basis);
4. pre-tax financial result from operations;
5. taxes charged on the financial result from operations;
6. state subsidies received, if any;
7. profitability of assets, being the ratio of net profit to total assets.

(2) The information under paragraph 1 shall be subject to independent financial audit and shall be published as notes to the annual financial statements on a stand-alone basis or on a consolidated basis, if applicable.

Article 38b. (New, SG No. 34/2015) (1) (Amended, SG No. 48/2016, effective 1.07.2016) The investment intermediary shall notify the National Revenue Agency of the transactions for acquisition of shares in public companies by the companies registered in preferential tax regime jurisdictions and their beneficial owners within the meaning of the Economic and Financial Relations with Companies Registered in Preferential Tax Regime Jurisdictions, the Persons Controlled by Them and Their Beneficial Owners Act.

(2) The obligation under paragraph 1 shall be performed by the investment intermediary electronically, within 7 days from the transaction conclusion.

Article 39. (1) The investment intermediary shall notify the Commission of:

1. opening and closing of a branch;
2. change of the name specified in the granted authorisation, as well as of a change in the seat and registered address;
3. amendments and supplements in the articles of association or the memorandum of association that have served as grounds for granting the authorisation to the investment intermediary;
4. changes in the composition of the persons under Article 11;
5. other circumstances set out in an ordinance.

(2) The obligations under Paragraph 1 shall be performed by the investment intermediary within 7 days from taking the decision, making the amendment or supplement or becoming aware of the amendment or supplement, and in the cases where the circumstance is subject to entry in the commercial register, from entry thereof.

Article 40. (1) (Amended, SG No. 24/2009, effective 31.03.2009) The investment intermediary shall notify the Commission of any acquisition or transfer of holding under Article 26 and Article 26a within one day from becoming aware.

(2) The investment intermediary shall provide to the Deputy Chairperson twice a year - at 30 June and 31 December - within 10 days from the specified dates a list of the persons holding a direct or indirect qualifying holding as well as particulars of their votes in the general meeting.

(3) (Amended, SG No. 24/2009, effective 31.03.2009) Where the Deputy Chairperson establishes that a person who has a holding in an investment intermediary under Article 26 could pose a threat to the company or its operations with his activity or influence on decision-making, the Deputy Chairperson may prohibit the person to exercise his voting right in the general meeting of the investment intermediary.

Article 41. (1) Foreign persons entitled under their national law to perform the services and activities under Article 5, Paragraph 2, who have acquired financial instruments on their behalf but on the account of other foreign persons under the terms of Article 15, Paragraphs 5 and 6 or as clients of the investment intermediary for which the Republic of Bulgaria is the home country, shall identify before the Commission their clients and the transactions effected on their account within three working days from the written request.

(2) The obligations for regular notification of the Commission by foreign persons under Paragraph 1, who have acquired securities on their behalf but on the account of other foreign persons, shall be set out in an ordinance.

Article 42. (1) The auditor of an investment intermediary shall report forthwith to the Commission any circumstance of which said auditor has become aware while conducting the audit and which concerns the investment intermediary and constitutes a material breach of this Act or of the instruments for the application thereof, or which may affect adversely the conduct of the business of the investment intermediary, or which leads to refusal to express an opinion, expression of reservations or expression of a negative opinion.

(2) The auditor of an investment intermediary shall furthermore report to the Commission any circumstance under Paragraph 1 of which the said auditor has become aware while conducting an audit of a close link to the investment intermediary.

(3) Restrictions on disclosure of information provided for in law, by-law or contract shall not apply in the cases referred to in Paragraphs 1 and 2.

Article 43. Other requirements to the activity of investment intermediaries aimed at protecting the interests of clients and the stability of the market in financial instruments, including specific internal organization and prevention of conflicts of interest, market abuse prevention and detection, keeping of accounts, processing and storage of information, entering into and execution of contracts with clients, their contents and disclosure of information to clients shall be set out in an ordinance.

Section III

Public availability of quotes

Article 44. (1) An investment intermediary which acts as a systematic internaliser in shares admitted to trading on a regulated market and for which there is a liquid market shall publish its quote for such shares.

(2) In the case of shares for which there is no liquid market, the investment intermediary under Paragraph 1 shall disclose quotes to their clients on request.

(3) The investment intermediary under Paragraph 1 shall adopt, disclose and comply with rules which shall establish in an objective and nondiscriminatory way:

1. the procedure for determining the clients who may receive quotes under Paragraphs 1 and 2, which shall be equal for all clients;
2. the conditions for refusing establishment or termination of relations with clients under item 1;
3. restrictions on the number of transactions per client;
4. restrictions on the total number of transactions of all clients for a certain period of time where the number and/or volume of client orders considerably exceeds the norms.

(4) The investment intermediary under Paragraph 1 may refuse to enter into or terminate existing commercial relations with investors for commercial reasons such as investor credit status, risk of default on obligations under a transaction by a counterparty and final settlement of the transaction.

Article 45. (1) For a particular share the quote shall include:

1. type of the quote;
2. "bid" and/or "offer" price for a size which is not higher than the standard market size for the class of shares to which the share belongs;
3. size of the quote.

(2) The prices of the shares under Paragraph 1 shall be in conformity with the market conditions for the particular share. Shares shall be grouped in classes on the basis of the arithmetic average value of the orders executed in the market for each class of shares. The standard market size for each class of shares shall be the arithmetic average value of the orders executed in the market for that class of shares included therein. The market for each class of shares shall be comprised of all orders executed in

the European Union in respect of that share, excluding those large in scale compared to normal market size for that share.

(3) The investment intermediary under Article 44, Paragraph 1 may decide the size or sizes at which it will quote provided that they are close to the prices of comparable quotes for the same shares published on a regulated market, multilateral trading system or by another systematic internaliser.

(4) The investment intermediary under Article 44, Paragraph 1 shall store the information about the quoted prices for a period of at least one year from the quote.

(5) (Supplemented, SG No. 21/2012) The Commission, where it is the competent institution on the most relevant market for particular shares, shall determine annually and shall make public the class of shares to which they belong, on the basis of the arithmetic average value of the orders executed in the market in respect of such shares. The Commission shall publish the information on its website and shall provide it to ESMA.

Article 46. (1) Systematic internalisers shall make public their quotes on a regular and continuous basis in a manner which is easily accessible and on a reasonable commercial basis during normal trading hours in any of the means set out in Article 38, Paragraph 5.

(2) Systematic internalisers shall be entitled at any time to update their quotes.

(3) A systematic internaliser may, under exceptional market conditions, withdraw its quote.

Article 47. (1) Systematic internalisers shall execute, in accordance with the requirements of Article 30 orders of retail clients for shares in respect of which the intermediary is a systematic internaliser at the quoted prices at the time of reception of the orders.

(2) A systematic internaliser shall execute orders of professional clients for shares in respect of which it is a systematic internaliser at the quoted prices at the time of reception of the orders.

(3) A systematic internaliser may enter into transactions on behalf of its professional clients and at a better price than the quoted one provided that this price falls within a public range close to market conditions and provided that the orders are of a higher size than the size customarily undertaken on behalf of retail investors.

(4) A systematic internaliser may execute orders of professional clients at a price other than the quoted one in respect of transactions where execution in several securities is part of one transaction or in respect of orders that are subject to conditions other than the current market price.

Article 48. (1) A systematic internaliser may execute an order of a client of a total value higher than the total value of the only quote published thereby or of the quote of the highest total value, but lower than the standard market size, at the full amount of the price quoted provided that the conditions under Article 47, Paragraphs 2 and 4 are in place.

(2) (Amended, SG No. 34/2015) A systematic internaliser who is quoting in different sizes and receives an order from a client between those sizes, which it chooses to execute, it shall execute the order at one of the quoted prices in compliance with the provisions under Article 24c and Article 33, Paragraph 2, except as otherwise provided under the conditions of Article 47, Paragraphs 2 - 4.

Article 49. This section shall apply to systematic internalisers who trade only within the standard market size.

Article 50. (1) Any other requirements to the activity of investment intermediaries who are systematic internalisers shall be set out in an ordinance.

(2) (Amended, SG No. 34/2015) Article 24c, Paragraph 3, Article 33, Paragraph 6, Article 38, Paragraphs 2, 3 and 4, Articles 44, 45, 47, Paragraphs 3 and 4 and Article 49 shall apply in compliance with the provisions of Regulation (EC) No. 1287/2006.

Section IV

Multilateral trading facility

Article 51. (1) An investment intermediary which operates a multilateral trading facility shall, while complying with the

requirements of Article 24, Paragraph 1, and Article 27, Paragraph 2, adopt and apply clear and compulsory rules for all participants in the multilateral trading facility for the purposes of legal, fair and orderly trade and objective criteria for execution of orders.

(2) An investment intermediary under Paragraph 1 shall ensure and maintain the required arrangements for facilitating the settlement of the transactions concluded through the multilateral trading facility operated thereby.

(3) The investment intermediary under Paragraph 1 shall adopt and apply clear rules for:

1. the requirements for the participants in a multilateral trading facility;

2. the instruments that may be traded through the multilateral trading facility operated thereby, including those that ensure publicly accessible information allowing participants in the facility to make informed investment decision in accordance with the type of participants and the instruments traded through the facility;

3. settlement of the transactions concluded through the multilateral trading facility and informing participants in the facility of their obligations regarding the settlement of the transactions concluded thereby.

(4) (Amended, SG No. 34/2015) The provisions of Article 24c, Article 27, Paragraphs 2 and 4 - 7, Articles 28, 30 and 33, Paragraph 2 shall not apply to transactions concluded through a multilateral trading facility in accordance with the rules of the facility as well as to relations between participants in the facility and between said persons and the operator of the multilateral trading facility regarding the use of the multilateral trading facility. Participants in the facility shall not be exempt from compliance with the above requirements in relations with their clients where they conclude transactions on their behalf through such a system.

(5) The Deputy Chairperson may take an enforcement administrative measure on the grounds referred to in Article 118, for suspending or removing from trade in a particular financial instrument through the organized multilateral trading facility of the investment intermediary under Paragraph 1.

(6) Where securities admitted to trading on a regulated market are traded through a multilateral trading facility without the consent of the issuer, the latter shall not be obliged to disclose financial information about such multilateral trading facility as provided for in the Public Offering of Securities Act, the Measures Against Market Abuse With Financial Instruments Act and of the statutory instruments for their application.

(7) To organize a government securities multilateral trading facility on the territory of the Republic of Bulgaria a prior approval shall be obtained from the minister of finance and the governor of the Bulgarian National Bank of the rules for admission to trading, the criteria for order execution, registration and settlement of government securities.

Article 52. (1) The investment intermediary under Article 51, Paragraph 1 shall control compliance by the participants in the multilateral trading facility organized thereby with the rules under Article 51, Paragraphs 1 and 3, and shall maintain internal organization which allows exercise of such control.

(2) The investment intermediary under Article 51, Paragraph 1 shall notify the Commission without delay of:

1. breaches of the rules under Article 51, Paragraphs 1 and 3 by the participants in the multilateral trading facility organized thereby;

2. conditions for breaching the rules under Article 51, Paragraphs 1 and 3, created by the persons under item 1;

3. the actions of the persons under item 1 constituting market abuse.

Article 53. (1) The investment intermediary under Article 51, Paragraph 1 shall make public and on a reasonable and continuous commercial basis in the normal hours for trading on the multilateral trading facility organized by it the current "offer" and "bid" prices as well as the quantity of quotes made through the system of shares traded on a regulated market.

(2) (Amended, SG No. 34/2015) The Deputy Chairperson may grant waiver to the investment intermediary under Article 51, Paragraph 1 from the obligation under Paragraph 1 in respect of orders of higher volume than the normal market volume for particular type of shares as well as in other cases according to the market model and the type of orders under the terms of Articles 18 -20 of Regulation (EC) No. 1287/2006.

(3) (Amended, SG No. 34/2015) The investment intermediary under Article 51, Paragraph 1 shall make public and on a

reasonable commercial basis information about the issue, number and unit price of shares traded on a regulated market the subject of the transaction, the currency of the transaction, the date and hour of conclusion in compliance with the provisions of Articles 27 and 30 of Regulation (EC) No. 1287/2006.

(4) The requirement under Paragraph 3 shall not apply where in respect of a particular transaction rules for deferred disclosure of information, including transactions of higher volume than the normal market volume for particular type of shares, approved by the Deputy Chairperson, may apply.

(5) The requirement under Paragraph 3 shall not apply to transactions which are made public through the means of a regulated market.

Article 54. (1) The investment intermediary under Article 51, Paragraph 1 shall notify the Commission of the transactions in financial instruments concluded thereby on the multilateral trading facility organized by it no later than by the close of the following working day.

(2) The notifications under Paragraph 1 shall contain for every transaction:

1. type and issue of the financial instrument;
2. type of transaction;
3. number of financial instruments the subject of the transaction;
4. unit price;
5. date and hour of transaction conclusion;
6. data about the parties to the transaction;
7. other information set out in an ordinance.

(3) The Commission shall, on a regular basis and on request, provide the Ministry of Finance and the Bulgarian National Bank with information about transactions in government securities concluded on a multilateral trading facility.

Article 55. (1) The investment intermediary under Article 51, Paragraph 1, which intends to provide remote access to the multilateral trading facility organized thereby to participants established on the territory of another Member State, shall notify the Commission in advance of the Member State wherein it intends to conduct such activity.

(2) The Commission shall provide the information under Paragraph 1 to the relevant competent authority of the host country within one month from receipt thereof and shall furthermore provide on request information about the participants in the multilateral trading facility organized by the investment intermediary under Article 51, Paragraph 1, established on the territory of said Member State.

Article 56. The investment intermediary who operates a multilateral trading facility in another Member State may provide a remote access to the multilateral trading facility organized thereby to participants established on the territory of the Republic of Bulgaria.

Article 57. (1) The investment intermediary under Article 51, Paragraph 1 shall have the right to use a central counterparty, clearing house or settlement system of another Member State in order to provide clearing and settlement of transactions concluded through the system organized by it, subject to prior approval by the Deputy Chairperson. In respect of trade in government securities issued on the domestic market the Deputy Chairperson shall issue such approval after a prior consent of the minister of finance and the governor of the Bulgarian National Bank.

(2) For issuance of approval under Paragraph 1 an application shall be filed and documents and particulars shall be enclosed thereto as set out in an ordinance.

(3) The Deputy Chairperson shall issue or shall refuse to issue approval under Paragraph 1 within one month from receipt of the application and where additional particulars and documents are requested, within one month from their receipt. Article 14, Paragraph 2 shall apply mutatis mutandis.

(4) The Deputy Chairperson shall refuse to issue approval if the action under Paragraph 1 would frustrate the functioning of the

multilateral trading facility organized by the investment intermediary, no fast and efficient settlement is provided and the technical means do not allow proper functioning of the system.

Article 58. Any other requirements to the activity of investment intermediaries relating to operation of multilateral trading facility shall be set out in an ordinance.

Article 59. The provisions of this Section shall furthermore apply to the market operator where the latter operates a multilateral trading facility.

Section V

Conduct of business by investment intermediaries in a Member State

Article 60. (1) Any investment intermediary, which holds authorisation to provide services and perform activities covered under Article 5, Paragraphs 2 and 3 herein and which plans to establish a branch in a Member State, hereinafter referred to as a "host Member State", must give the Commission an advance notification thereof. All branches established by the investment intermediary in the host Member State shall be regarded as a single branch.

(2) The notification referred to in Paragraph 1 shall contain:

1. an indication of the host Member State wherein the investment intermediary plans to establish a branch, as well as the address thereof;
2. a programme of operations, setting out, inter alia, the services and activities covered under Article 5, Paragraphs 2 and 3 herein, which the investment intermediary is to offer in the host Member State, as well as the organizational structure of the branch;
3. the name of the manager of the branch.

(3) Within one month after a notification under Paragraph 1 or, where additional particulars and documents have been requested, within one month after receipt of the said particulars and documents, the Commission shall communicate details covered under Paragraph 2 to the relevant competent authority of the host Member State, as well as details of the compensation scheme for investors in financial instruments which operates in Bulgaria and of which the investment intermediary is a member. The Commission shall notify the investment intermediary forthwith of the communicated details under sentence one.

(4) Within the time limit referred to in Paragraph 3, the Commission may refuse to communicate the details covered under Paragraph 2 to the relevant competent authority in the host Member State by a decision if the administrative structure or the financial circumstances of the investment intermediary do not safeguard the interests of investors, of which the Commission shall forthwith notify the investment intermediary. The Commission shall provide the investment intermediary with the motives for its decision within three months from receipt of the information under Paragraph 2.

(5) The investment intermediary may establish a branch and commence the conduct of business within the territory of the host Member State upon receipt of a communication from the relevant competent authority of the host Member State or, failing such communication from the latter, at the latest after two months from the date of transmission of the communication referred to in Paragraph 3 to the relevant competent authority of the host Member State.

(6) An investment intermediary, which has established a branch within the territory of a host Member State, shall notify the Commission in writing of any change in the particulars and documents referred to in Paragraph 2 not later than one month prior to implementation of any such change.

(7) The Commission shall communicate the changes referred to in Paragraph 6 to the relevant competent authority of the host Member State, as well as any change relating to the compensation scheme for investors in financial instruments which operates in Bulgaria and of which the investment intermediary is a member.

Article 61. (1) Any investment intermediary, which plans to offer the authorized services and activities covered under Article 5, Paragraphs 2 and 3 herein in a host Member State under the freedom to provide services without establishing a branch within the territory of the said State, shall give the Commission an advance notification thereof.

(2) The notification referred to in Paragraph 1 shall contain:

1. an indication of the host Member State wherein the investment intermediary plans to carry on business;
2. a programme of operations, setting out, inter alia, the services and activities covered under Article 5, Paragraphs 2 and 3 herein which the investment intermediary is to offer in the host Member State.

(3) Within one month after receipt of the details covered under Paragraph 2, the Commission shall communicate the said details to the relevant competent authority of the host Member State, notifying the investment intermediary of this communication.

(4) The investment intermediary may commence the conduct of business within the territory of the host Member State upon receipt of a notification from the Commission of the communication of the details referred to in Paragraph 3.

(5) The investment intermediary shall notify the Commission in writing of any change in the particulars and documents referred to in Paragraph 2 no later than one month prior to implementation of any such change. The Commission shall communicate the changes referred to in sentence one to the relevant competent authority of the host Member State.

Article 62. (1) The Commission or the Deputy Chairperson, as the case may be, shall exercise supervision over the business of the investment intermediary carried on in the host Member State through a branch or under the freedom to provide services.

(2) Where the relevant competent authority in the host Member State notifies the Commission of any violations committed by the investment intermediary referred to in Paragraph 1, the Commission or the Deputy Chairperson, as the case may be, shall take the appropriate measures and shall inform the competent authority in the host Member State thereof.

(3) In the exercise of the supervisory powers thereof, the Commission or the Deputy Chairperson, as the case may be, may carry out on-site inspections in the branch of the investment intermediary, after informing in advance the relevant competent authority in the host Member State.

Article 63. The Commission shall notify forthwith the relevant competent authority of the host Member State of the withdrawal of the authorisation granted to the investment intermediary.

Article 63a. (New, SG No. 34/2015, effective from the date on which the requirement for liquidity cover becomes applicable in accordance with the delegated act, which is to be adopted by the European Commission under Article 460 of Regulation (EU) No. 575/2013) (1) Upon a request received from the competent authority of the host Member State for the designation of a branch of an investment intermediary registered in the Republic of Bulgaria as significant, the Commission jointly with the competent authority of the host Member State or the consolidating supervisor, if any, shall adopt a decision on the designation of a branch as being significant within two months from the receipt of the request.

(2) The designation of a branch of an investment intermediary authorised in the Republic of Bulgaria as significant shall not affect the powers and functions of the Commission and the Deputy Chairperson hereunder.

(3) The Commission shall submit to the competent authority of the host Member State the information under Article 72k, paragraph 2, items 3 and 4, and shall perform its obligations under Article 72, paragraph 1, item 3 in cooperation with the competent authority of the home Member State.

(4) Upon occurrence of an emergency situation under Article 72e, paragraph 1, the Commission shall notify the central banks - members of the European System of Central Banks, the European Systemic Risk Board (ESRB) and the authorities under Article 25, paragraph 10 of the Financial Supervision Commission Act.

Article 63b. (New, SG No. 34/2015, effective from the date on which the requirement for liquidity cover becomes applicable in accordance with the delegated act, which is to be adopted by the European Commission under Article 460 of Regulation (EU) No. 575/2013) (1) The Commission shall provide to the competent authorities of the host Member State in which a significant branch of an investment intermediary is opened, authorised in the Republic of Bulgaria:

1. information about the results of the risk assessments for such investment intermediaries and, where applicable, under Article 72b, paragraph 1, item 1;
2. the decisions under Article 118, paragraph 1, items 10 - 22 and paragraph 3, to the extent they are relevant for the respective branch.

(2) The Commission shall consult the competent authorities of the host Member States in which significant branches of investment intermediaries authorised in the Republic of Bulgaria are opened about the operational plans for liquidity recovery if this is relevant for the assessment of the liquidity risk arising from exposures denominated in the local currency in the host Member State.

Article 63c. (New, SG No. 34/2015, effective from the date on which the requirement for liquidity cover becomes applicable in accordance with the delegated act, which is to be adopted by the European Commission under Article 460 of Regulation (EU) No. 575/2013) (1) Where an investment intermediary authorised in the Republic of Bulgaria has set up a significant branch in another Member State and Articles 72g - 72i do not apply, the Commission shall set up and chair a supervisory college of competent authorities from such Member States to facilitate cooperation under Article 63a, paragraphs 3 and 4, and under Article 116a. The supervisory college shall be set up and shall perform its activity in accordance with written rules set out by the Commission after consultations with the relevant competent authorities.

(2) The Commission shall designate the competent authorities that will participate in each meeting or activity of the supervisory college, taking into account the importance of such authorities for the supervisory activity that will be planned or coordinated, including any potential impact on the financial stability in the relevant Member States pursuant to Article 12, paragraph 2 of the Financial Supervision Commission Act and under Article 63a, paragraphs 3 and 4.

(3) The Commission shall provide in advance to all members of the supervisory college information about the organisation of the meeting, the main items to be discussed, and the actions to be considered. The Commission shall furthermore provide on a timely basis to all members of the supervisory college all the information about the decisions adopted at such meetings and the measures taken.

Section VI

Conduct of business in the Republic of Bulgaria by investment intermediaries with registered office in a Member State

Article 64. Any investment intermediary, which has its registered office in a Member State and which has obtained authorisation to carry on business in an investment-intermediary capacity in accordance with Community law by the relevant competent authority of the said State, hereinafter referred to as "investment intermediary originating in a Member State," may carry on the business for which authorisation has been granted thereto within the territory of the Republic of Bulgaria through a branch or under the freedom to provide services. Ancillary services may be provided only in combination with an investment service and/or activity. All branches established by the investment intermediary in the Republic of Bulgaria shall be regarded as a single branch.

Article 65. (1) Within two months after receipt of communication from the relevant competent authority regarding an investment intermediary originating in a Member State which plans to establish a branch within the territory of the Republic of Bulgaria, the Commission shall notify the said investment intermediary of the receipt of said communication.

(2) An investment intermediary originating in a Member State may establish a branch and commence business within the territory of the Republic of Bulgaria upon receipt of a notification from the Commission under Paragraph 1 or, failing such notification, after the lapse of the time limit referred to in Paragraph 1.

Article 66. Any investment intermediary originating in a Member State, which plans to offer the authorised services and activities covered under Article 5, Paragraphs 2 and 3 herein within the territory of the Republic of Bulgaria under the freedom to provide services without establishing a branch, may commence the conduct of business after the relevant competent authority has communicated to the Commission details of the programme of operations of the investment intermediary in the Republic of Bulgaria and the investor compensation scheme of which the said intermediary is a member.

Article 67. (1) Any investment intermediary originating in a Member State shall be obliged to comply with the requirements of this Act and the instruments for the application thereof, including to store all the information about the services and activities performed within the territory of the Republic of Bulgaria.

(2) Any investment intermediary originating in a Member State shall be obliged to submit to the Commission and to publish in Bulgarian in the Republic of Bulgaria all documents and information according to the requirements of this Act and the instruments for the application thereof.

(3) Upon conduct of business in the Republic of Bulgaria, any investment intermediary originating in a Member State may use a business name whereunder the said intermediary carries on business in the State in which the registered office thereof is situated, specifying the originating Member State.

(4) Investment intermediaries authorized in another Member State shall have the right of access to central counterparty and clearing and settlement systems on the territory of the Republic of Bulgaria under the same conditions as those provided for investment intermediaries authorised in the Republic of Bulgaria. The central counterparty and clearing and settlement systems may refuse access under sentence one if there is a legal ground therefor.

Article 68. (1) (Amended, SG No. 34/2015) The Commission or the Deputy Chairperson, as the case may be, shall exercise supervision over the business of any investment intermediary originating in a Member State, carried on through a branch in the Republic of Bulgaria, as to its compliance with the requirements of Article 24, paragraph 1, item 7, Article 24c, paragraphs 1 and 3, Article 24d, Articles 27, 28, 30, 33, 38 and Section III of this Chapter, as well as of the instruments for the application thereof.

(2) In the exercise of the supervisory powers thereof, the competent authority in the Member State where the investment intermediary referred to in Article 64 herein has obtained authorisation may carry out on-site inspections in the branch of the said investment intermediary, after informing in advance the Commission.

Section VII

Supervision on a consolidated basis

Article 68a. (New, SG No. 34/2015) (1) The Commission may request from the consolidating supervisor, if any, or from the competent authority of the home Member State a specific branch of an investment intermediary, other than an investment intermediary under Article 95 of Regulation (EU) No. 575/2013 authorised in a Member State, through which it performs activity in the Republic of Bulgaria, to be considered significant. Specified in the request shall be the reasons for the designation of the branch as significant, indicating expressly the following information as well:

1. whether the market share of the respective branch of the investment intermediary exceeds two per cent in the Republic of Bulgaria in terms of client assets;
2. the potential impact from suspension or termination of the activity of the investment intermediary on the market liquidity, payment systems and clearing and settlement systems in the Republic of Bulgaria, and
3. the size and significance of the respective branch, taking into account the number of its clients in comparison with the financial system of the Republic of Bulgaria.

(2) The Commission jointly with the competent authority of the home Member State and with the consolidating supervisor, if any, shall adopt a decision on the designation of a branch as significant within two months of the receipt of the application.

(3) If no common decision is reached within the time limit under paragraph 2, the Commission shall adopt its own decision within two months of expiry of the time limit under paragraph 2. The Commission shall submit the decision to the consolidating supervisor and to the competent authority of the home Member State.

(4) The decisions under paragraphs 2 and 3 shall be reasoned, specifying the opinion of the consolidating supervisor and/or the competent authority of the home Member State.

(5) Designation of a branch of an investment intermediary from a Member State as significant shall not affect the powers and functions of the Commission and the Deputy Chairperson hereunder.

(6) The Commission, or the Deputy Chairperson, as the case may be, shall cooperate to the competent authority of the home Member State in the performance of its obligations under Article 112, paragraph 1 "c" of Directive 2013/36/EU.

Article 68b. (New, SG No. 34/2015) (1) Where a significant branch of an investment intermediary is set up in the Republic of Bulgaria with registered office in another Member State, the Commission shall consult the competent authorities of such home Member State on the operational plans for liquidity recovery, should this be relevant to the assessment of the liquidity risk arising from exposures denominated in the local currency.

(2) Where the competent authorities of the home Member State have not consulted the Commission or where as a result of the consultation the Commission considers that the operational plans for liquidity recovery are not adequate, it may refer to EBA and request assistance in accordance with Article 19 of Regulation (EU) No. 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No. 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331/12 of 15 December 2010), hereinafter referred to as Regulation (EU) No. 1093/2010.

Article 69. (1) (Amended, SG No. 34/2015) The Commission shall exercise supervision on a consolidated basis over investment intermediaries, groups, financial holding companies, mixed financial holding companies or mixed financial holding companies having as subsidiary an investment intermediary authorised in the Republic of Bulgaria, unless otherwise provided herein.

(2) A group is in place where the parent undertaking is an investment intermediary and has other investment intermediaries, credit institutions and/or financial institutions as subsidiaries.

(3) (Supplemented, SG No. 70/2013) Included in the scope of supervision on a consolidated basis under this Section shall also be the persons, managing alternative investment funds and the management companies in the manner and to the extent provided for financial institutions.

(4) (New, SG No. 34/2015) Investment intermediaries, financial holding companies, mixed financial holding companies or mixed financial holding companies subject to a supervision on a consolidated basis by the Commission shall implement internal rules, procedures and mechanisms for compliance with the requirements of Article 11a, Article 24, paragraph 1, items 1, 2, 11 – 14, paragraphs 2, 4 and 5, Articles 24a, 25a and Article 25b, and in their subsidiaries, including in those which are not covered by this Act. The rules, procedures and mechanisms shall be consistent and well integrated and shall allow the subsidiaries to prepare any data and information of relevance for the purposes of supervision.

(5) (New, SG No. 34/2015) Financial holding companies and mixed financial holding companies shall submit all the necessary information to the Commission for ascertainment of the compliance with the requirements of this Act and the statutory instruments for its application and with Regulation (EU) No. 575/2013, as well as for investigation of breaches of the said requirements.

(6) (New, SG No. 34/2015) Where an investment intermediary which is an EU parent institution or an investment intermediary controlled by an EU parent financial holding company or an EU parent mixed financial holding company proves before the Commission that the application of the requirements for implementation of the rules, procedures and mechanisms under paragraph 5 is not lawful under the laws of the third country in which the relevant subsidiary is established, such requirements shall not apply to that subsidiary.

Article 70. (Amended, SG No. 34/2015) (1) The Commission shall exercise supervision on a consolidated basis in the cases where:

1. an investment intermediary is authorised in the Republic of Bulgaria, is a parent institution in a Member State or an EU parent institution;
2. the parent undertaking of an investment intermediary authorised in the Republic of Bulgaria is a parent financial holding company in a Member State or an EU parent financial holding company, an EU parent mixed financial holding company or a parent mixed financial holding company in a Member State;
3. the parent undertaking of an investment intermediary and of a credit institution authorised in the Republic of Bulgaria is a parent financial holding company in a Member State, an EU parent financial holding company, an EU parent mixed financial holding company or a parent mixed financial holding company in a Member State where the investment intermediary has higher total assets than the credit institution.

(2) Where a parent financial holding company in a Member State, an EU parent financial holding company or a parent mixed financial holding company in a Member State is established in the Republic of Bulgaria and is a parent undertaking of an investment intermediary authorised in the Republic of Bulgaria and of one and more institutions authorised in other Member States, supervision on a consolidated basis shall be exercised by the Commission.

(3) Paragraph 2 shall not apply where parent undertakings of an investment intermediary authorised in the Republic of Bulgaria, and of an institution or institutions authorised in another or other Member States include more than one financial holding

company or a mixed financial holding company with registered offices in different Member States and which have credit institutions as subsidiaries in each of those Member States. In this case the consolidated supervision shall be exercised by the competent authority that has authorised the credit institution with the highest total assets.

(4) Where a financial holding company or a mixed financial holding company is a parent undertaking of more than one institution authorised in the European Union and neither of these institutions is authorised in the Member State in which the financial holding company or the mixed financial holding company is established, supervision on a consolidated basis shall be exercised by the Commission if the institution with the highest total assets is an investment intermediary authorised in the Republic of Bulgaria. Such investment intermediary shall be considered controlled by an EU parent financial holding company or an EU parent mixed financial holding company.

(5) By agreement with the competent authorities of the relevant Member States the Commission may waive application of the criteria under paragraphs 2 – 4 if such application is inappropriate in view of the participating institutions and the relative importance of their activity in individual countries. The agreement shall designate a competent authority that will exercise supervision on a consolidated basis. Before entering into the agreement the Commission shall enable the investment intermediary which is a parent undertaking of either an EU parent financial holding company or a parent mixed financial holding company in a Member State established in the Republic of Bulgaria, or an investment intermediary which appears to be the institution with the highest total assets, to express its opinion within the time limit set by the Commission.

(6) On request from a competent authority the Commission may participate in consultations and sign agreements designating an authority that will exercise supervision on a consolidated basis under paragraph 5. In this case the Commission may begin exercising supervision on a consolidated basis even if the conditions under paragraphs 2 - 4 are not in place.

(7) The Commission shall notify the European Commission and EBA of the agreements concluded under paragraph 6, whereunder it shall exercise supervision on a consolidated basis.

Article 71. (Amended, SG No. 34/2015) Persons elected members of the management or supervisory body of a financial holding company or a mixed financial holding company shall be of good repute and shall have professional experience necessary for managing the activity of the holding company. Article 11a shall apply mutatis mutandis.

Article 72. (Amended, SG No. 34/2015) (1) In the cases where it is a consolidating supervisor under this Section, in addition to the obligations under Regulation (EU) No. 575/2013 the Commission shall:

1. coordinate the gathering and circulation of relevant or significant information in the conditions of a going concern and in emergency situations;
2. plan and coordinate the supervisory activity in cooperation with the relevant competent authorities;
3. plan and coordinate the supervisory activity in cooperation with the relevant competent authorities, and where necessary, with the central banks as well, in the preparation of actions in case of an emergency situation, including adverse developments in the status of financial markets and, where possible, shall use defined channels of communication in crisis management.

(2) The planning under paragraph 1, item 3 shall include the measures under Article 72k, paragraph 2, item 4 and Article 72l, paragraph 1, preparation of joint evaluations, implementation of contingency plans and informing the public.

(3) In the cases where the competent authorities do not cooperate to the Commission to the extent necessary for the fulfilment of its obligations under paragraph 1, it may refer the matter for consideration to EBA.

Article 72a. (New, SG No. 34/2015) Outside the cases of Articles 69 and 70, where an investment intermediary authorised in the Republic of Bulgaria falls within the scope of supervision on a consolidated basis and the competent authority exercising supervision on a consolidated basis fails to fulfil provisions of its national law introducing the requirements of Article 112, paragraph 1 of Directive 2013/36/EU, the Commission may refer the matter for consideration to EBA.

Article 72b. (New, SG No. 34/2015) (1) In the cases where pursuant to Articles 69 and 70 the Commission is a consolidating supervisor or where it is not but within the supervision on a consolidated basis falls an investment intermediary authorised in the Republic of Bulgaria which is a subsidiary of an EU parent institution, of an EU parent financial holding company or an EU parent mixed financial holding company, the Commission shall take appropriate actions within its powers to reach a common decision with the other competent authorities on the following:

1. application of the legal requirements for determination of the adequacy of the own funds of the group of institutions on a consolidated basis in respect of the financial status and risk profile of the group and of the required level of own funds for the application of Article 118, paragraph 1, item 11 to any person within the group of institutions and on a consolidated basis; in this case the decision shall be adopted within 4 months after the Commission, where it is a consolidating supervisor, submits to the other competent authorities concerned a report on the assessment of the risk of the group of institutions, or within 4 months after the relevant competent authority exercising supervision on a consolidated basis submits such information;

2. the measures for treatment of all major issues and significant findings related to the liquidity supervision and to the adequacy of the organisation, and treatment of risks and in respect of the specific liquidity requirements for the concrete institution; in this case the decision shall be adopted within a month after the Commission, where it is the authority exercising supervision on a consolidated basis, submits a report with assessment of the liquidity risk profile of the group of institutions, or within a month after the relevant consolidating supervisor submits such information respectively.

(2) In taking the decision under paragraph 1, the risk assessment of the subsidiaries, performed by the competent authorities, shall be taken into account.

(3) The decision under paragraph 1 shall be made in writing, shall be reasoned in detail and shall be submitted by the Commission, where it is the consolidating supervisor, to the competent authority exercising supervision over the EU parent institution. In case of disagreement, at the request of any of the other competent authorities concerned, the Commission shall consult EBA. The Commission may consult EBA at its initiative as well.

Article 72c. (New, SG No. 34/2015) (1) In case the competent authorities fail to reach a joint decision within the time limits under Article 72b, the decision shall be adopted on a consolidated basis by the Commission where it is the consolidating supervisor, taking into account the risk assessment of the subsidiaries made by the competent authorities. If any of the competent authorities has referred the matter to EBA within the time limits under Article 72b, paragraph 1, the Commission shall adopt its decision in accordance with the decision of EBA under Article 19, paragraph 3 of Regulation (EU) No. 1093/2010.

(2) In the cases where the Commission exercises supervision on a stand-alone basis or on a sub-consolidated basis over subsidiaries of an EU parent institution or an EU parent financial holding company or an EU parent mixed financial holding company, in adopting decisions under paragraph 1 it shall take into account the opinions and recommendations made by the consolidating supervisor and the decision of EBA under Article 19, paragraph 3 of Regulation (EU) No. 1093/2010.

(3) The decisions under paragraphs 1 and 2 shall be made in writing, shall be reasoned in detail, taking into account the risk assessment, the opinions and the qualifications of the other competent authorities. The Commission shall submit the decision under paragraph 1 to the relevant competent authorities and to the EU parent institution.

Article 72d. (New, SG No. 34/2015) (1) The Commission shall apply the joint decisions under Article 72b and the decisions of the other competent authorities equivalent to the decisions under Article 72c.

(2) The decisions under Articles 72b and 72c shall be reviewed either annually or in emergency circumstances if a competent authority responsible for the supervision of subsidiaries of an EU parent institution or an EU parent financial holding company or an EU parent mixed financial holding company files a written and reasoned request to the Commission for updating the decision under paragraph 1. In this case the review shall be performed jointly with the competent authority which has filed the request.

Article 72e. (New, SG No. 34/2015) (1) If an emergency situation arises, including the cases under Article 18 referred to in Regulation (EU) No. 1093/2010, or in case of adverse market developments which may jeopardise the market liquidity and the stability of the financial system in the Republic of Bulgaria or in another Member State in which companies from the group are authorised or significant branches are established, the Commission, where it is a consolidating supervisor, shall inform the EBA and the authorities under Article 25, paragraph 1, items 3 and 4, and paragraph 10 of the Financial Supervision Commission Act, providing them with all the information which is relevant to the fulfilment of their functions.

(2) If information, which has already been provided to another competent authority, is necessary for the purposes of supervision on a consolidated basis, the Commission shall require it from the relevant competent authority, where possible, in order to prevent its repeated submission to the competent authorities concerned.

Article 72f. (New, SG No. 34/2015) (1) For the purposes of supervision on a consolidated basis the Commission shall enter into agreements on coordination and cooperation with the competent supervisory authorities in the relevant Member States. The Commission may assume responsibility for the performance of additional supervisory tasks, subject to the provisions in the

relevant agreement.

(2) Where an investment intermediary authorised in the Republic of Bulgaria is a subsidiary of an institution in a Member State, the Commission may, pursuant to an agreement under Article 28 of Regulation (EU) No. 1093/2010 with the competent authority of the EU parent institution, delegate to it the responsibility for the supervision of the subsidiary investment intermediary.

(3) Where an investment intermediary authorised in the Republic of Bulgaria is a parent company of an institution in a Member State, the Commission may, pursuant to an agreement under Article 28 of Regulation (EU) No. 1093/2010 with the competent authority, assume responsibility for the supervision of the subsidiary institution.

(4) The Commission shall notify EBA of the closing and contents of the agreements under paragraphs 2 and 3.

Article 72g. (New, SG No. 34/2015) (1) The Commission shall, where it is a consolidating supervisor, set up supervisory colleges of the competent authorities to facilitate performance of the functions under Articles 72 - 72d and shall ensure adequate level of coordination and cooperation, and where necessary, participation of the relevant competent authorities of third countries, if this is reasonable, subject to compliance with the confidentiality requirements and the European Union law. Competent authorities responsible for the supervision of subsidiaries of an EU parent institution, of an EU parent financial holding company financial holding or an EU mixed parent financial holding company, the competent authorities of the host Member State in which significant branches are established, and where necessary, the central banks in the European System of Central Banks (ESCB) may participate in the supervisory colleges.

(2) The Commission may participate in the supervisory colleges set up by other competent authorities where these are consolidating supervisors under Directive 2013/36/EU and Regulation (EU) No. 575/2013.

(3) For the purposes of setting up and activity of the supervisory colleges the Commission shall, following consultations with the other competent authorities, enter into written agreements with them under Article 72f.

(4) The supervisory colleges under paragraph 1 shall create the necessary conditions and the procedure for:

1. exchange of information between the competent authorities and EBA in accordance with Article 21 of Regulation (EU) No. 1093/2010;

2. reaching agreement on assignment of tasks and delegation of authorities on a voluntary basis;

3. defining a plan for the execution of supervisory inspections based on assessment of the group risk;

4. enhancing the efficiency of supervision by eliminating unnecessary overlapping of supervisory requirements, including in regard to the requests for information under Article 72e and Article 72k, paragraph 5;

5. consistent application of the requirements for prudential supervision over companies in the group set out herein, Regulation (EU) No. 575/2013 and the statutory instruments for their application, without affecting the possibilities and the right of judgement laid down in the European Union law;

6. application of Article 72, paragraph 1, item 3, taking into account the activity of other supervisory colleges or groups, as may be set up in this area.

(5) The Commission shall cooperate with EBA and other competent authorities where it participates in supervisory colleges. The confidentiality requirements shall not prevent the exchange of confidential information.

(6) The setting up and activity of the supervisory college shall not affect the powers of the Commission, the Deputy Chairperson accordingly, under this Act, the Financial Supervision Commission Act and Regulation (EU) No. 575/2013.

Article 72h. (New, SG No. 34/2015) (1) In the cases where the Commission is a consolidating supervisor, it shall chair the meetings of the supervisory college and shall designate the competent authorities which will participate in each meeting or activity of the Commission, taking into account the significance of the supervisory authorities' activity which is to be planned and coordinated, including the potential impact on the financial stability in the relevant Member States and the obligations in regard to the supervision of significant branches.

(2) As a consolidating supervisor, the Commission shall provide in advance to all members of the supervisory college

information about the organisation of the meeting, the main issues and actions to be discussed. The Commission shall furthermore provide on a timely basis to all members of the supervisory college full information about the decisions adopted and measures taken at such meetings.

(3) The Commission shall, acting in the capacity as a consolidating supervisor and subject to compliance with the confidentiality requirements, inform EBA about the activity of the supervisory colleges managed thereby, including in emergency situations, and shall provide it with all the information of significant importance for the convergence of supervisory practices.

Article 72i. (New, SG No. 34/2015) In case of disagreement between the competent authorities participating in the supervisory college, the Commission may, as its member, refer the issue concerned to EBA and may request its assistance in accordance with Article 19 of Regulation (EU) No. 1093/2010.

Article 72k. (New, SG No. 34/2015) (1) The Commission shall, at its initiative, provide to the relevant competent authorities the information which is significant and/or relevant to the exercise of their supervisory functions for the purposes of application of Directive 2013/36/EU and Regulation (EU) No. 575/2013.

(2) For the purposes of paragraph 1, significant is any information which could affect the assessment of the financial stability of an institution or a financial institution of the respective Member State and it shall include the following:

1. description of the legal, management and organisational structure of the group, including all regulated entities and unregulated subsidiaries, significant branches and parent companies in the group, and specifying the competent authorities exercising supervision of regulated entities in the group;
2. procedures for gathering and verification of information from the institutions in the group;
3. difficulties in the activity of institutions or in the activity of other companies in the group, which could seriously affect the activity of the institutions;
4. administrative sanctions and supervisory measures imposed by the Commission in accordance with this Act, including the imposition of additional capital requirements or limitations on the use of the Advanced Measurement Approach for the calculation of the own funds requirements under Article 312, paragraph 2 of Regulation (EU) No. 575/2013.

(3) At the request of the competent authority of a Member State exercising supervision over the subsidiaries of EU parent companies or institutions controlled by EU parent financial holding companies or by EU parent mixed financial holding companies in respect whereof the Commission is the consolidating supervisor, the Commission shall provide the information relevant for the exercise of their supervisory functions.

(4) The Commission shall cooperate with EBA and shall provide all the necessary information for the performance of its obligations under the terms and procedure of Regulation (EU) No. 1093/2010.

(5) In the cases where the Commission exercises supervision over an investment intermediary controlled by an EU parent undertaking, where information is required on the application of approaches and methods under Directive 2013/36/EU and Regulation (EU) No. 575/2013, the Commission shall contact the consolidating supervisor in the relevant Member State should it be likely that said supervisor may have the necessary information.

Article 72l. (New, SG No. 34/2015) (1) Before adopting a decision which is important for the activity of another competent authority as well, the Commission shall make consultations with it and with the consolidating supervisor, if the decision refers to significant supervisory measures and administrative sanctions imposed by the Commission, the Deputy Chairperson respectively, including imposition of additional capital requirements or limitations for use of internal operational risk models in the calculation of own funds for supervisory purposes pursuant to Article 312, paragraph 2 of Regulation (EU) No. 575/2013.

(2) The requirement under paragraph 1 shall not apply where it is necessary for the Commission to make a decision immediately and where the consultations may hamper or block the efficiency of the respective decision. In this case the Commission shall notify the competent authorities as soon as possible.

Article 72m. (New, SG No. 34/2015) The Commission may refer the issue for consideration to EBA under Article 19 of Regulation (EU) No. 1093/2010 in the cases where:

1. a competent authority has not provided it with significant information within the meaning of Article 72k, paragraph 2;

2. the request for exchange of information is denied or is not fulfilled within a reasonable time limit.

Article 72n. (New, SG No. 34/2015) (1) At the request of a competent authority the Commission shall verify particular information about an investment intermediary, a financial holding company, a mixed financial holding company, a financial institution, an ancillary services undertaking, a mixed holding company, subsidiaries carrying on activity in the territory of the Republic of Bulgaria, in respect whereof the Commission exercises supervision.

(2) The Commission may delegate to the competent authority requesting the information or an external auditor or an expert to perform the verification.

(3) Where an investment intermediary, a financial holding company, a mixed financial holding company, an ancillary services undertaking, a mixed holding company or a subsidiary over which the Commission exercises supervision carries on activity in another Member State, the Commission may request from the relevant competent authority to verify particular information about such entity. In this case the Commission may wish to perform the verification itself as well or to participate in its execution.

Article 72o. (New, SG No. 34/2015) (1) Where a competent authority has not included in the supervision on a consolidated basis an investment intermediary authorised in the Republic of Bulgaria, the Commission may request from the parent undertaking information which may facilitate supervision over such investment intermediary.

(2) Where the Commission exercises supervision on a consolidated basis pursuant to this Act, it may require the information under Article 72p from the subsidiaries of investment intermediaries authorised in the Republic of Bulgaria, of a financial holding company, or of a mixed financial holding company where such subsidiaries are not included in the supervision on a consolidated basis. In this case the procedure for provision and verification of the information under Article 72p shall apply.

Article 72p. (New, SG No. 34/2015) (1) Where a mixed holding company is a parent undertaking of one or more investment intermediaries authorised in the Republic of Bulgaria, the Commission may require from the holding company and from its subsidiaries information which is relevant for the purposes of supervision on a consolidated basis over subsidiaries which are investment intermediaries.

(2) The Commission may perform itself or with the assistance of persons appointed for that purpose on-site verification of the information received under paragraph 1.

(3) If the mixed holding company or one of its subsidiaries is an insurer, the Commission may verify the information received under paragraph 1 under the terms and procedure of Article 72d as well.

(4) If the mixed holding company or one of its subsidiaries is not incorporated in the Republic of Bulgaria, the information received under paragraph 1 may be verified under Article 72n as well.

Article 72r. (New, SG No. 34/2015) (1) Where a mixed holding company is a parent undertaking of one or more investment intermediaries authorised in the Republic of Bulgaria, the Commission shall exercise common supervision over the transactions between such investment intermediaries and the holding company and over the transactions between the investment intermediaries and the other subsidiaries of the holding company, without prejudice to the requirements of part four of Regulation (EU) No. 575/2013.

(2) Investment intermediaries under paragraph 1 shall implement adequate risk management processes and internal control mechanisms, including reliable procedures for reporting and accounting, in order to measure, monitor and control in a suitable manner the transactions with the mixed holding company and with its subsidiaries. The investment intermediaries under paragraph 1 shall inform the Commission of any significant transaction with the mixed holding company and with its subsidiaries, other than the transactions under Article 394 of Regulation (EU) No. 575/2013. The procedures and transactions under this paragraph shall be subject to supervision by the Commission. The requirements to be met for the transactions to be considered significant shall be laid down in an ordinance.

Article 72s. (New, SG No. 34/2015) (1) Where a parent company and one of its subsidiaries - institutions, one of which is an investment intermediary authorised in the Republic of Bulgaria, are established in different Member States, the Commission shall cooperate and shall exchange information with the relevant competent authorities in order to allow or support the exercise of supervision on a consolidated basis.

(2) Where the parent undertaking is incorporated in the Republic of Bulgaria but the Commission does not exercise supervision

on a consolidated basis under Article 70, at the request of the consolidating supervisor the Commission may require from the parent undertaking the information which would be necessary for the supervision on a consolidated basis, providing it to the said competent authority.

(3) The powers of the Commission for gathering information under paragraph 2 shall not create an obligation for the Commission to exercise supervision on a stand-alone basis over the parent undertaking, where it is a financial holding company, a mixed financial holding company, a financial institution or an ancillary services undertaking.

(4) The powers of the Commission for gathering information under Article 72p shall not create obligations for supervision on a stand-alone basis over the mixed holding company and its subsidiaries which are not investment intermediaries and are excluded from the scope of supervision on a consolidated basis.

Article 72t. (New, SG No. 34/2015) (1) Where the Commission exercises supervision on a consolidated basis over an investment intermediary, a financial holding company, a mixed financial holding company or a mixed holding company controlling one or more subsidiaries which are insurers or other undertakings providing investment services which are subject to authorisation by the Commission, the Commission shall cooperate and exchange information with the relevant competent authorities in order to facilitate the exercise of supervision over the activity and overall financial status of the persons subject to supervision.

(2) The Commission shall maintain a list of financial holding companies and of mixed financial holding companies over which it shall exercise supervision on a consolidated basis. The Commission shall submit the list to the other competent authorities, to the European Commission and to the EBA and shall notify them of any change therein.

(3) Where an investment intermediary authorised in the Republic of Bulgaria is a subsidiary of an institution, a financial holding company or a mixed financial holding company from a third country and no supervision on a consolidated basis is exercised over that investment intermediary by the Commission or by another competent authority, the Commission shall check whether the investment intermediary is covered by supervision on a consolidated basis, equivalent to the requirements of this Act and Regulation (EU) No. 575/2013. The Commission shall check at its initiative or at the request of the parent undertaking or the subsidiary subject to authorisation and supervision in a Member State and shall make consultations with the relevant competent authority.

(4) When performing the check under paragraph 3 the Commission shall take into account the opinion of the European Banking Committee on whether the rules for supervision on a consolidated basis of the relevant third country would achieve the purposes of the supervision on a consolidated basis under Articles 111 - 127 of Directive 2013/36/EU. After completing the check and before adopting a decision the Commission shall consult EBA as well.

(5) Should it establish that no supervision on a consolidated basis is exercised or that the exercised supervision does not meet the requirements of this Act and Regulation (EU) No. 575/2013, the Commission may apply appropriate supervisory measures to the subsidiary investment intermediary under paragraph 3 for achieving the purposes of supervision on a consolidated basis over it. The Commission shall apply such supervisory measures after consultations with the relevant competent authorities, including those in the third country.

(6) In the cases of paragraph 5 the Commission may request the incorporation of a financial holding company or a mixed financial holding company with registered office on the territory of a Member State and the application of the requirements for supervision on a consolidated basis over it, as established herein.

PART TWO

REGULATED MARKETS IN FINANCIAL INSTRUMENTS

Chapter Four

ESTABLISHMENT AND MANAGEMENT

Section I

General provisions

Article 73. (1) A regulated market is a multilateral system operated and/or managed by a market operator, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments - in the

system and in accordance with its non-discretionary rules - in a way that results in a contract, in respect of the financial instruments admitted to trading under its rules and/or systems, and which is authorized and functions regularly and in accordance with the provisions of this Act and the statutory instruments for its application.

(2) A regulated market is furthermore any multilateral system which is authorized and functions in accordance with the provisions of Title III of Directive 2004/39/EC of the European Parliament and of the Council.

Article 74. (1) The Commission shall grant authorization for conduct of business as a regulated market if the trading system and its market operator satisfy the provisions of this Act and the statutory instruments for its application. The Commission may grant authorization to a market operator to organize a multilateral trading facility. Where government securities issued on the domestic market are traded on the regulated market, the Commission shall grant authorization subject to prior approval by the minister of finance and the governor of the Bulgarian National Bank of the rules for operation of the regulated market, the trading rules, the internal organization, registration and settlement of government securities.

(2) The market operator shall organize the activity and operations of the regulated market. The market operator shall be responsible for compliance of the regulated market organized by it with this Act and the statutory instruments for its application. The market operator may exercise the rights relating to the regulated market.

(3) The regulated market and its market operator shall comply at all times with the conditions under which the authorization under Paragraph 1 has been granted.

(4) The Commission and the Deputy Chairperson shall exercise supervision over the activity of the regulated market and the market operator.

(5) Trade in financial instruments on a regulated market under Paragraph 1 shall be carried out under the terms and procedure of Bulgarian law.

(6) The Commission may lay down in an ordinance other requirements for the activity of regulated markets to ensure protection of the interests of investors and stability of the capital market, including the manner of allocation of legally prescribed obligations between the regulated market and the market operator where they are separate legal persons.

Article 75. (1) A market operator shall be a joint-stock company which shall have at all times capital of no less than BGN 5,000,000.

(2) No less than 25 per cent of the capital under Paragraph 1 shall be paid in at the time of filing the application for granting the authorization and the remaining amount shall be paid within 14 days from receipt of the written notification under Article 80, Paragraph 5.

(3) The regulated market shall have at all times financial resources necessary for its orderly functioning in accordance with the nature and scope of transactions concluded through its system and in accordance with the scope and degree of risks to which it is exposed.

Article 76. The regulated market shall have internal organization and structure which ensure conduct of the business in compliance with the provisions of this Act and the statutory instruments for its application.

Article 77. (1) Persons who are members of the management body of the market operator or who manage its activity shall be of good repute and shall have professional experience so as to ensure sound and reasonable management and functioning of the regulated market. The persons under sentence one shall:

1. hold a university degree, qualification and professional experience in the field of economics, law, finance, banking or IT;
2. have no conviction for a premeditated offence at public law;
3. hold no previous membership of a management body or a supervisory body of, and no previous status as general partner in, any corporation dissolved by bankruptcy and leaving any creditor unsatisfied;
4. have not been adjudicated bankrupt, nor be the subject of bankruptcy proceedings;
5. not be close links within the meaning of this Act;
6. be under no disqualification from occupying a position of property accountability;

7. not jeopardize in any other way the stability and prudential management and operations of the regulated market.

(2) The persons satisfy the provisions of Paragraph 1 should at the time of granting the authorization by the Commission they are members of a management body or manage the activity of a regulated market authorized in accordance with the requirements of this Act or Title III of Directive 2004/39/EC of the European Parliament and of the Council.

Article 78. (Amended, SG No. 24/2009, effective 31.03.2009, SG No. 34/2015) All persons, who have a qualified holding in the market operator, must be suitable depending on the influence they may exercise over the activity of the regulated market. Articles 11b and 26 - 26e shall be applied respectively.

Article 79. (1) The regulated market shall be organized and managed in accordance with rules of procedure of the regulated market, which shall be adopted by the board of directors or the management board, as the case may be, of the market operator.

(2) The rules under Paragraph 1 shall stipulate:

1. the terms and procedure for administration of the regulated market;
2. the rules for the transactions concluded on the regulated market;
3. the conditions to be satisfied by the members or the participants in the regulated market, including other than investment intermediaries or credit institutions, in accordance with Article 93, Paragraph 3;
4. the rules and procedures for clearing, settlement and guaranteeing of transactions concluded on the regulated market;
5. the terms and procedures for examination of claims against members or participants in the regulated market from arbitration;
6. other rules and procedures as provided for in this Act.

Section II

Granting of authorisation for conduct of business

Article 80. (1) To obtain authorisation for conduct of business as a regulated market an application shall be submitted in a standard form, enclosing therewith:

1. the articles of association of the market operator;
2. rules of procedure of the organized regulated market;
3. particulars of the paid-in capital;
4. particulars of the members of the management or supervisory body of the market operator and of all the other persons who may manage the activity of the market operator;
5. particulars of the persons who hold a qualifying holding in the market operator;
6. particulars of premises and technical equipment of the regulated market;
7. a programme of the operations of the regulated market which shall contain:
 - (a) the types of activities to be performed by the regulated market;
 - (b) the organizational structure of the regulated market.
8. the cases wherein the regulated market is a distinct legal person from the market operator and the following particulars and documents:
 - (a) the particulars under items 1, 4 and 5 of the regulated market;
 - (b) the documents certifying allocation of the obligations between the regulated market and the market operator;

(c) any other documents as may be prescribed in an ordinance.

(2) Based on the documents submitted the Commission shall verify compliance with the requirements for granting of authorisation. If the particulars and documents submitted are incomplete, incorrect, non-compliant with statutory requirements or additional information or evidence of their authenticity is necessary, the Commission shall send a communication thereof and shall set a time limit for removal of the deficiencies and non-conformities established or for provision of the additional information and documents required, which shall not be shorter than one month and shall not exceed two months.

(3) If the communication under Paragraph 2 is not accepted at the correspondence address specified by the applicant, the time limit for submission thereof shall be effective from posting thereof on a notice board expressly provided therefor on the premises of the Commission. Any such posting shall be attested by a memorandum drawn up by officers designated by an order of the Chairperson of the Commission.

(4) The Commission shall pronounce on any application within three months after the date of receipt thereof or, where additional particulars and documents have been requested, within three months after the date of receipt of the said particulars and documents or expiry of the time limit under Paragraph 2, sentence two, as the case may be.

(5) Within the time limit referred to in Paragraph 4, the Commission shall notify the applicant in writing that the Commission will grant authorization for conduct of business in a regulated market capacity if the applicant certifies within 14 days after receipt of the said notification that the capital required under Article 75, Paragraph 1 herein has been fully paid in.

(6) The applicant shall be notified in writing of the decision taken within 7 days.

Article 81. (1) The Commission may refuse to grant authorization if:

1. the persons who are members of the management body of the market operator or manage the activity of the market operator do not meet the requirements of this Act and the statutory instruments for its application;

2. the persons who hold a qualifying holding in the market operator do not meet the requirements of this Act or might jeopardize otherwise the sound and prudential management of the regulated market;

3. the rules of procedure of the regulated market does not meet the requirements of this Act;

4. the principles or methods of trading do not afford the members or participants in the regulated market equal trading conditions;

5. the market operator or the trading system of the regulated market do not meet the requirements of law;

6. other provisions hereof have not been complied with.

(2) (New, SG No. 43/2010) The Commission may refuse to issue authorisation if the actual owners of a shareholder with a qualifying holding cannot be identified.

(3) (Renumbered from Paragraph (2), SG No. 43/2010) In the cases referred to in paragraph 1 the Commission shall refuse to grant authorization only if the applicant has not removed the deficiencies and non-conformities established or has not submitted the required additional information and documents within the time limit set by it.

(4) (Renumbered from Paragraph (3), SG No. 43/2010) The refusal of the Commission shall be justified in writing.

Article 82. In the cases of refusal under Article 81 the applicant may file a new application for granting of authorization not earlier than 6 months after entry into force of the decision on the refusal.

Article 83. (1) The Registry Agency shall record the market operator in the Commercial Register and in the cases where the regulated market and the market operator are separate legal persons, the regulated market after the authorization granted by the Commission is presented to the said Agency.

(2) Persons who do not hold authorization for conduct of business in a regulated market capacity may not use in their name and in advertising or other activity the words "regulated market" or "market operator" or their derivatives in Bulgarian or another language or another word denoting conduct of such business.

Article 84. (1) The Commission may withdraw the authorization granted to a regulated market if the latter:

1. does not commence performing the activity within 12 months from granting of the authorisation;
 2. the market operator expressly requests withdrawal of the authorization;
 3. the regulated market has not carried on activity in the past 6 months;
 4. false statements have been presented which served as a ground for granting the authorization;
 5. the regulated market has systematically infringed the provisions of this Act and the statutory instruments for its application, as well as the Measures Against Market Abuse With Financial Instruments Act and the statutory instruments for its application;
 6. the market operator or the regulated market operated by it no longer meets the provisions hereof and the statutory instruments for its application for conduct of the business in a regulated market capacity.
- (2) With the decision on withdrawal of the authorization the Commission shall appoint one or more conservators.
- (3) From the date of entry into force of the decision on withdrawal of the authorization of the regulated market no new transactions may be entered into unless this is necessary for the execution of already concluded transactions or to protect investors.
- (4) After entry into force of the decision on withdrawal of the authorization the Commission shall forthwith send a copy thereof to the Registry Agency for institution of liquidation proceedings against the market operator or the regulated market, as the case may be, and publish it in two central daily newspapers. In these cases the Commission shall appoint a liquidator, set a time limit for execution of the liquidation and the remuneration of the liquidator.
- (5) (New, SG No. 21/2012) The Commission shall notify ESMA of the decision on the authorisation withdrawal.

Chapter Five

CONDITIONS FOR CONDUCT OF BUSINESS

Section I

Organisational requirements

Article 85. (1) The following actions may be performed subject to prior approval by the Deputy Chairperson:

1. change in the composition of the persons who are members of the management body of a market operator or who are authorized to manage the business of the market operator;
2. acquisition by a person of a qualifying holding in the market operator;
3. amendments and supplements to the rules of procedure of the regulated market.

(2) To issue approval under Paragraph 1 an application shall be filed to the Commission, enclosing documents and particulars as set out in an ordinance.

(3) The Deputy Chairperson shall issue or refuse to issue approval under Paragraph 1 within one month from receipt of the application. If there are deficiencies and non-conformities in the particulars and documents submitted or the additional information or evidence of the authenticity of data is required, the Commission shall send a communication and shall set a time limit for removal of the deficiencies and non-conformities established or submission of additional particulars and documents, which shall not be shorter than 14 days and longer than one month. Article 80, Paragraphs 3 and 6 shall apply mutatis mutandis.

(4) The Commission shall refuse to issue approval if the action under Paragraph 1 does not satisfy the requirements of the Act, the sound and prudent management of the regulated market is jeopardized, the applicant has submitted false data or documents with incorrect content or the interests of the investors and members of the regulated market are not protected.

(5) The market operator shall notify the Commission of amendments and supplements in other documents which have served as a ground for granting the authorization, within 7 days. The time limit under sentence one shall be in effect from making the decision, making or becoming aware of the amendment or supplement.

(6) The market operator shall submit to the Commission its annual report by 31 March the following year and a 6-month report by 31 August of the current year. The content of the reports shall be set out in an ordinance.

(7) The market operator shall publish information about the persons who hold a qualifying holding in it and as to the amount of that holding and shall update such information.

Article 86. (1) The regulated market shall apply appropriate measures and procedures:

1. to identify clearly and prevent potential adverse consequences for the operation of the regulated market or for its members or participants of any conflict of interest between the interest of the market operator or the regulated market, as the case may be, the persons holding a qualifying holding in the market operator or the regulated market, as the case may be, on one side, and the sound functioning of the regulated market, on the other side, and in particular where such conflicts of interest might prove prejudicial to the accomplishment of any functions delegated to the regulated market by the Commission;

2. to manage the risks to which the regulated market is exposed, to identify all significant risks to the orderly operation of the regulated market and to put into place effective measures to mitigate those risks;

3. to ensure the sound management of the technical operations of the system of the regulated market, including the establishment of effective contingency arrangements to cope with risks of systems disruptions;

4. to have transparent and non-discretionary rules that provide for fair and orderly trading and establish objective criteria for the efficient execution of orders for conclusion of transactions in financial instruments;

5. to ensure the efficient and timely finalization of the transactions concluded on the regulated market;

6. to detect and prevent manipulations on the market in financial instruments.

(2) The measures and procedures under Paragraph 1 shall be laid down in the rules under Article 79.

(3) Article 35 shall apply to regulated markets *mutatis mutandis*.

(4) In the cases where the regulated market and the market operator are separate legal persons Articles 77, 78, 81, Paragraph 1, and Article 85, Paragraph 1, items 1 and 2 and Paragraph 7 shall apply to the regulated market *mutatis mutandis*.

Section II

Admission of financial instruments to trading on a regulated market

Article 87. (1) The regulated market shall apply clear and transparent rules regarding the admission of financial instruments to trading which are part of the rules under Article 79.

(2) The rules under Paragraph 1 shall ensure that the financial instruments admitted to trading on a regulated market are capable of being traded in a fair, orderly and efficient manner and, in the case of securities, are freely negotiable.

(3) In the case of trade in derivative financial instruments, the rules shall ensure that the structure and content of derivative contracts allow for their orderly pricing as well as for the existence of effective settlement conditions.

(4) (Amended, SG No. 34/2015) The content of the rules under Paragraph 1, as well as the terms and procedure for admission of financial instruments to trading on a regulated market shall be determined in compliance with Regulation (EC) No. 1287/2006.

Article 88. (1) The regulated market shall apply appropriate procedures to verify that issuers whose securities are admitted to trading on a regulated market comply with their obligations under Community law in respect of initial, ongoing or ad hoc disclosure obligations. The procedures shall be part of the rules under Article 79.

(2) The regulated market shall establish arrangements which facilitate its members and participants in obtaining access to information which has been made public under Community law.

(3) The regulated market shall exercise ongoing control on the compliance with the requirements for admission to trading on the regulated market of the financial instruments admitted to trading.

Article 89. (1) Transferable securities admitted to trading on a regulated market can subsequently be admitted to trading on another regulated market without the consent of the issuer provided that the provisions of Directive 2003/71/EC of the European Parliament and of the Council are fulfilled.

(2) In the cases of Paragraph 1 the market operator of a regulated market on which a subsequent admission to trading has been effected shall notify the issuer of the admission of the securities to trading on that regulated market. The issuer may not be obliged to provide directly or indirectly the information under Article 88, Paragraph 2 to the regulated market.

Article 90. (1) Official and/or unofficial securities market may be organized on the regulated market.

(2) If acceptance of securities on the official market is preceded by initial public offering under Article 5, Paragraph 1, item 1 of the Public Offering of Securities Act, admission to trading may be effected after the deadline for the subscription.

(3) The general requirements to the securities as well as the manner and procedure for admission of securities to trading on the official market shall be set out in an ordinance.

Section III

Suspension and removal of financial instruments from trading on a regulated market

Article 91. (1) The market operator may suspend trading in financial instruments or remove from trading financial instruments which do not meet the requirements set out in the rules of procedure of the regulated market provided that this step would not cause significant damage to the investors' interests or the orderly functioning of the market.

(2) The market operator shall disclose publicly the decision on suspension or removal from trading of financial instruments and shall notify the Commission thereof. The Commission shall provide the information under sentence one to the competent authorities of the other Member States.

(3) The market operator may communicate directly its decision under Paragraph 2 to the market operators of the other regulated markets on which the financial instruments are admitted to trading.

Article 92. (1) (Supplemented, SG No. 21/2012) In the cases where the Commission demands suspension or removal of financial instruments from trading on one or more regulated markets pursuant to Article 118, paragraph 1, items 4 and 9, the Commission shall publish without delay its decision and shall inform the competent authorities of the other Member States and ESMA.

(2) Where the Commission receives information from a competent authority of another Member State as to the suspension or removal of financial instruments from trading on one or more regulated markets, the Commission shall demand suspension or removal of said financial instruments from trading on regulated markets or a multilateral trading facility, which carry on activity on the territory of the Republic of Bulgaria provided that this would not cause significant damage to the investors' interests or the orderly functioning of the market.

Section IV

Access to a regulated market

Article 93. (1) The regulated market shall apply transparent and non-discriminatory rules, based on objective criteria, governing access to or membership of the regulated market. The rules shall be part of the rules under Article 79.

(2) The rules under Paragraph 1 shall specify the obligations for the members or participants arising from:

1. the constitution and administration of the regulated market;
2. the rules relating to transactions concluded on the regulated market;
3. professional standards imposed on the staff of the investment intermediaries or credit institutions that are operating on the regulated market;
4. the conditions established for members or participants other than investment intermediaries or credit institutions under Paragraph 3;

5. the rules and procedures for clearing and settlement of transactions concluded on the regulated market.

(3) The regulated market may admit as participants or members investment intermediaries, credit institutions as well as other persons who meet the following requirements:

1. have the required professional qualification and experience, as well as are of good repute;

2. have a sufficient level of trading ability and competence;

3. have adequate organizational structure in accordance with the activity performed by them;

4. have sufficient resources for the functions they are to perform in relation to the activity of the regulated market, taking into account different financial agreements that the regulated market is to conclude or has concluded in order to guarantee the adequate settlement of transactions.

Article 94. (1) (Amended, SG No. 34/2015) Participants and members of the regulated market are not obliged to apply to each other the obligations laid down in Article 24c, Paragraphs 1, Article 24d, Article 27, Paragraphs 2, 4 and 5, Article 28, 30 and Article 33, Paragraph 2 in effecting transactions on the regulated market. Participants and members of the regulated market shall apply the obligations provided for in sentence one with respect to their clients when they, acting on behalf of clients, execute their orders on the regulated market.

(2) Investment intermediaries and credit institutions shall participate or be members of the regulated market directly or remotely under conditions laid down in the rules under Article 93, Paragraph 1.

(3) The market operator shall provide to the Commission information about the members or participants in the regulated market and shall notify it of any changes thereof.

Section V

Provision of access of local persons to the systems of a regulated market authorized for conduct of business in another Member State. Provision of access of persons from another Member State to the systems of a regulated market authorized in the Republic of Bulgaria

Article 95. (1) A regulated market authorized to conduct business by a competent authority of another Member State may conclude agreements on the territory of the Republic of Bulgaria so as to facilitate access to and trading on that market by local persons in the capacity of remote members or participants in the regulated market upon receipt of a notification from the competent authority of such Member State.

(2) In regard to the exercise of its supervisory functions the Commission may demand from the competent authority of a Member State under Paragraph 1 information about the members or participants on the regulated market under Paragraph 1, established in the Republic of Bulgaria.

Article 96. (1) A regulated market authorized to conduct business in the Republic of Bulgaria may conclude agreements on the territory of another Member State so as to facilitate access to its trading systems and trading on that market by persons of the said Member State in the capacity of remote members or participants on the regulated market after notifying the Commission thereof. The notification shall specify the country on whose territory the regulated market intends to conclude agreements on facilitated access and information about the types of agreements.

(2) The Commission shall provide the information contained in the notification to the relevant competent authority under Paragraph 1 within one month from receipt thereof. The Commission shall notify forthwith the regulated market of the information submitted.

(3) Within the time limit under Paragraph 2 the Commission may refuse to provide the information contained in the notification to the relevant competent authority under Paragraph 1 by a motivated decision if the agreements provided for by the regulated market do not guarantee free access to its trading systems or the interests of the participants in trading on the regulated market are not protected sufficiently otherwise.

(4) On request from the competent authority of the other Member State the Commission shall provide it with information about the members and the participants on the regulated market established in that Member State.

Section VI

Monitoring of compliance with the legal provisions and the rules of the regulated market

Article 97. (1) The regulated market shall apply effective rules and procedures for the regular monitoring of the compliance by its members or participants with its rules. The rules and procedures shall form part of the rules under Article 79.

(2) The regulated market shall monitor the transactions undertaken by its members or participants through its trading systems in order to identify breaches of the legal provisions and of the rules of the regulated market, disorderly trading conditions or conduct that may involve market abuse.

(3) The market operator shall report to the Commission significant breaches of the rules of the regulated market, disorderly trading conditions or conduct that may involve market abuse. The market operator shall provide full assistance to the Commission and the Deputy Chairperson in the exercise of their supervisory functions in relation to market abuse in financial instruments.

Section VII

Disclosure of market information by the regulated market

Article 98. (1) During normal trading hours the regulated market shall make available to the public on a continuous basis and on reasonable commercial terms information about "bid" and "offer" prices of the shares admitted to trading which are advertised through its system as well as about orders made at such prices.

(2) The regulated market may give access, on reasonable commercial terms, to the systems and arrangements it employs for making public the information under Paragraph 1 to investment intermediaries which are obliged to publish their quotes in shares pursuant to Article 44.

(3) The Deputy Chairperson may waive the obligation for the regulated market to make public the information referred to in Paragraph 1 in accordance with the market model or the type and size of orders in the cases defined in accordance with Paragraph 5, including where said information refers to transactions that are large in scale compared with normal market size for the share or type of share in question.

(4) The market operator shall provide to the Ministry of Finance and the Bulgarian National Bank regularly and on request information about transactions in government securities effected on the regulated market.

(5) (Amended, SG No. 34/2015) Regulation (EC) No. 1287/2006 lays down:

1. the scope of bid and offer prices or quotes set by market makers as well as orders made at such prices about which information shall be published in accordance with Paragraph 1;

2. the type and size of orders to which Paragraph 3 shall apply;

3. the market model for which waiver from the obligation for publication of information under Paragraph 3 may be requested;

4. enforceability of the obligation under Paragraph 1 in respect of trading methods employed by regulated markets which undertake transactions in accordance with the rules adopted thereof based on prices set outside the regulated market or through a regular auction.

Article 99. (1) The regulated market shall publish on reasonable commercial terms and as close to real-time as possible the price, volume and time of the transactions executed in respect of shares admitted to trading.

(2) The regulated market may give access to the intermediaries which are obliged to publish the information under Article 53, on reasonable commercial terms and on a non-discriminatory basis, to the arrangements it employs for making public the information under Paragraph 1.

(3) The Deputy Chairperson may authorize the regulated market to provide for deferred publication of the information under Paragraph 1 of transactions that are larger in scale than the normal market size for that share or that class of shares as well as in other cases depending on the type and scale of the transactions.

(4) The conditions whereunder the regulated market provides for deferred publication of the information under Paragraph 3 and changes therein shall be approved by the Deputy Chairperson and shall be published on the website of the regulated market or shall be disclosed otherwise to market participants and the investing public.

(5) (Amended, SG No. 34/2015) Regulation (EC) No. 1287/2006 lays down:

1. the scope and content of the information to be made available to the public pursuant to Paragraph 1;
2. the conditions under which the regulated market may provide for deferred publication of trades and the criteria to be applied when deciding the transactions for which, due to their size or the type of share involved, deferred publication is allowed.

Section VIII

Central counterparty and clearing and settlement arrangements. List of regulated markets

Article 100. (1) The regulated market shall apply a system for clearing, including through a central counterparty or clearing houses, and for settlement of transactions in financial instruments concluded thereby so as to ensure their efficient and timely finalization.

(2) The regulated market shall authorize its members and participants to determine a system for settlement of transactions in financial instruments concluded on the regulated market provided the following conditions obtain:

1. have in place necessary connections and arrangements between the settlement system and another system or a settlement method in order to achieve efficient and economic settlement of transactions;
2. the Deputy Chairperson has issued approval for the settlement of transactions in financial instruments concluded on the regulated market to be effected through a settlement system other than that applied by the regulated market.

(3) Upon issue of an approval under Paragraph 2, item 2 the Deputy Chairperson shall take into account the supervision exercised over the participants in the settlement system. The powers of the Deputy Chairperson for issue of approval under Paragraph 2, item 2 shall not affect the supervisory functions of the relevant central bank or of another authority exercising supervision over the settlement system.

(4) The Deputy Chairperson shall refuse to issue approval under Paragraph 2, item 2 if the technical means for settlement of transactions concluded on the regulated market do not ensure smooth and orderly functioning of financial markets. Article 85, Paragraphs 3 - 5 shall apply mutatis mutandis.

Article 101. (1) The regulated market may enter into arrangements with a central counterparty or clearing house or settlement system in another Member State for execution of clearing and/or settlement of some or all transactions concluded by participants in the market through its trading system.

(2) The arrangement under Paragraph 1 shall be subject to prior approval by the Deputy Chairperson. As for trade in government securities issued on the domestic market the Deputy Chairperson shall issue such approval after obtaining a prior consent by the minister of finance and the governor of the Bulgarian National Bank.

(3) The Deputy Chairperson shall pronounce on the application for issue of approval under Paragraph 2 taking into account the conditions which settlement systems shall meet under Article 100. The Deputy Chairperson may not refuse issue of approval under Paragraph 2 unless conclusion of the arrangement under Paragraph 1 may pose a threat to the orderly functioning of the regulated market. Article 100, Paragraph 4 shall apply mutatis mutandis.

(4) In exercising its supervisory functions the Deputy Chairperson shall take into account the supervision of the clearing and settlement system under Paragraph 1, exercised by the national central bank or another supervisory authority of Member States.

Article 102. (1) (Amended, SG No. 21/2012) The Commission shall establish and maintain an updated list of regulated markets for which the Republic of Bulgaria is a home country. The Commission shall publish the list on its website and shall provide it to the relevant competent authorities of the other Member States and ESMA.

(2) (Amended, SG No. 21/2012) The Commission shall notify the other Member States and ESMA of any change in the list under paragraph 1.

PART THREE

INTERACTION WITH OTHER COMPETENT AUTHORITIES, THE EUROPEAN COMMISSION, THE EUROPEAN SECURITIES AND MARKETS AUTHORITY AND THE EUROPEAN BANKING AUTHORITY

(Title amended, SG No. 21/2012, SG No. 34/2015)

Chapter Six

COOPERATION AND EXCHANGE OF INFORMATION WITH OTHER COMPETENT AUTHORITIES, THE EUROPEAN SECURITIES AND MARKETS AUTHORITY AND THE EUROPEAN BANKING AUTHORITY

(Title amended, SG No. 21/2012, SG No. 34/2015)

Section I

Cooperation with competent authorities of Member States, the European Commission and the European Securities and Markets Authority

(Title amended, SG No. 21/2012)

Article 103. (1) Whenever necessary for the purpose of carrying out its supervisory functions under this Act and the statutory instruments for its application the Commission shall provide information and shall cooperate with the relevant competent authorities of the other Member States.

(2) For the purposes of Paragraph 1 the Commission shall make use of the powers set out to it in law in the cases where the action which is the subject to investigation by the competent authorities of other Member States does not constitute violation of the laws of the Republic of Bulgaria.

(3) (Supplemented, SG No. 21/2012) The Commission shall designate contact persons through whom requests for provision of information or cooperation shall be received and shall notify the European Commission, ESMA and the competent authorities of the other Member States thereof.

Article 104. (1) Where the activity of a regulated market of a Member State on the territory of the Republic of Bulgaria is of substantial importance for the functioning of the securities markets and the protection of the interests of investors in the Republic of Bulgaria the Commission and the relevant competent authority of that Member State shall establish measures for proportionate cooperation.

(2) The measures under Paragraph 1 shall also be taken in the cases where the activity on the territory of a Member State of a regulated market which has been granted authorization to conduct business in the Republic of Bulgaria is of substantial importance for the functioning of the securities markets and the protection of the interests of investors in that Member State.

(3) (Amended, SG No. 34/2015) The cases where the regulated market under Paragraphs 1 and 2 is of substantial importance for the functioning of the securities markets and the protection of the interests of investors are set out in Regulation (EC) No. 1287/2006.

Article 105. (1) (Supplemented, SG No. 21/2012) Where the Commission has good reasons to suspect that an act or acts contrary to the provisions of Directive 2004/39/EC of the European Parliament and of the Council carried out by a person not subject to its supervision are being or have been carried out on the territory of another Member State, it shall notify the competent authority of that Member State thereof and ESMA.

(2) (Supplemented, SG No. 21/2012) In the cases where the Commission has been notified by a competent authority of a Member State that a person not subject to its supervision is carrying out acts contrary to the provisions of Directive 2004/39/EC of the European Parliament and of the Council, it shall take the required measures and shall notify the relevant competent authority of that Member State and ESMA of the results thereof.

Article 106. (1) When exercising its supervisory functions, making on-the-spot verifications or investigation the Commission may request the cooperation of the competent authority of another Member State.

(2) In the cases under Paragraph 1 concerning investment intermediaries which are remote members of a regulated market in the Republic of Bulgaria, the Commission may exercise its powers in respect of them by directly notifying the competent authority of the originating Member State thereof.

(3) Where the Commission receives a request for cooperation with respect to an on-the-spot verification or an investigation by a competent authority of another Member State, it shall, within its powers:

1. carry out the verification or investigation itself;
2. allow the requesting competent authority of that Member State to carry out the verification or investigation;
3. allow auditors or experts to carry out the verification or investigation.

(4) (New, SG No. 21/2012) The Commission shall notify ESMA of all cases where no action has been taken at its request for cooperation for:

1. exercising its supervisory functions, making on-the-spot verifications or investigation under paragraphs 1 and 2;
2. exchange of information under Article 107.

Section II

Exchange of information with the competent authorities of Member States

Article 107. (1) To receive the information necessary for carrying out the functions of the Commission the contact persons under Article 103, Paragraph 3 shall file a request to the contact persons of the competent authority of a Member State. Where the contact persons of the Member State, upon submission of the requested information, have indicated that such information must not be disclosed to third parties without the express consent of the competent authority of the Member State, the Commission may provide the information to third parties only for the purposes for which the competent authority of the Member State has consented.

(2) Upon receipt of a request for provision of information the contact persons under Article 103, Paragraph 3 shall provide to the contact persons from the respective Member State the information necessary for the exercise of the supervisory functions of its competent authority. Contact persons under Article 103, Paragraph 3 may indicate at the time of communication that such information must not be disclosed to third parties without the express consent of the Commission.

(3) (Amended, SG No. 34/2015) The requirements that must be met upon filing a request for receipt of information under the terms of Paragraph 1 and for provision of information under the terms of Paragraph 2 are laid down in Regulation (EC) No. 1287/2006.

Article 108. (1) The contact persons under Article 103, Paragraph 3 may transmit to the Bulgarian National Bank under the terms and procedure set out in a joint instruction of the Commission and the Bulgarian National Bank the information received under Article 42, and Article 107, Paragraph 1, and the information received from the relevant competent authority of a third country.

(2) The contact persons referred to in Article 103, Paragraph 3 may not provide the information under Paragraph 1 to other authorities or natural and legal persons without the express agreement of the competent authorities which disclosed it and solely for the purposes for which they gave their agreement, except in duly justified circumstances. In this last case, the contact persons under Article 103, Paragraph 3 shall immediately inform the contact persons that sent the information.

(3) The Commission, the Deputy Chairperson, the Bulgarian National Bank as well as other authorities or natural and legal persons which have received information under the terms of Article 42 and Article 107, Paragraph 1 and information received from the relevant competent authority of a third country may use it only in the course of their duties, in particular:

1. to check that the conditions governing the granting of authorization for conduct of business in investment intermediary capacity are met and to facilitate supervision on a non-consolidated or consolidated basis, especially with regard to the capital adequacy requirements, administrative and accounting procedures and internal-control mechanisms;
2. to monitor the proper functioning of trading venues;

3. to impose enforcement administrative measures and administrative sanctions;
4. in administrative and court appeals against decisions by the Commission and the Deputy Chairperson as well as the decisions of the Bulgarian National Bank under Article 16, Paragraph 2 and Article 103, Paragraph 8 of the Credit Institutions Act;
5. in extra-judicial mechanisms for settlement of consumer disputes regarding investment services and activities provided to investment intermediaries.

Article 109. (1) (Supplemented, SG No. 21/2012) Notwithstanding the provisions of Articles 107 and 108 hereof and Articles 24 and 25 of the Financial Supervision Commission Act the Commission shall transmit to ESMA, the European Systemic Risk Board, the central banks, the European System of Central Banks and the European Central Bank, in their capacity as payment supervision authorities, and, where appropriate, to other public authorities responsible for overseeing payment and settlement systems, the information intended for the performance of their duties.

(2) The Commission may request from the authorities under Paragraph 1 to provide it with the information it may need for the purpose of performing its functions.

Article 110. (1) The Commission may refuse to act on a request for cooperation in carrying out on-the-spot verification or investigation under Article 103, Paragraph 2 and for provision of information under Article 107, Paragraph 2, Articles 108 and 109, where:

1. such on-the-spot verification or investigation or the provision of information might adversely affect the sovereignty, security or public policy of the Republic of Bulgaria;
2. judicial proceedings have been already initiated before the judicial authorities of the Republic of Bulgaria in respect of the same actions and the same persons whereof cooperation was requested;
3. final judgement has already been delivered in the Republic of Bulgaria in respect of the same actions and the same persons whereof cooperation was requested.

(2) (Amended, SG No. 21/2012) In the cases of paragraph 1 the Commission shall inform the requesting competent authority and ESMA and shall provide them with detailed information about the reasons for the refusal.

Article 111. (1) The Commission shall hold consultations with the relevant competent authority from another Member State prior to pronouncing on the application where the applicant is:

1. a subsidiary of an investment intermediary or credit institution authorized to conduct business by the competent authority of another Member State;
2. a subsidiary of a parent undertaking of another investment intermediary or credit institution authorized to conduct business by the competent authority of another Member State;
3. controlled by the same natural or legal persons as control the investment intermediary or credit institution authorized to conduct business by the competent authority of another Member State.

(2) The Commission shall consult the Bulgarian National Bank before pronouncing on the application, where the applicant is:

1. a subsidiary of a credit institution authorized to conduct business under the Credit Institutions Act;
2. a subsidiary of a parent undertaking of a credit institution authorized to conduct business under the Credit Institutions Act;
3. controlled by the same person, whether natural or legal, who controls a credit institution authorized to conduct business under the Credit Institutions Act.

(3) (Amended, SG No. 24/2009, effective 31.03.2009) The Commission shall also hold consultations with the relevant competent authorities under paragraphs 1 and 2 when assessing the reputation and experience of persons who will represent and manage the investment intermediary if they participate in the management of another person in the group.

(4) (New, SG No. 24/2009, effective 31.03.2009) The Deputy Chairperson shall hold preliminary consultations and shall cooperate with the relevant competent authority if the person under Article 26 and 26a is:

1. a credit institution, an insurer, a reinsurer, an investment intermediary, or a management company, licensed in another member country, or a credit institution, an insurer, or a reinsurer, licensed in the Republic of Bulgaria;
2. a parent company of a credit institution, an insurer, a reinsurer, an investment intermediary, or a management company, licensed in another member country, or a credit institution, an insurer, or a reinsurer, licensed in the Republic of Bulgaria;
3. a natural person or a legal entity, controlling a credit institution, an insurer, a reinsurer, an investment intermediary, or a management company, licensed in another member country, or a credit institution, an insurer, or a reinsurer, licensed in the Republic of Bulgaria.

(5) (Renumbered from Paragraph (4), SG No. 24/2009, effective 31.03.2009) The Commission shall consult the relevant competent authority of a Member State prior to granting authorization for conduct of business as investment intermediary to:

1. a subsidiary of an investment intermediary authorized to conduct business under this Act, or an insurance company authorized to conduct business under the Insurance Code;
2. a subsidiary of a parent undertaking of an investment intermediary authorized to conduct business under this Act, or an insurance company authorized to conduct business under the Insurance Code;
3. controlled by natural or legal persons, who controls an investment intermediary authorized to conduct business under this Act, or an insurance company authorized to conduct business under the Insurance Code.

(6) (Renumbered from Paragraph (5), amended, SG No. 24/2009, effective 31.03.2009) The Commission shall consult the relevant competent authority of a Member State when assessing the reputation and experience of persons who will represent and manage the investment intermediary if they participate in the management of an investment intermediary authorized to conduct business under this Act.

(7) (New, SG No. 24/2009, effective 31.03.2009) Upon acquisition of a qualified holding in an investment intermediary or in a credit institution, licensed in a Member State, the Deputy Chairperson shall submit in due course, upon request by the relevant competent authority, any information on an investment intermediary, who has obtained a licence to perform activity under this act, which is material or relevant for performing an evaluation of the person, acquiring a qualified holding. The Deputy Chairperson shall submit on her or his own initiative the material information for performing the evaluation to the relevant competent authority.

Article 112. (1) The Commission may, for statistical purposes, require all investment intermediaries from a Member State who conduct business on the territory of the Republic of Bulgaria through a branch, to submit periodically reports to it, the format and content of which shall be set out in an ordinance.

(2) In discharging its responsibilities the Commission shall require from the investment intermediaries of a Member State, which conduct business on the territory of the Republic of Bulgaria through a branch, to provide information necessary for exercising supervision over their obligations under Article 68, which shall not be stricter than the obligations set for investment intermediaries authorized to conduct business under this Act.

Article 113. (1) Where the Deputy Chairperson has clear and demonstrable grounds for believing that an investment intermediary from a Member State which conducts business through a branch or under the freedom to provide services on the territory of the Republic of Bulgaria is in breach of the obligations arising from the provisions of Directive 2004/39/EC of the European Parliament and of the Council which do not confer supervisory powers to the Commission or the Deputy Chairperson, as the case may be, the Deputy Chairperson shall notify the competent authority of the home Member State thereof.

(2) (Amended, SG No. 21/2012) If, despite the measures taken by the competent authority of the home Member State or because such measures prove inadequate, and the investment intermediary persists in acting in a manner that is clearly prejudicial to the interests of the investors or the orderly functioning of the capital markets on the territory of the Republic of Bulgaria, the Deputy Chairperson may:

1. after informing the competent authority of the home Member State, take all the appropriate measures needed in order to protect investors and the proper functioning of the capital markets, and, where necessary, prohibit the investment intermediary to conduct business on the territory of the Republic of Bulgaria; the Commission shall notify forthwith ESMA and the European Commission of such measures;

2. refer the matter to ESMA.

Article 114. (1) (Amended, SG No. 34/2015) Where the Deputy Chairperson establishes that an investment intermediary from a Member State which conducts business through a branch on the territory of the Republic of Bulgaria is in breach of the provisions of Article 24, paragraph 1, item 7, Article 24c, paragraph 1, Article 24d, Articles 27, 28, 30, 38, and Section III of Chapter Three herein, as well as the statutory instruments for their application, the Deputy Chairperson shall order it in writing to put an end and rectify the irregular situation and the adverse consequences therefrom.

(2) If the investment intermediary fails to fulfill the order under Paragraph 1, the Deputy Chairperson shall take all appropriate measures to ensure that the investment intermediary concerned puts an end to its irregular situation and shall notify the competent authority of the home Member State of the nature of such measures.

(3) (Amended, SG No. 21/2012) If, despite the measures taken under paragraph 2, the investment intermediary persists in breaching the provisions referred to in paragraph 1, the Commission or the Deputy Chairperson may:

1. after informing the competent authority of the home Member State, take appropriate measures to prevent or penalize the offender and, where necessary, to prohibit the investment intermediary to conduct business within the territory of the Republic of Bulgaria; the Commission shall notify forthwith ESMA and the European Commission of such measures;

2. refer the matter to ESMA.

Article 115. (1) Where the Deputy Chairperson has clear and demonstrable grounds for believing that a regulated market or a multilateral trading facility of a Member State infringes the provisions of Directive 2004/39/EC of the European Parliament and of the Council, the Deputy Chairperson shall notify the competent authority of the home Member State.

(2) (Amended, SG No. 21/2012) If, despite the measures taken by the competent authority of the home Member State or because such measures prove inadequate, and the regulated market or the multilateral trading facility persists in acting in a manner that is clearly prejudicial to the interests of the investors or the orderly functioning of the capital markets on the territory of the Republic of Bulgaria, the Deputy Chairperson may:

1. after informing the competent authority of the home Member State, take the appropriate measures needed in order to protect investors and the proper functioning of the capital markets, and, where necessary, prohibit the regulated market or the multilateral trading facility to conduct business on the territory of the Republic of Bulgaria; the Commission shall notify forthwith ESMA and the European Commission of such measures;

2. refer the matter to ESMA.

Article 116. The measures taken by the Commission or the Deputy Chairperson under Articles 113, 114 and 115, including sanctions or restrictions on the business of the investment intermediary or the regulated market, shall be properly justified and communicated to the investment intermediary or the regulated market, as the case may be.

Section IIa

(New, SG No. 34/2015)

Exchange of information with other competent authorities and the European Banking Authority in the exercise of supervision over compliance with the capital adequacy and liquidity requirements

Article 116a. (New, SG No. 34/2015, effective from the date on which the requirement for liquidity cover becomes applicable in accordance with the delegated act, which is to be adopted by the European Commission under Article 460 of Regulation (EU) No. 575/2013) (1) In the exercise of its supervisory powers over compliance with the capital adequacy and liquidity requirements the Commission shall cooperate with relevant competent authorities where an investment intermediary authorised in the Republic of Bulgaria carries on business through a branch in another Member State or where an investment intermediary from another Member State carries on business through a branch in the Republic of Bulgaria.

(2) When performing the cooperation under paragraph 1 the Commission shall exchange with the competent authorities information and documents:

1. about the management and ownership of the investment intermediaries, as may be necessary for the supervision or

verification of the conditions for their authorisation;

2. necessary for exercising supervision over investment intermediaries on a stand-alone basis and on a consolidated basis, including their liquidity, solvency, restrictions on large exposures, other factors that might affect the systemic risk arising from the investment intermediary business, administrative and accounting procedures and internal control mechanisms.

(3) At the request of a competent authority of a host Member State the Commission shall provide clarifications as to the manner of taking into consideration the information and findings provided under paragraph 2.

(4) In the cases where an investment intermediary authorised in another Member State carries on business in the Republic of Bulgaria through a branch the Commission may file a request to the competent authorities of the home Member State regarding the method of taking into account the information and findings provided thereby.

(5) Should the Commission consider that the information provided thereby under paragraph 2 has not resulted in the taking of appropriate measures, the Commission shall, after informing the competent authorities of the home Member State and EBA, take appropriate measures for preventing further breaches in order to safeguard the interests of the users of services or the stability of the financial system.

(6) When the Commission does not agree with the measures that the competent authority of the home Member State intends to take based on the information and clarifications provided by the Commission, it may refer the issue to EBA pursuant to Article 19 of Regulation (EC) No. 1093/2010.

Article 116b. (New, SG No. 34/2015, effective from the date on which the requirement for liquidity cover becomes applicable in accordance with the delegated act, which is to be adopted by the European Commission under Article 460 of Regulation (EU) No. 575/2013) (1) Where an investment intermediary authorised in the Republic of Bulgaria carries on business through a branch in one or more Member States, the Commission shall send without delay to the competent authorities of the host Member State the information and the findings, received in accordance with the liquidity supervision under Chapter Six of Regulation (EU) No. 575/2013 and the supervision on a consolidated basis, to the extent they are relevant to the protection of investor interests in the relevant host Member State.

(2) Where suspicions arise or where there are reasonable grounds to consider that liquidity difficulties may arise in respect of an investment intermediary authorised in the Republic of Bulgaria carrying on its business in one or more Member States through a branch, the Commission shall notify without delay the competent authorities of all host Member States thereof, including of the preparation and implementation of a recovery plan and the supervisory measures taken.

Article 116c. (New, SG No. 34/2015, effective from the date on which the requirement for liquidity cover becomes applicable in accordance with the delegated act, which is to be adopted by the European Commission under Article 460 of Regulation (EU) No. 575/2013) In the cases where a competent authority of a Member State has not submitted relevant information to the Commission or a request by the Commission for exchange of appropriate information is declined or is not fulfilled in a reasonable time limit, the Commission may refer the matter for consideration to EBA under Article 19 of Regulation (EU) No. 1093/2010.

Article 116d. (New, SG No. 34/2015) (1) In the cases where an investment intermediary authorised in another Member State carries on business in the Republic of Bulgaria through a branch, the competent authorities of the home Member State, subject to prior notification of the Commission, may themselves or by means of authorised persons therefor conduct on-site verification of the information under Article 116a, paragraph 2. The competent authorities of the home Member State may, for the purposes of on-site verification, refer to one or more of the verifications under Article 72n.

(2) The Commission may, having notified the competent authorities of the host Member State in advance, conduct on-site checks in a branch of an investment intermediary authorised in the Republic of Bulgaria and carrying on its business on the territory of the host Member State through a branch. In these cases the law of the respective Member State shall apply.

(3) The Commission may, for the purposes of on-site checks of a branch of an investment intermediary authorised in the Republic of Bulgaria, apply one or more of the verifications under Article 72n.

Article 116e. (New, SG No. 34/2015) (1) The Deputy Chairperson may make on-site check in a branch of an investment intermediary carrying on its activity in the territory of the Republic of Bulgaria and require information about the activity of the branch and for supervisory purposes where the information is relevant to the retention of the stability of the financial system in the Republic of Bulgaria.

(2) Before making the check, the Commission shall hold consultations with the competent authorities of the home Member State. After completing the check the Commission shall submit to the competent authorities of the home country the information received and the findings made, which are relevant to the risk assessment of the investment intermediary or to the stability of the financial system of the Republic of Bulgaria.

(3) In preparing the plan for the supervisory checks the Commission shall take into account the information and the findings received from the competent authority of the host Member State as a result of the on-site checks in a branch of an investment intermediary authorised in the Republic of Bulgaria, including in regard to the stability of the financial system of the Republic of Bulgaria.

Section III

Provision of information to the European Commission

Article 117. (1) (Supplemented, SG No. 21/2012) The Commission shall notify the European Commission and ESMA of significant difficulties faced by investment intermediaries for which the Republic of Bulgaria is a home Member State upon their ascertainment or when providing the services and activities under Article 5, paragraphs 2 and 3 in a third country.

(2) On request from the European Commission the Commission shall restrict or suspend for a period of three months granting of authorizations for conduct of business on the territory of the Republic of Bulgaria by an investment intermediary from a third country, as well as proceedings relating to acquisition of a holding by a parent undertaking which is regulated by the law of that third country. By a decision of the Council of the European Union that time limit may be extended.

(3) Paragraph 2 shall not apply in respect of a subsidiary of an investment intermediary authorized to conduct business within the European Union or a subsidiary of such subsidiary.

(4) On request from the European Commission in the cases where a third country does not allow investment intermediaries of a Member State to conduct business under market conditions equivalent to those afforded by the Community law to the investment intermediaries of the said third country or where the third country does not afford national treatment regime for the conduct of business on its territory by investment intermediaries from a Member State, the Commission shall notify the European Commission of any submitted:

1. application for granting of authorization to an investment intermediary who acts, directly or indirectly, as a subsidiary of a parent undertaking, which is regulated by the law of that third country;

2. the notification from a parent undertaking which is governed by the law of that third country and intends to acquire a holding in an investment intermediary for which the Republic of Bulgaria is a home Member State as a result of which the investment intermediary becomes a subsidiary of that parent undertaking.

(5) The notification under Paragraph 4 shall be discontinued upon reaching an agreement between the European Union and the third country on provision by the third country of conditions for conduct of business by investment intermediaries from the European Community equivalent to the conditions afforded by Community law to investment intermediaries from said third country on provision of national treatment regime, or after expiry of the time limit under Paragraph 2.

Section IV

(New, SG No. 34/2015)

Disclosure of information by the Commission in regard to capital adequacy and liquidity requirements

Article 117a. (New, SG No. 34/2015) (1) The Commission shall disclose the following information:

1. the provisions of the laws, by-laws, administrative rules and general guidelines adopted in the Republic of Bulgaria in the field of prudential regulation of investment intermediaries;

2. the method of application of the right of choice and the right of judgement, granted by the European Union law, and applicable to investment intermediaries;

3. the general criteria and methods used by the Commission in the review and evaluation in regard to the capital adequacy and

liquidity requirements;

4. summarised statistics on key aspects of the application of the prudential framework of investment intermediaries in the Republic of Bulgaria and the number and type of supervisory measures taken in respect of the application of the capital adequacy and liquidity requirements, and the administrative penalties imposed;

(2) The information under paragraph 1 shall be disclosed in a manner that allows comparison of the approaches adopted by the Commission and the other competent authorities of the Member States. The information shall be updated and disclosed in a manner and format reconciled with EBA.

Article 117b. (New, SG No. 34/2015) (1) For the purposes of Part Five of Regulation (EU) No. 575/2013 the Commission shall publish the following information:

1. the adopted general criteria and methods for review of the compliance with Articles 405 - 409 of Regulation (EU) No. 575/2013;

2. summary description of the results of the supervisory review and description of the measures enforced in case of non-compliance with Articles 405 - 409 of Regulation (EU) No. 575/2013, established on an annual basis.

(2) In case the Commission waives an investment intermediary from applying Article 6, paragraph 1 of Regulation (EU) No. 575/2013 in accordance with Article 7, paragraph 3 of Regulation (EU) No. 575/2013, the Commission shall publish the following information:

1. the criteria applied by the Commission in determining that there are no or there will be no practical or legal substantial impediments to the fast transfer of own funds or for the repayment of obligations;

2. the number of intermediaries enjoying the waiver under Article 7, paragraph 3 of Regulation (EU) No. 575/2013 and the number of those having subsidiaries in a third country;

3. summarised information about:

a) the amount of own funds on a consolidated basis of the investment intermediary enjoying the waiver under Article 7, paragraph 3 of Regulation (EU) No. 575/2013, held in two subsidiaries in a third country;

b) the percentage of the total own funds on a consolidated basis of the investment intermediaries enjoying the waiver under Article 7, paragraph 3 of Regulation (EU) No. 575/2013, being the own funds held in two subsidiaries in a third country;

c) the percentage of the total own funds required under Article 92 of Regulation (EU) No. 575/2013 on a consolidated basis from parent investment intermediaries enjoying the waiver under Article 6, paragraph 1 of Regulation (EU) No. 575/2013 in accordance with Article 7, paragraph 3 of Regulation (EU) No. 575/2013, being the own funds held in two subsidiaries in a third country.

(3) If the Commission waives an investment intermediary from the application of Article 6, paragraph 1 of Regulation (EU) No. 575/2013 in accordance with Article 9, paragraph 1 of Regulation (EU) No. 575/2013, it shall publish:

1. the criteria applied by the Commission in determining that there are no or there will be no practical or legal substantial impediments to the fast transfer of own funds or for the repayment of obligations;

2. the number of investment intermediaries enjoying the waiver from the application of Article 6, paragraph 1 of Regulation (EU) No. 575/2013 in accordance with Article 9, paragraph 1 of Regulation (EU) No. 575/2013, and the number of parent investment intermediaries which have subsidiaries in a third country;

3. summarised information about:

a) the amount of own funds of the investment intermediary enjoying the waiver under Article 6, paragraph 1 of Regulation (EU) No. 575/2013 in accordance with Article 9, paragraph 1 of Regulation (EU) No. 575/2013, held in subsidiaries in a third country;

b) the percentage of the total own funds of the investment intermediaries enjoying the waiver under Article 6, paragraph 1 of Regulation (EU) No. 575/2013 in accordance with Article 9, paragraph 1 of Regulation (EU) No. 575/2013, being the own funds held in subsidiaries in a third country;

c) the percentage of the minimum capital requirements under Article 92 of Regulation (EU) No. 575/2013 for investment intermediaries enjoying the waiver under Article 6, paragraph 1 of Regulation (EU) No. 575/2013 in accordance with Article 9, paragraph 1 of Regulation (EU) No. 575/2013, being the own funds held in subsidiaries in a third country.

PART FOUR

ENFORCEMENT ADMINISTRATIVE MEASURES AND ADMINISTRATIVE PENALTY LIABILITY

Chapter Seven

ENFORCEMENT ADMINISTRATIVE MEASURES

Article 118. (Supplemented, SG No. 22/2014, effective 11.03.2014, amended, SG No. 34/2015) (1) Should the Commission or the Deputy Chairperson establish that an investment intermediary or a regulated market, its employees, a member of a management or supervisory body, persons who perform managerial functions under contract or who conclude transactions for the account of the investment intermediary, as well as any persons with a qualifying holding have engaged or are engaging in any activity in violation of this Act, of Regulation (EU) No. 575/2013, of the statutory instruments for their application, of the rules or any other internal instruments of regulated financial instruments markets as approved by the Deputy Chairperson, of any decisions of the Commission or of the Deputy Chairperson, as well as where the exercise of control activity by the Commission or by the Deputy Chairperson is obstructed, or should the interests of investors be jeopardized, the Commission or the Deputy Chairperson, as the case may be, may:

1. oblige any such persons to take specific action as may be necessary for prevention and rectification of the violations, of the prejudicial consequences of the said violations or of the jeopardy to the interests of investors within a time limit as the Commission shall set;
2. convene a general meeting with a set agenda and/or schedule a meeting of the management or supervisory bodies of the persons subject to control thereby for making decisions on the measures which must be taken;
3. inform the public of any activities jeopardizing the interests of investors;
4. discontinue trade in particular financial instruments;
5. order in writing a supervised person to remove one or more persons authorized to manage and represent the said person, and divest any such person or persons of the managerial and representative powers held thereby until removal;
6. appoint conservators in the cases prescribed by this Act;
7. appoint a registered auditor to conduct a financial or other examination of the supervised person according to requirements as established by the Deputy Chairperson;
8. require distraint on property;
9. remove financial instruments from trading on a regulated market or from another trading system.
10. impose temporary ban on the execution of the functions of a member of a management or supervisory body or of another person authorised to manage and represent the investment intermediary;
11. oblige the investment intermediary to hold own funds exceeding the requirements set out in the ordinance under Article 8a, paragraph 3 and in Regulation (EU) No. 575/2013 in connection with the risks or elements thereof, which do not fall within the scope of Article 1 of said Regulation;
12. oblige the investment intermediary to modify its internal rules and procedures;
13. oblige the investment intermediary to submit a plan for bringing the activity in compliance with the legal requirements, including a deadline for its implementation, which shall be implemented by the investment intermediary subject to approval thereof by the Deputy Chairperson;
14. oblige the investment intermediary to apply special policies for provisioning or treatment of assets through the capital

requirements;

15. restrict the activity of the investment intermediary, prohibiting it to carry on specific transactions, services, activities and/or operations;

16. prohibit the pursuit of activity of an investment intermediary through a branch or through free provision of services and oblige the investment intermediary to submit to the Commission a plan for settling relations with its clients and pieces of evidence of the settled relations;

17. order the investment intermediary to take actions for reducing the risk inherent to its activity, to the products and systems of the investment intermediary;

18. order restriction of the operating costs of the investment intermediary, including variable remunerations as a per cent of the total net income, where this is inconsistent with the maintenance of sufficient own funds, and/or prohibit payment thereof;

19. order the investment intermediary to use its net profit to increase its own funds or prohibit it:

a) to pay dividends or distribute capital in any other form, or

b) to pay interest to the shareholders or holders of instruments of the supplementary tier-one capital, and compliance with such prohibition shall not constitute default by the investment intermediary on the instruments;

20. to require from the investment intermediary additional or more frequent submission of information, including about the capital adequacy and liquidity;

21. to apply the special liquidity requirements in respect of the investment intermediary, including restrictions on maturity mismatches between assets and liabilities;

22. to require public disclosure of additional information from the investment intermediary.

(2) Where it is established that an investment intermediary effects transactions or operations in violation of the Measures against Money Laundering Act and the implementing acts thereof, the Commission or the Deputy Chairperson, as the case may be, may impose a measure under paragraph 1. The Commission or the Deputy Chairperson, as the case may be, shall notify the State Agency for National Security of the institution of the proceedings for enforcement administrative measure.

(3) The Deputy Chairperson shall apply additional capital requirement under paragraph 1, item 11, if:

1. the investment intermediary does not meet the requirements of Article 8a, paragraph 1, Article 24, paragraph 1, item 11, and paragraph 4, and Article 25a herein or Article 393 of Regulation (EU) No. 575/2013;

2. the risks or elements thereof are not covered by the own funds requirements hereunder, the statutory instruments for its application or Regulation (EU) No. 575/2013;

3. as a result of the individual application of other measures it is not likely that the investment intermediary will improve its rules, procedures, mechanisms and strategies within the prescribed time limit for the purposes of implementation of such measures;

4. the supervisory review reveals that non-compliance with the requirements for application of the relevant approach is likely to result in non-compliance with the applicable own funds requirements under this Act, Regulation (EU) No. 575/2013 and the statutory instruments for application thereof;

5. based on the evidence gathered it can be reasonably assumed that an investment intermediary underestimates the risks, notwithstanding its compliance with the applicable requirements of this Act, Regulation (EU) No. 575/2013 and the statutory instruments for application thereof;

6. the investment intermediary has notified the Commission that the results of the stress test under Article 377, paragraph 5 of Regulation (EU) No. 575/2013 exceed considerably the capital requirement for its correlation trading portfolio.

(4) The additional capital requirement under paragraph 1, item 11 shall be determined on the basis of the conducted supervisory review and evaluation, taking into account the following:

1. the quantitative and qualitative aspects of the evaluation process, applied by the investment intermediary;

2. the rules, procedures and mechanisms under Article 24, applied by the investment intermediary;
3. the results of the review and evaluation made in relation to the capital adequacy and liquidity requirements;
4. the evaluation of the systemic risk.

(5) In the cases under paragraph 1, item 16, where a permanent prohibition for the pursuit of activity by a branch of an investment intermediary is imposed, the relevant authority of the investment intermediary shall take a decision on termination of the activity of the branch, on settling of relations with clients and on its deletion from the relevant commercial register.

(6) The Commission or the Deputy Chairperson, as the case may be, may furthermore apply the measures under paragraph 1 when based on the evidence gathered it can be reasonably assumed that the investment intermediary, in the next 12 months, will violate the provisions of this Act, Regulation (EU) No. 575/2013 or the statutory instruments for application thereof.

(7) When the Commission establishes that investment intermediaries with similar risk profile are or may be exposed to similar risks, or pose similar risks for the financial system, the Commission or the Deputy Chairperson, as the case may be, may perform in respect of them the supervisory review and supervisory evaluation and may apply suitable supervisory measures in a similar or identical way. In these cases the Commission shall notify EBA.

(8) In the cases under paragraphs 1 and 2 the Deputy Chairperson may order publication of information about the natural person through whose action or inaction the violation has been committed, the investment intermediary which has committed the violation and the type of the violation.

(9) Upon request from the Commission, respectively the Deputy Chairperson, the Registry Agency shall enter the circumstances, respectively disclose the acts pursuant to paragraphs 1- 8 in the commercial register.

(10) With a view to preventing and terminating a violation of Regulation (EU) No. 1031/2010 by the persons who were granted an authorisation pursuant to Article 7, paragraph 3, as well as in cases where the controlling functions of the Commission or of the Deputy Chairperson are hindered, the Commission, respectively the Deputy Chairperson, shall take the steps referred to in paragraphs 1 and 9.

(11) The Commission or the Deputy Chairperson, as the case may be, may take the actions under paragraphs 1, 6, 7, 8, 9 and 10 in case of violation of the provisions of the implementing acts of Regulation (EU) No. 575/2013 and of Directive 2013/36/EU.

(12) The provisions of this Article shall furthermore apply to financial holding companies and mixed financial holding companies in respect whereof the Commission exercises supervision in accordance with the applicable law.

Article 118a. (New, SG No. 34/2015) (1) Should the Deputy Chairperson establish that any bank carries on the business thereof in violation of this Act or of the statutory instruments for the application thereof, the Deputy Chairperson may apply the measures under Article 118, paragraph 1, item 1 and recommend to the Bulgarian National Bank to apply the measures under Article 103, paragraph 2 of the Credit Institutions Act. The Bulgarian National Bank shall notify the Deputy Chairperson of its decision within one month from receipt of the recommendation from the Deputy Chairperson.

(2) The Deputy Chairperson may recommend that the Bulgarian National Bank withdraw the authorisation of a bank solely if the person concerned systematically violates the provisions of this Act or of the statutory instruments for the application thereof.

Article 119. (1) (Amended, SG No. 34/2015) The proceedings for application of the enforcement administrative measures shall be instituted by the Deputy Chairperson, and in the cases of Article 118, paragraph 1, items 5, 6, 10, 15 and 16, by the Commission.

(2) (Amended, SG No. 42/2016) Notifications and announcements in the proceedings under Paragraph 1 shall be carried out in accordance with Article 61, Paragraph 2 of the Administrative Procedure Code.

(3) (Amended, SG No. 42/2016) If the notifications and announcements in the proceedings under Paragraph 1 are not accepted under the procedure of Paragraph 2, such notifications and announcements shall be deemed delivered upon placement thereof at a specifically designated place in the building of the Commission or by publishing them on the website of the Commission. The latter two circumstances shall be ascertained by a protocol drawn up by officials designated by an order of the Deputy Chairperson, and in the cases of Article 118, Paragraph 1, Items 5, 6, 10, 15 and 16, designated by an order of the Chairperson of the Commission.

(4) (Amended, SG No. 34/2015, SG No. 42/2016) The enforcement administrative measures referred to in Article 118, Paragraph 1, items 1 - 4, 7 - 9, 11 - 14, 17 - 22 and under Article 118a, Paragraph 1 shall be applied by a reasoned decision in writing of the Deputy Chairperson, and the enforcement administrative measures referred to in Article 118, Paragraph 1, items 5, 6, 10, 15 and 16, by a written reasoned decision of the Commission, which shall be announced to the party concerned within 7 days from taking the decision under Paragraphs 2 and 3.

Article 120. Any decision on application of an enforcement administrative measure shall be subject to immediate execution, regardless of whether appealed against.

Article 121. Save insofar as any special rules are provided for in this Chapter, the provisions of the Administrative Procedure Code shall apply accordingly.

Chapter Eight

CONSERVATOR

Article 122. (1) The Commission may appoint one or several conservators:

1. of a regulated market in the case referred to in Article 84, Paragraph 2;

2. (supplemented, SG No. 62/2015, effective 14.08.2015) the investment intermediary in the cases where the investment firm does not fall within the scope of Article 1 (1) item 2 of the Recovery and Resolution of Credit Institutions and Investment Firms Act or the conditions for the appointment of a special manager under Article 46 of the same Act are not in place:

(a) (amended, SG No. 34/2015) by making a decision to impose a measure provided for in Article 118, paragraph 1, items 1, 5, 10, 13, 15 or 16 herein for a period not exceeding three months, or

(b) (amended, SG No. 34/2015) upon withdrawal of an authorisation for pursuit of business - until appointment at the request of the Commission of a liquidator by the Registry Agency or an assignee in bankruptcy by the court, as the case may be.

(2) Unless the authorization for conduct of business of the company be withdrawn upon the lapse of the three-month period referred to in Paragraph 1, item 2 "a", the powers of the conservator shall be terminated and the rights of the bodies of the company shall be restored.

(3) The Commission may at any time terminate the powers of any conservator and appoint a replacement. Any such act shall be unappealable.

Article 123. (1) Only a natural person may serve as a conservator.

(2) Any conservator must meet the requirements covered under Article 11, Paragraph 2, items 1 - 4, 6 - 10 and the following shall be ineligible for the office of conservator:

1. is the spouse of any member of a management body of any person referred to in Article 122, Paragraph 1 herein, or any lineal or collateral relative thereof up to the sixth degree of consanguinity, or any relative thereof by marriage up to the third degree of affinity, should the powers of the said member have been terminated by the act of appointment of the conservator;

2. any person in a relationship with any person referred to in Article 122, Paragraph 1 herein or with any debtor of any such person which raises a reasonable doubt about the impartiality of the said person.

(3) Any conservator shall declare in writing to the Commission the circumstances covered under Paragraph 2. Any conservator shall be obliged to notify the Commission forthwith of any change in any such circumstances.

(4) (New, SG No. 109/2013, effective 20.12.2013) The restriction under paragraph 2 in connection with Article 11, paragraph 2, item 3 shall not apply to:

1. a member of the management or supervisory body of a bank in which the Bulgarian National Bank has acquired after 1 October 1995 over 50 per cent of the voting shares, if the person is elected by the competent body after the acquisition by the Bulgarian National Bank of equity participation in the said amount, has not held previous membership of its management or supervisory body and has been released from liability by the general meeting of shareholders of the bank;

2. a member of the management or supervisory body in which the Bank Consolidation Company AD Bank has held over 50 per cent of the voting shares, if the person is elected after 1 January 1994 on a proposal by the Bank Consolidation Company AD, has not held previous membership of the bank's management or supervisory body and has been released from liability by the general meeting of shareholders of the bank.

Article 124. (1) Upon issuing an act of appointment of a conservator, the Commission shall serve the said act forthwith on the person referred to in Article 122, Paragraph 1 herein and shall cause a notice to be inserted in at least one national daily newspaper.

(2) Upon appointment of a conservator, all powers vesting in the supervisory board and the management board or in the board of directors, as the case may be, of the person referred to in Article 122, Paragraph 1 herein shall be suspended and shall be exercised by the said conservator, save in so far as the act of appointment thereof does not provide for any limitations. The conservator shall take all the necessary measures for protection of the interests of investors.

(3) (Supplemented, SG No. 109/2013, effective 20.12.2013) After the appointment of a conservator, the general meeting of shareholders may be convened solely by the conservator and may pass resolutions on an agenda announced thereby. The conservator may suspend the execution of decisions made by the general meeting or by the management bodies of the investment intermediary, including decisions on distribution of dividends or other form of capital and remunerations.

(5) Should two or more conservators be appointed, they shall make decisions unanimously and shall exercise the powers thereof jointly, unless the Commission determines otherwise.

(6) The Commission may issue mandatory directions to the conservators in connection with the operation thereof.

(7) Any conservator shall be accountable for the operation thereof solely to the Commission and, upon request, shall forthwith submit thereto a report on the performance thereof.

Article 125. (1) The conservator shall have unlimited access to, and control over, the premises of the person referred to in Article 122, Paragraph 1 herein, the accounting records and other documents, and the property thereof.

(2) At the conservator's request, the prosecuting magistracy and the authorities of the Ministry of the Interior shall be obliged to render assistance for the exercise of the conservator's powers covered under Paragraph 1.

Article 126. (1) Any conservator shall exercise the powers thereof with the care of sound stewardship. Any conservator shall be liable solely for any detriment inflicted wilfully or by gross negligence.

(2) All employees of the person referred to in Article 122, Paragraph 1 herein shall be obliged to cooperate with the conservator in the exercise of the powers thereof.

(3) Any conservator shall receive for the service thereof a remuneration for the account of the person referred to in Article 122, Paragraph 1 herein, to an amount fixed by the Commission.

Chapter Nine

ADMINISTRATIVE PENALTY LIABILITY AND PECUNIARY PENALTIES

Article 127. (1) Any person, who shall commit or who shall suffer another to commit a violation of:

1. (Amended, SG No. 34/2015) Article 24d, Paragraph 2, Article 28, Paragraphs 1 - 5, Article 33, Paragraphs 1 and 5, Article 34, Paragraph 4, Article 36, Paragraphs 2 - 4, Article 37, Paragraphs 2, 3, 6 and 8, Article 39, Paragraph 2, Article 44, Paragraphs 1 - 3, Article 45, Paragraphs 2, 3 and 4, Article 85, Paragraph 5 herein or of the statutory instruments for application of this Act, shall be liable to a fine of BGN 500 or exceeding this amount but not exceeding BGN 2,000;

2. (Amended, SG No. 24/2009, effective 31.03.2009, amended and supplemented, SG No. 34/2015) Article 7, paragraph 2, Article 18, paragraph 1, Article 23, paragraph 3, Article 24c, paragraph 1, Article 25, paragraph 6, Article 25a, Article 26, Article 26a, Article 30, paragraphs 2, 3, 4, 6 and 7, Article 35, paragraph 3, Article 38, paragraphs 1, 4, 5 and 6, Article 38a, Article 39, paragraph 1, Article 42, paragraphs 1 and 2, Article 46, paragraph 1, Article 47, paragraphs 1 and 2, Article 48, paragraph 2, Article 51, paragraphs 1, 2 and 3, Article 52, Article 53, paragraphs 1 and 3, Article 54, paragraphs 1 and 2, Article 55, paragraph 1, Article 57, paragraph 2, Article 69, paragraphs 4 and 5, Article 83, paragraph 2, Article 85,

paragraphs 6 and 7, Article 86, paragraph 3 in connection with Article 35, paragraph 3, Article 89, paragraph 2 and Article 91, paragraph 2, sentence one, shall be liable to a fine of BGN 1,000 or exceeding this amount but not exceeding BGN 3,000;

3. (Amended and supplemented, SG No. 34/2015, amended, SG No. 42/2016) Article 7, paragraph 1, Article 10, paragraphs 1 and 2, Article 11, paragraph 7, Article 11a, Article 22, paragraphs 1 and 4, Article 24, paragraphs 1, 2 and 5, Article 24a, and Article 24b, Article 27, paragraphs 2, 3 and 4, Article 29, Article 30, paragraph 5, Article 32, paragraph 6, Article 34, Paragraphs 1, 2, 3, 5 and 8, Article 35, paragraphs 1 and 5, Article 40, paragraphs 1 and 2, Article 60, paragraphs 1, 5 and 6, Article 61, paragraphs 1, 4 and 5, Article 86, paragraph 3 in connection with Article 35, paragraphs 1 and 5, Article 90, paragraph 2, Article 94, paragraph 3, Article 97, paragraph 3, Article 98, paragraph 1, Article 99, paragraph 1, shall be liable to a fine of BGN 2,000 or exceeding this amount but not exceeding BGN 5,000;

4. (Amended, SG No. 24/2009, effective 31.03.2009, SG No. 34/2015) Article 21, paragraphs 1 and 2, Article 22, paragraph 2, Article 25, paragraph 1, Article 26d, paragraph 6, Article 30, paragraph 1, Article 33, Paragraph 2 and 6, Article 75, Paragraph 3, Article 85, Paragraph 1, Article 88, Paragraphs 2 and 3, Article 100, Paragraph 2 and Article 101, Paragraph 2, shall be liable to a fine of BGN 5,000 or exceeding this amount but not exceeding BGN 10,000;

5. (New, SG No. 103/2012) Article 6, paragraph 1 of Regulation (EU) No. 236/2012 of the European Parliament and of the Council of 14 March 2012 on short selling and certain aspects of credit default swaps (OJ, L 86/1 of 24 March 2012), hereinafter referred to as "Regulation (EU) No. 236/2012", shall be liable to a fine of BGN 2,000 or exceeding this amount but not exceeding BGN 10,000;

6. (New, SG No. 103/2012, supplemented, SG No. 109/2013, effective 20.12.2013) Article 5, Paragraph 1, Article 7, Paragraph 1, Article 8, Article 9 and Article 15 of Regulation (EU) No. 236/2012 and title two of Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (OJ, L 201/1 of 27 July 2012), shall be liable to a fine of BGN 5,000 or exceeding this amount but not exceeding BGN 20,000;

7. (New, SG No. 103/2012) Article 12, Paragraph 1 of Regulation (EU) No. 236/2012, shall be liable to a fine of BGN 5,000 or exceeding this amount but not exceeding BGN 50,000;

8. (New, SG No. 34/2015) Article 28, Article 99, Paragraph 1, Articles 101, 394, 395, 405, 412, 415, 430, 431 and 451 of Regulation (EU) No. 575/2013 and its implementing acts, shall be liable to a fine of BGN 1,000 or exceeding this amount but not exceeding BGN 5,000,000.

(2) In the event of a repeated violation covered under Paragraph 1, the offender will be liable to a fine in an amount as follows:

1. for any violations covered under Paragraph 1, item 1: BGN 1,000 or exceeding this amount but not exceeding BGN 4,000;
2. for any violations covered under Paragraph 1, item 2: BGN 2,000 or exceeding this amount but not exceeding BGN 6,000;
3. for any violations covered under Paragraph 1, item 3: BGN 5,000 or exceeding this amount but not exceeding BGN 10,000;
4. for any violations covered under Paragraph 1, item 4: BGN 10,000 or exceeding this amount but not exceeding BGN 20,000;
5. (new, SG No. 103/2012) for any violations covered under paragraph 1, item 5: BGN 5,000 or exceeding this amount but not exceeding BGN 20,000;
6. (new, SG No. 103/2012) for any violations covered under paragraph 1, item 6: BGN 10,000 or exceeding this amount but not exceeding BGN 40,000;
7. (new, SG No. 103/2012) for any violations covered under paragraph 1, item 7: BGN 10,000 or exceeding this amount but not exceeding BGN 100,000;
8. (new, SG No. 34/2015) for any violations covered under paragraph 1, item 8: BGN 2,000 or exceeding this amount but not exceeding BGN 10,000,000.

(3) Any person, who effects or who suffers another to provide investment services as a regular occupation or business on a professional basis without having obtained authorization under the terms and according to the procedure established by this

Act, shall be liable to a fine of BGN 5,000 or exceeding this amount but not exceeding BGN 50,000, unless the act shall constitute a criminal offence.

(4) Any person, who shall commit or who shall suffer another to commit a violation of Article 6, Paragraph 1, Article 23, Paragraph 1, Article 35, Paragraphs 2 and 4, Article 86, Paragraph 3 in connection with Article 35, Paragraphs 2 and 4 will be liable to a fine of BGN 20,000 or exceeding this amount but not exceeding BGN 50,000, unless the act shall constitute a criminal offence.

(5) (Amended, SG No. 103/2012) In the event of non-compliance with an enforcement administrative measure applied under:

1. (Supplemented, SG No. 34/2015) Article 118, paragraph 1, items 1 – 9 the offenders and the sufferers will be liable to a fine of BGN 5,000 or exceeding this amount but not exceeding BGN 20,000;

2. (New, SG No. 34/2015) Article 118, paragraph 1, items 10 – 22 – offenders and persons causing other persons to commit offences will be liable to a fine of BGN 2,000 or exceeding this amount but not exceeding BGN 10,000,000;

3. (Renumbered from Item 2, SG No. 34/2015) Article 18, Article 19, Article 20 and Article 23 of Regulation (EU) No. 236/2012 the offenders and the sufferers will be liable to a fine of BGN 10,000 or exceeding this amount but not exceeding BGN 100,000.

(6) The abettors, aiders and harbourers shall likewise be penalized in the cases referred to in Paragraphs 3 and 5, with due consideration for the nature and degree of the participation thereof.

(7) For any violation covered under Paragraphs 1 - 5, any legal person or sole trader shall be liable to a pecuniary penalty in amounts as follows:

1. for any violations covered under Paragraph 1, item 1: BGN 1,000 or exceeding this amount but not exceeding BGN 2,000 and, for a repeated violation, BGN 2,000 or exceeding this amount but not exceeding BGN 6,000;

2. for any violations covered under Paragraph 1, item 2: BGN 2,000 or exceeding this amount but not exceeding BGN 6,000 and, for a repeated violation, BGN 5,000 or exceeding this amount but not exceeding BGN 10,000;

3. for any violations covered under Paragraph 1, item 3: BGN 5,000 or exceeding this amount but not exceeding BGN 10,000 and, for a repeated violation, BGN 10,000 or exceeding this amount but not exceeding BGN 20,000;

4. for any violations covered under Paragraph 1, item 4: BGN 10,000 or exceeding this amount but not exceeding BGN 20,000 and, for a repeated violation, BGN 20,000 or exceeding this amount but not exceeding BGN 50,000;

5. (new, SG No. 103/2012) for any violations covered under paragraph 1, item 5: BGN 5,000 or exceeding this amount but not exceeding BGN 20,000 and, for a repeated violation, BGN 10,000 or exceeding this amount but not exceeding BGN 40,000;

6. (new, SG No. 103/2012) for any violations covered under paragraph 1, item 6: BGN 10,000 or exceeding this amount but not exceeding BGN 40,000 and, for a repeated violation, BGN 20,000 or exceeding this amount but not exceeding BGN 80,000;

7. (new, SG No. 103/2012) for any violations covered under paragraph 1, item 7: BGN 10,000 or exceeding this amount but not exceeding BGN 100,000 and, for a repeated violation, BGN 20,000 or exceeding this amount but not exceeding BGN 200,000;

8. (new, SG No. 34/2015) for violations under paragraph 1, item 8 - from BGN 5,000 to 5 per cent of the total annual net operating income, taking into account in the calculation the gross income from interest and other similar payments, the earnings per share, and other variable and fixed payments on securities, as well as commissions under Article 316 of Regulation (EU) No. 575/2013 for the previous financial year, but not less than BGN 5,000; in case of a repeated violation: from BGN 10,000 to 10 per cent of the value of the total net operating income according to sentence one, but not less than BGN 10,000; where the person is a subsidiary, the respective gross income is the gross income from the consolidated report of the ultimate parent undertaking for the previous year;

9. (renumbered from Item 5, SG No. 103/2012, renumbered from Item 8, SG No. 34/2015) for any violations covered under paragraphs 3 and 4: BGN 50,000 or exceeding this amount but not exceeding BGN 100,000 and, for a repeated violation,

BGN 100,000 or exceeding this amount but not exceeding BGN 200,000;

10. (renumbered from Item 6, amended, SG No. 103/2012, renumbered from Item 9, amended, SG No. 34/2015) for any violations covered under paragraph 5, item 1: BGN 10,000 or exceeding this amount but not exceeding BGN 50,000, and for any violations covered under paragraph 5, item 3: BGN 20,000 or exceeding this amount but not exceeding BGN 200,000;

11. (new, SG No. 34/2015) for violations under paragraph 5, item 2 - from BGN 5,000 to 5 per cent of the total annual net operating income, taking into account in the calculation the gross income from interest and other similar payments, the earnings per share, and other variable and fixed payments on securities, as well as commissions under Article 316 of Regulation (EU) No. 575/2013 for the previous financial year, but not less than BGN 5,000; in case of a repeated violation - from BGN 10,000 to 10 per cent of the value of the total net operating income according to sentence one, but not less than BGN 10,000; where the person is a subsidiary, the respective gross income is the gross income from the consolidated report of the ultimate parent undertaking for the previous year.

(8) The proceeds from any wrongfully performed activities shall be confiscated to the extent to which the said proceeds cannot be restituted to the person aggrieved.

(9) (New, SG No. 34/2015) Where the value of the acquired income or the value of prevented losses as a result of the violation under paragraph 1, item 8 may be determined, the natural person shall be liable to a fine in the said amount but not less than BGN 1,000, and in case of repeated violation, to not less than BGN 2,000, and the legal entity shall be liable to a financial fine being in the double but not less than BGN 5,000 and in case of repeated violation, not less than BGN 10,000.

Article 127a. (New, SG No. 22/2014, effective 11.03.2014) (1) A representative, employee or member of the managing bodies of an entity which was granted an authorisation pursuant to Article 7, Paragraph 3, who infringes or allows another to infringe Article 13(3) of Regulation (EU) No 1031/2010, shall be sanctioned with a fine between BGN 1,000 and BGN 10,000, or between BGN 2,000 and BGN 20,000 in case of a repeated violation.

(2) In the cases under Paragraph 1 the legal persons referred to in Paragraph 1 shall be sanctioned by a pecuniary penalty amounting between BGN 10,000 and BGN 100,000; in case of a repeated violation the penalty will be in an amount between BGN 20,000 and BGN 200,000.

Article 128. (1) (Supplemented, SG No. 22/2014, effective 11.03.2014) The written statements on any violations covered under Article 127 and 127a herein as ascertained shall be drawn up by officers authorized by the Deputy Chairperson, and the penalty decrees shall be issued by the Deputy Chairperson.

(2) The ascertainment of violations, the issue, appeal against and execution of penalty decrees shall follow the procedure established by the Administrative Violations and Sanctions Act.

Article 128a. (New, SG No. 42/2016) A person who within a month from entry into force of a penalty decree fails to pay the financial sanction imposed thereon, shall be charged interest in the amount of the legal interest for the period from the date following the day of expiry of the one-month time limit until the date of the payment.

Article 129. (Supplemented, SG No. 21/2012, amended, SG No. 34/2015) (1) The Commission shall disclose on its website any effective penal decree imposing penalty for violation of the provisions herein, Regulation (EU) No. 575/2013 and their implementing acts, including the type and nature of the violation, the identity of the natural person or particulars about the legal entity on whom the penalty is imposed.

(2) The Commission shall publish the information under paragraph 1 without disclosing the identity /individualising particulars about offenders where:

1. the violation is imposed on a natural person and the publication of personal data about the person may cause disproportionate harm to the violation committed;

2. publication of the information would threaten the stability of financial markets or criminal proceedings have been instituted;

3. publication of the information may cause harm to the investment intermediary or the natural person which is disproportionate to the violation committed.

(3) Where the circumstances under paragraph 2 may be eliminated shortly after the imposition of the penalty, the publication may be postponed until such time limit.

- (4) The Commission shall create conditions for the information under paragraphs 1 - 3 to remain available on its website for a period of no less than 5 years, subject to compliance with the Personal Data Protection Act.
- (5) When the Commission makes public a measure taken or a penalty imposed, it shall simultaneously notify ESMA thereof.
- (6) The Commission shall submit annually to ESMA summarised information on the measures taken or penalties imposed for breaching the provisions of this Act and the statutory instruments for its application.
- (7) The Commission shall inform EBA about all administrative penalties imposed under Article 127, paragraph 1, item 8, paragraph 2, item 8, paragraph 5, item 2, and paragraph 7, items 8 and 11, including any appeal and the results thereof.

SUPPLEMENTARY PROVISIONS

§ 1. Within the meaning of this Act:

1. "Securities" means transferable rights registered on accounts with the Central Depository, and for government securities - registered on accounts with the Bulgarian National Bank or with a government securities sub-depository, or with foreign institutions conducting such activities (dematerialized securities), or documents materializing transferable rights (materialized securities) eligible for trading on the capital market, except for the following instruments of payment:

- a) shares in companies and other securities equivalent to shares in capital companies, partnerships or other legal persons, as well as depository receipts in respect of shares;
- b) bonds and other debt securities, including depository receipts in respect of such securities;
- c) any other securities giving the right to acquire or sell any such securities or giving rise to a cash settlement determined by reference to securities, currencies, interest rates or yields, commodities or other indices or measures.

2. "Investment advice" means the provision of personal recommendations to a client, either upon its request or at the initiative of the investment intermediary, in respect of one or more transactions relating to financial instruments. The recommendation shall be personal if it is provided to a client in its capacity as investor or to a potential investor, or an agent of an investor or an agent of a potential investor, as the case may be. The recommendation shall not be personal where it is provided exclusively through distribution channels within the meaning of the Measures Against Market Abuse With Financial Instruments Act or of the community.

The personal recommendation shall be suitable for the person to whom it is provided or shall be prepared taking into account the circumstances relating to the knowledge, skills and experience of the person in the field of financial instruments investment. The personal recommendation shall constitute a recommendation for carrying out one of the following actions:

- a) purchase, sale, subscription, exchange, reverse repurchase, holding or underwriting specific financial instruments;
- b) exercise or not exercise a right to specific financial instruments for purchase, sale, subscription, exchange or reverse repurchase thereof.

3. "Execution of orders on behalf of clients" means acting to conclude agreements to buy or sell one or more financial instruments on behalf of and on the account of clients.

4. "Dealing on own account" means trading against proprietary capital resulting in conclusion of transactions in one or more financial instruments.

5. "Systematic internaliser" means an investment intermediary which, on an organized, frequent and systematic basis, deals on own account in financial instruments by executing client orders outside a regulated market or a Multilateral Trading Facility.

6. "Market maker" means a person who holds himself out on the financial markets on a continuous basis as being willing to deal on own account by buying and selling financial instruments against his proprietary capital at prices defined by him.

7. "Portfolio management" means managing portfolios in accordance with mandates given by clients on a discretionary client-by-client basis where such portfolios include one or more financial instruments.

8. "Client" means any natural or legal person who makes use of investment and/or ancillary services provided by the investment intermediary.
9. "Professional client" means a client possessing the experience, knowledge and skills to take independently investment decisions and adequately assess risks relating to investment, who meets the criteria laid down in the appendix.
10. "Retail client" means a client who does not meet the criteria for a professional client.
11. "Market operator" means a person or persons who manages and/or operates the business of a regulated market. The market operator may be the regulated market itself.
12. "Limit order" means an order to buy or sell a financial instrument at its specific price limit or better and for a specific size.
13. "Money market instruments" means instruments normally traded on the money market such as short-term government securities (treasury bills), certificates of deposit and commercial papers and excluding instruments of payment.
14. "Home Member State" means:
- a) in case of investment intermediary:
 - aa) if the investment intermediary is a natural person, the Member State in which its head office is situated;
 - bb) if the investment intermediary is a legal person, the Member State in which its registered office is situated, in which it is entered in the commercial register or in another similar register;
 - cc) if the investment intermediary has, under its national law, no registered office, the Member State in which its head office is situated;
 - b) in case of a regulated market, the Member State in which the regulated market is registered or, if under the law of that Member State it has no registered office, the Member State in which the head office of the regulated market is situated.
15. "Host Member State" means the Member State, other than the home Member State, in which an investment intermediary has a branch or performs investment services and/or investment activities or the Member State in which a regulated market provides appropriate arrangements so as to facilitate access to trading on its system by remote members or participants established in that same Member State.
16. "Competent authority" means the authority of a Member State which performs analogous functions of those under Part Three, unless this Act specifies otherwise.
17. (Amended, SG No. 34/2015) "Credit institution" is a term within the meaning of the Credit Institutions Act.
18. (Amended, SG No. 77/2011) "Management company of collective investment scheme" means a management company within the meaning of the Collective Investment Schemes and Other Undertakings for Collective Investments Act as well as any other management company of a collective investment scheme as defined under Directive 2009/65/EC.
- 18a. (New, SG No. 70/2013) "Person, managing an alternative investment fund" means a person within the meaning of the Collective Investment Schemes and Other Undertakings for Collective Investments Act.
19. "Multilateral trading facility" means a multilateral system, operated by an investment intermediary or a market operator, which brings together multiple third party buying and selling interests in financial instruments - in the system and in accordance with non discretionary rules - in a way that results in a contract in accordance with the provisions of Chapter Three, Section IV.
20. "Branch" means a place of business other than the head office, which is part of an investment intermediary, which has no legal personality and which provides investment services and/or activities and which may also perform ancillary services for which the investment intermediary has been authorised; all the places of business set up in the same Member State by an investment intermediary with headquarters in another Member State shall be regarded as a single branch.
21. (Amended, SG No. 24/2009, effective 31.03.2009) "Qualified holding" means any direct or indirect holding, which represents 10 percent or more of the capital or of the voting rights in the general meeting, as set out in Articles 145 and 146 of the Public Offering of Securities Act, or which makes it possible to exercise a significant influence over the management of the company. The voting rights or the shares the investment intermediaries or credit institutions hold as a result of providing the

services under Article 5, Paragraph 2, Item 6, provided that such rights are not exercised or used in any other way to influence the management of the investment intermediary, as well as provided that these rights are transferred within one year after acquisition, shall not be taken into account when determining the size of the qualified holding.

22. (Amended, SG No. 34/2015) "Parent undertaking" is a term within the meaning of Article 4, paragraph 1, item 15 of Regulation (EU) No. 575/2013.

23. (Amended, SG No. 34/2015) "Subsidiary" is a term within the meaning of Article 4, paragraph 1, item 16 of Regulation (EU) No. 575/2013.

24. (Amended, SG No. 34/2015) "Control" is a term within the meaning of Article 4, paragraph 1, item 37 of Regulation (EU) No. 575/2013.

25. "Close links" means a situation in which two or more natural or legal persons are linked by:

a) participation which means the ownership, direct or by way of control, of 20% or more of the voting rights or capital of a company (undertaking);

b) control which means the relationship between a parent undertaking and a subsidiary, in all the cases referred to in the Supplementary Supervision of Financial Conglomerates Act, or a similar relationship between any natural or legal person and an undertaking; any subsidiary of a subsidiary is also being considered a subsidiary of the parent undertaking which is at the head of the group of those undertakings.

A situation in which two or more natural or legal persons are permanently linked to one and the same person by a control relationship shall also be regarded as constituting a close link between such persons.

26. "Depository institution" means:

a) in respect of funds - a person under Article 34, Paragraph 3;

b) in respect of financial instruments - a person conducting activity of registration of financial instruments and transfer of such instruments by opening and keeping the accounts of their issuers and/or holders.

27. "Group" means a group of undertakings, which consists of:

a) a parent undertaking and its subsidiaries and the entities in which the parent undertaking or its subsidiaries hold a participation, or

b) undertakings managed jointly by virtue of a contract or their constituent acts or articles of association, or

c) undertakings in which more than half of the members of their management or supervisory bodies are the same persons in the respective financial year and until the date of preparation of the consolidated accounts.

28. "Member State" means a country which is a member of the European Union or another country which belongs to the European Economic Area.

29. "Eligible counterparty" means investment intermediaries, credit institutions, insurance companies, collective investment schemes, management companies, pension funds, pension insurance funds, other financial institutions, the persons under Article 4, Paragraph 1, items 11 and 12, national governments, public bodies that deal with public debt, central banks and supranational organisations, as well as such entities from third countries, if they have requested explicitly to be treated as such.

30. "Important operational functions" for the activity of the investment intermediary are:

a) functions wherein a defect or error in their performance may affect materially the conditions under which the investment intermediary obtained its authorization or compliance with other legal provisions, or affect its financial standing, the soundness and consistency of conducting investment services and activities by an investment intermediary;

b) regardless of the role of the other functions the following functions shall not be deemed important and material for the activity of the investment intermediary for the purposes under "a":

aa) providing advice to the investment intermediary as well providing any other services that do not constitute investment

activity or service conducted on behalf of the investment intermediary, including provision of legal advice to the investment intermediary or training of its employees;

bb) receiving standardized services, including provision of market price information.

31. "Option" means a derivative financial instrument which represents the holder's right to buy or sell a specified number of securities or other financial instruments at a price fixed in advance within a stated time period or at a specified future date.

32. "Financial-futures contract" means a financial derivative instrument which represents the holder's right and obligation to buy or sell a specified number of securities or other financial instruments at a fixed price in advance at a specified future date.

33. "Contracts for differences" shall be a financial derivative instrument which represents the holder's right to receive or obligation to pay, as the case may be, the difference between the market value of a specified number of securities or other financial instruments and the price as fixed in advance by the contract.

34. (Amended, SG No. 34/2015) "Financial holding company" is a term within the meaning of Article 4, paragraph 1, item 20 of Regulation (EU) No. 575/2013.

35. (Amended, SG No. 34/2015) "Parent financial holding company in a Member State" is a term within the meaning of Article 4, paragraph 1, item 30 of Regulation (EU) No. 575/2013.

36. (Amended, SG No. 34/2015) "EU parent financial holding company" is a term within the meaning of Article 4, paragraph 1, item 31 of Regulation (EU) No. 575/2013.

37. (Amended, SG No. 34/2015) "Mixed financial holding company" is a term within the meaning of Article 4, paragraph 1, item 21 of Regulation (EU) No. 575/2013.

38. (Amended, SG No. 34/2015) "Parent investment intermediary in a Member State" is a term within the meaning of Article 4, paragraph 1, item 28 of Regulation (EU) No. 575/2013.

39. (Amended, SG No. 34/2015) "Institution" is a term within the meaning of Article 4, paragraph 1, item 3 of Regulation (EU) No. 575/2013.

40. (New, SG No. 34/2015) "EU parent institution" is a term within the meaning of Article 4, paragraph 1, item 29 of Regulation (EU) No. 575/2013.

41. (New, SG No. 34/2015) "Consolidating supervisor" is a term within the meaning of Article 4, paragraph 1, item 41 of Regulation (EU) No. 575/2013.

42. (New, SG No. 34/2015) "Parent mixed financial holding company in a Member State" is a term within the meaning of Article 4, paragraph 1, item 32 of Regulation (EU) No. 575/2013.

43. (New, SG No. 34/2015) "EU parent mixed financial holding company" is a EU parent mixed financial holding company in accordance with the definition set out in Article 4, paragraph 1, item 33 of Regulation (EU) No. 575/2013.

44. (Renumbered from Item 40, SG No. 34/2015) "Systematic violation" shall be in effect where three or more administrative violations of the Act or of the instruments for the application thereof have been committed within a single year.

45. (Renumbered from Item 41, SG No. 34/2015) "Repeated violation" shall be any violation which shall be committed within one year after the entry into force of a penalty decree whereby the offender was penalized for a violation of the same kind.

46. (Renumbered from Item 42, SG No. 34/2015) "Incidental provision of investment services" means provision of investment services less than three times a year.

47. (New, SG No. 24/2009, effective 31.03.2009, renumbered from Item 43, SG No. 34/2015) "Persons, acting jointly" means two or more persons, exercising their share-based voting rights under an express consent between them, as well as persons, of whom it may be reasonably assumed that they exercise or will exercise in the same way any voting rights they hold, due to the nature of their relationships, their market behaviour, or the agreements executed between them.

48. (New, SG No. 34/2015) "Systemic risk" is the risk of disturbances in the financial system, which is likely to cause serious adverse consequences for the financial system and the real economy.

49. (New, SG No. 34/2015) "Senior management staff" are the natural persons with executive functions and representing the investment intermediary and who are accountable for and report their activity to the management or supervisory body of the investment intermediary for the daily management of the investment intermediary.
50. (New, SG No. 34/2015) "On a consolidated basis" is a term within the meaning of Article 4, paragraph 1, item 48 of Regulation (EU) No. 575/2013.
51. (New, SG No. 34/2015) "ESCB central banks" is a term within the meaning of Article 4, paragraph 1, item 45 of Regulation (EU) No. 575/2013.
52. (New, SG No. 34/2015) "Mixed holding company" is a term within the meaning of Article 4, paragraph 1, item 22 of Regulation (EU) No. 575/2013.
53. (New, SG No. 34/2015) "Own funds" is a term within the meaning of Article 4, paragraph 1, item 118 of Regulation (EU) No. 575/2013.
54. (New, SG No. 34/2015) "Ancillary services undertaking" is a term within the meaning of Article 4, paragraph 1, item 18 of Regulation (EU) No. 575/2013.
55. (New, SG No. 34/2015) "Trading book" is a term within the meaning of Article 4, paragraph 1, item 86 of Regulation (EU) No. 575/2013.
56. (New, SG No. 34/2015) "Financial institution" is a term within the meaning of Article 4, paragraph 1, item 26 of Regulation (EU) No. 575/2013.

§ 2. (1) (Previous text of § 2, SG No. 34/2015) This Act shall transpose the provisions of:

1. Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC.
 2. Commission Directive 2006/73/EC implementing Directive 2004/39/EC of the European Parliament and of the Council as regards organizational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive.
 3. (Repealed, SG No. 34/2015).
 4. (New, SG No. 24/2009, effective 31.03.2009) Directive 2007/44/EC of the European Parliament and of the Council of 5 September 2007 amending Directive 92/49/EEC of the Council and Directives 2002/83/EC, 2004/39/EC, 2005/68/EC, and 2006/48/EC as regards procedural rules and evaluation criteria for the prudential assessment of acquisitions and increase of holdings in the financial sector (OJ, L 247/1 of 21 September 2007).
 5. (New, SG No. 21/2012) Directive 2010/78/EU of the European Parliament and of the Council of 24 November 2010 amending Directives 98/26/EC, 2002/87/EC, 2003/6/EC, 2003/41/EC, 2003/71/EC, 2004/39/EC, 2004/109/EC, 2005/60/EC, 2006/48/EC, 2006/49/EC and 2009/65/EC in respect of the powers of the European Supervisory Authority (European Banking Authority), the European Supervisory Authority (European Insurance and Occupational Pensions Authority) and the European Supervisory Authority (European Securities and Markets Authority) (OJ, L 331/120 of 15 December 2010).
 6. (New, SG No. 34/2015) Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.
- (2) (New, SG No. 34/2015) The Commission shall take decision on the application in its supervisory practice of guidelines adopted by EBA pursuant to Article 16 of Regulation (EU) No. 1093/2010 and based on warnings made by ESRB pursuant to Article 16 of Regulation (EU) No. 1092/2010 of the European Parliament and of the Council of 24 November 2010 on European Union macro-prudential oversight of the financial system and establishing a European Systemic Risk Board (OJ, L 331/1 of 15 December 2010).
- (3) (New, SG No. 34/2015) The supervisory review and evaluations under this Act and the statutory instruments for its

application, as well as the administrative measures and penalties shall be applied by the Commission or by the Deputy Chairperson depending on the level of application of the provisions of Part One, Title Two of Regulation (EU) No. 575/2013. In the cases where the Commission or the Deputy Chairperson, as the case may be, issues an approval for a waiver of the requirement for maintenance of own funds on a consolidated basis under Article 15 of Regulation (EU) No. 575/2013, Article 10a shall apply to investment intermediaries on a stand-alone basis.

(4) (New, SG No. 34/2015) The approvals and permissions set out in Articles 142 and 363 of Regulation (EU) No. 575/2013 shall be issued by the Commission on a proposal by the Deputy Chairperson.

§ 3. (1) (Amended, SG No. 34/2015) Article 4, Paragraph 2, Article 6, Paragraph 2, Article 12, Article 24, paragraph 1, items 1 – 13 and 15, paragraphs 2 and 5, Article 24a, paragraphs 1 and 2, Articles 24b, 24c, 24d, Article 27 - 38, Article 41, Articles 43 - 56, Article 58, Article 68, Paragraph 1, Articles 108 - 110 and Article 112 shall apply mutatis mutandis to credit institutions performing one or more investment activities and/or providing one or more investment services.

(2) For violation of the provisions under Paragraph 1 the Financial Supervision Commission shall impose fines and sanctions as laid down in Article 127.

§ 3a. (New, SG No. 34/2015) Investment intermediaries shall carry on their business in compliance with Regulation (EU) No. 575/2013, Directive 2013/36/EU and their implementing acts.

TRANSITIONAL AND FINAL PROVISIONS

§ 4. Investment intermediaries that have established commercial relations with their clients and have classified them as professional clients based on criteria and subject to requirement equivalent to those laid down herein, may continue treating such clients as professional clients without applying the procedure set out herein. In these cases the investment intermediaries shall notify their professional clients of the requirements set out in this Act.

§ 5. (Amended, SG No. 34/2015) The minimum insurance amount of the compulsory insurance under Article 8, Paragraph 5, item 2 shall be updated every 5 years and its value in EUR shall be increased with the percentage increase of the European consumer price index published by Eurostat for the period from the last update. The first update shall be made as of 20 July 2011. The result shall be rounded to one euro.

§ 6. Trading systems which meet the concept of multilateral trading facility and are operated by a person who is a market operator shall file an application for granting of authorization to organize a multilateral trading facility within 18 months from entry into force of this Act.

§ 7. The Public Offering of Securities Act (promulgated, SG No. 114/1999, amended, SG No. 63 and 92/2000, SG No. 28, 61, 93 and 101/2002, SG No. 8, 31, 67 and 71/2003, SG No. 37/2004, SG No. 19, 31, 39, 103 and 105/2005, SG No. 30, 33, 34, 59, 63, 84, 86 and 105/2006, SG No. 25/2007) shall be amended and supplemented as follows:

1. In Article 1:

a) Paragraph 1, items 1 and 2 shall be amended as follows:

"1. the public offering of, the issuing and disposition of dematerialized securities, including outside the cases of public offering, as well as the restrictions regarding the disposition of securities issued through non-public offering;

2. the operation of the Central Depository, the investment and management companies, as well as the terms for conduct of such activities;"

b) in Paragraph 3 the word "trade" shall be deleted.

2. In Article 2, Paragraph 1 after the words "Central Depository" a comma shall be added and the words "or a foreign institution carrying out such activity" shall be replaced by "and for government securities - registered on accounts with the Bulgarian National Bank or with a government securities sub-depository, or with foreign institutions conducting such activity".

3. Articles 6 and 7 shall be repealed.

4. Articles 20 - 53 in Title Two "Regulated Securities Markets" shall be repealed.

5. Articles 54 - 77 in Title Three "Securities Transactions" shall be repealed.

6. (Effective from 3.07.2007 to 1.11.2007 - SG No. 52/2007) Paragraphs 8 and 9 shall be created in Article 55:

"(8) On request from the European Commission the Commission shall limit or suspend for a term of three months granting of authorizations for provision of services and activities under Article 54, Paragraphs 2 and 3 on the territory of the Republic of Bulgaria by a legal person from a third country. By a decision of the Council of the European Union the term under sentence one may be extended.

(9) Paragraph 8 shall not apply in respect of a subsidiary of an investment intermediary which has obtained authorisation for conduct of activity within the European Union or in respect of a subsidiary of such subsidiary."

7. (Effective from 3.07.2007 to 1.11.2007 - SG No. 52/2007) In Article 71:

a) items 7 and 8 shall be created in Paragraph 6:

"7. the director of the National Police Service - for the purposes of investigation under initiated criminal proceedings;

8. the director of the National Security Service - where required for the purposes of national security protection.";

b) Paragraphs 9 and 10 shall be created:

"(9) On written request from the director of the National Investigation Service, the National Security Service or the National Police Service investment intermediaries shall provide information on available funds and flows on the accounts of companies with over 50 per cent state and/or municipal participation.

(10) Upon available data about organized criminal activity or money laundering the chief prosecutor or a deputy authorized by him may require from investment intermediaries to provide the particulars under Paragraph 2."

8. (Effective from 3.07.2007 to 1.11.2007 - SG No. 52/2007) In Article 74b:

a) in Paragraph 5 sentence three shall be deleted;

b) Paragraph 8 shall be created:

"(8) On request from the European Commission examination of the notifications under Paragraph 5 concerning direct or indirect acquisition by a parent undertaking governed by the law of a third country shall be restricted or suspended for a period of three months. By a decision of the European Union's Council the term under sentence one may be extended."

9. In Article 77a:

a) in Paragraph 1 the word "securities" shall be deleted;

b) in Paragraph 4:

aa) in the text preceding item 1 the words "foreign investment intermediaries" shall be replaced by "investment intermediaries from a third country";

bb) in item 1 and everywhere in item 2 the words "the foreign investment intermediary" shall be replaced by "the investment intermediary".

10. In Article 77b:

a) in Paragraph 1, item 2 the words "Article 68, Paragraph 1, item 5" shall be replaced by "Article 20, Paragraph 2, item 3 of the Markets in Financial Instruments Act";

b) a new Paragraph 3 shall be created:

"(3) The Fund shall pay compensation to the clients of a foreign investment intermediary on occurrence of events analogous to those under Paragraph 1, which serve as a ground for payment of compensation under the relevant legislation.";

c) the existing Paragraph 3 shall become Paragraph 4:

11. In Article 77c, Paragraph 2 the words "Article 54, Paragraphs 2 and 3" shall be replaced by "Article 5, Paragraphs 2 and 3 of the Markets in Financial Instruments Act".

12. Article 77d, Paragraph 2, item 14 shall be amended as follows:

"14. other professional clients within the meaning of § 1, item 9 of the supplementary provisions of the Markets in Financial Instruments Act."

13. In Article 77f, Paragraph 3, items 1 and 2 the words "Article 54, Paragraphs 2 and 3" shall be replaced by "Article 5, Paragraphs 2 and 3 of the Markets in Financial Instruments Act".

14. In Article 77m, Paragraph 1 the words "Article 54" shall be replaced by "Article 5, Paragraphs 2 and 3 of the Markets in Financial Instruments Act".

15. In Article 77n, Paragraph 1 the words "Article 68, Paragraph 1, item 5 or under Article 212, Paragraph 1" shall be replaced by "Article 118, Paragraph 1 of the Markets in Financial Instruments Act" and a second sentence shall be created: "If despite the measures taken under sentence one the investment intermediary fails to meet its obligation for payment, the Commission or the Bulgarian National Bank, as the case may be, shall withdraw the licence of the investment intermediary."

16. In Article 77t, Paragraph 2 the words "Paragraph 3" shall be replaced by "Paragraph 4".

17. Everywhere in Chapter Five, Section IV the words "securities", "in securities" and "the securities" shall be replaced by "financial instruments", "in financial instruments" and "the financial instruments".

18. (Effective 3.07.2007 - SG No. 52/2007) In Article 77x, Paragraph 1 items 8 and 9 shall be created:

"8. "collective investment undertaking other than the closed end type" shall be an investment undertaking or unit trust whose objective is collective investment of funds raised through public offering of units, operating on the principle of risk-spreading and on request from holders of such units buys back directly or indirectly its units at a price based on its net asset value;

9. "units of collective investment undertaking" shall be securities issued by a collective investment undertaking, representing the rights of their holders to the assets of the collective investment undertaking."

19. (Effective 3.07.2007 - SG No. 52/2007) Article 78a, Paragraph 1, item 1 shall be amended as follows:

"1. units issued by collective investment undertakings other than the closed end type;"

20. In Article 91:

a) Paragraph 1 shall be amended as follows:

"(1) The Commission shall establish whether the requirements for issuance of the requested confirmation are met. If the particulars and documents provided are incomplete or inconsistent or additional information or evidence of the veracity of data are necessary, the Commission shall send a notification of the established incompleteness and inconsistencies and/or of the requested information and documents within 10 working days from receipt of the application.

b) new Paragraphs 2 and 3 shall be created:

"(2) If the notification under Paragraph 1 is not accepted at the correspondence address specified by the applicant, the time limit for their submission shall be effective from posting thereof on a notice board expressly provided therefor on the premises of the Commission. Any such posting shall be attested by a memorandum drawn up by officers designated by an order of the Chairperson of the Commission.

(3) The Commission shall pronounce on the application within 10 working days after the date of receipt thereof or, where additional particulars and documents have been requested, within 10 days after the date of receipt of the said particulars and documents.";

c) the existing Paragraph 2 shall become Paragraph 4 and the words "under Paragraph 1" shall be replaced by the words "under Paragraph 3";

d) the existing Paragraph 3 shall become Paragraph 5 and the words "Paragraphs 1 and 2" shall be replaced by the words "Paragraph 1";

e) the existing Paragraph 4 shall become Paragraph 6 and the words "under Paragraph 1 or Paragraph 2, as the case may be" shall be replaced by the words "under Paragraph 3 or Paragraph 4, as the case may be";

f) the existing Paragraph 5 shall become Paragraph 7 and in it:

aa) the words "Paragraph 4" in sentence one shall be replaced by "Paragraph 6";

bb) the words "Paragraph 4" in sentence two shall be replaced by "Paragraph 6".

21. In Article 92g, Paragraph 1 the words "Paragraph 4" shall be replaced by "Paragraph 6".

22. (Effective 3.07.2007 - SG No. 52/2007) In Chapter Six Section IV "Disclosure of information" Articles 93a - 100 shall be repealed.

23. (Effective 3.07.2007 - SG No. 52/2007) In Article 100f, Paragraph 1, item 1 the words "Section IV" shall be replaced by "Chapter Six "a".

24. (Effective 3.07.2007 - SG No. 52/2007) Chapter Six "a" shall be created with Articles 100j - 100aa:

"Chapter Six "a"

DISCLOSURE OF INFORMATION

Section I

General Provisions

Article 100j. (1) This Chapter shall establish the requirements for disclosure of information by issuers for which the Republic of Bulgaria is a home country and whose securities are admitted to trading on a regulated market as well as by issuers who have conducted public offering of securities in the Republic of Bulgaria.

(2) Within the meaning of this Chapter:

1. "home country" shall be:

a) for an issuer of shares or debt securities with single nominal value of less than the lev equivalent of EUR 1000 or equivalent amount in another currency in which the securities are denominated at the date of issue thereof:

aa) for an issuer from a Member State - the Member State where its registered office is located;

bb) for an issuer from a third country - the Member State in which the issuer is obligated to provide to the relevant competent authority a document which contains or makes reference to all the information it has published or has made public otherwise over the last 12 months in accordance with the requirements of Article 10 of Directive 2003/71/EC of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC;

b) apart from the cases under "a", the Member State where the registered office of the issuer is located or in which its securities are admitted to trading on a regulated market, at the option of the issuer; the issuer may specify only one home country and its choice shall be valid for a period of no less than three years, unless the securities are already traded on a regulated market in the Republic of Bulgaria or in another Member State;

2. "host country" shall be the Member State in which the securities are admitted to trading on a regulated market where this country is different from the home country;

3. "securities issued on a continuous basis or periodically" shall be issues of debt securities of one and the same issuer, issued regularly, or at least two separate issues of securities of similar type and/or class;

4. "debt securities" shall be bonds or other transferable securitized debts, except for securities equivalent to shares in companies, or such which upon conversion or exercise of the rights thereto entitle their holder to acquire shares or securities

equivalent to shares in companies.

(3) The issuer who has chosen Republic of Bulgaria as the home country under the terms of Paragraph 2, item 1, "b", shall be obligated to announce publicly its decision on the choice under the terms and procedure of Articles 100r and 100t.

Article 100k. The provisions of this Chapter shall not apply to:

1. units of collective investment undertakings other than the closed end type within the meaning of Article 77x, Paragraph 1, items 8 and 9, or for units acquired or transferred within such collective investment undertakings;
2. money market instruments with a maturity of less than 12 months.

Article 100l. (1) The reports, notifications and the other information that shall be made public under this Chapter must contain information as investors may need to make a reasoned investment decision. Any such reports, notifications and information may not contain untrue, misleading or deficient particulars.

(2) The management body of the issuer shall be responsible for the preparation and public disclosure of the financial statements.

(3) The members of the management body of the issuer as well as its procurator shall incur solidary liability for any detriment as may be inflicted by reason of any untrue, misleading or deficient particulars in the reports, notifications and any other information disclosed under this Chapter. The persons referred to in Article 34, Paragraph 2 of the Accountancy Act shall incur solidary liability with the persons referred to in sentence one for any detriment as may be inflicted by any untrue, misleading or deficient particulars in the financial statements of the issuer, and the registered auditors shall incur solidary liability with the said persons for any detriment as may be inflicted by the financial statements thereby audited.

Section II

Disclosure of Regular Information

Article 100m. (1) Any issuer shall disclose publicly its annual financial report within 90 days after the end of each financial year.

(2) Any issuer who is obligated to prepare consolidated financial statements shall disclose publicly its annual consolidated financial statements on its activity within 120 days after the end of each financial year.

(3) The issuer shall be obligated to ensure that the annual financial statements and the consolidated financial statements remain publicly available for a period of at least 5 years.

(4) The annual financial report shall contain:

1. annual financial statements under the Accountancy Act audited by a registered auditor as well as an audit report;
2. an annual report;
3. a programme for application of the internationally recognized standards of good corporate governance, as prescribed by the Deputy Chairperson;
4. declarations by the responsible persons within the issuer, specifying their names and functions, certifying that to the best of their knowledge:
 - a) the financial statements, prepared in accordance with the applicable accounting standards, present correctly and fairly the information about the issuer's assets and liabilities, financial standing and profit or loss and of the companies included in the consolidation;
 - b) the activity report shall contain a truthful review of the development and results from the activity of the issuer, as well as the condition of the issuer and the companies included in the consolidation, together with a description of major risks and uncertainties faced thereby;
5. any other information as shall be specified by ordinance.

(5) Where the issuer is obligated to prepare consolidated financial statements the annual consolidated activity report shall have the contents laid down in Paragraph 4, items 1, 2, 4 and 5, and the financial statements shall be prepared in accordance with

the International Accounting Standards and shall be presented together with the annual audited financial statements of the parent undertaking, prepared in accordance with the national legislation of the Member State at the registered office of the parent undertaking.

(6) Where the issuer is not obligated to prepare consolidated financial statements under Paragraph 5 the audited financial statements shall be prepared in accordance with the national legislation of the Member State at its registered office.

(7) The annual activity report shall include in addition to the information under the Accountancy Act information about:

1. implementation of the programme for application of internationally recognized standards of good corporate governance under Paragraph 4, item 3, and where such programme does not exist, the reasons for non-preparation thereof, as well as about compliance of management and supervisory bodies of the issuer with these standards during the year;
2. the reasons for non-compliance of management and supervisory bodies of the issuer with the programme or the standards under item 1, as the case may be, if such non-compliance exists;
3. the measures taken for eliminating the reasons under item 2 and for implementation of the programme for good corporate management;
4. revision of the programme and proposal for changes thereof to ensure better application of the standards of good corporate governance in the company;
5. any other information as shall be specified by ordinance.

Article 100n. (1) Any issuer shall make public a three-month report on its activity within 30 days after the end of each quarter.

(2) Any issuer who is obligated to prepare annual consolidated financial statements shall make public its consolidated financial statements within 60 days after the end of each quarter.

(3) The issuer shall be obligated to ensure that the quarterly financial report and the quarterly consolidated financial statements remain publicly available for a period of at least 5 years.

(4) The quarterly financial report on the activity shall contain:

1. a set of financial statements;
2. an interim report on the activity containing information about major events in the quarter and cumulatively since the beginning of the financial year until the end of the corresponding quarter, and about their impact on the results in the financial statements, as well as a description of major risks and uncertainties faced by the issuer in the remaining part of the year; for the issuers of shares the report shall contain information about large transactions concluded between close links, whose minimum contents shall be specified by ordinance.
3. declarations by the responsible persons within the issuer, specifying their names and functions, certifying that to the best of their knowledge:
 - a) the financial statements, prepared in accordance with the applicable accounting standards, present truly and fairly the information about the issuer's assets and liabilities, financial standing and profit or loss and of the companies included in the consolidation;
 - b) the interim report on the activity shall contain a truthful review of the information under item 2;
4. any other information as shall be specified by ordinance.

(5) Where the issuer is obligated to prepare consolidated financial statements, the quarterly consolidated activity report shall have the contents laid down in Paragraph 4, and the financial statements shall be prepared in accordance with the International Accounting Standards applicable to the preparation of interim statements.

(6) Where the issuer is not obligated to prepare interim consolidated financial statements under Paragraph 5, in the cases where they are not prepared in accordance with the International Accounting Standards, they shall contain at least a condensed balance sheet, a condensed income statement and selected notes whose contents shall be specified by ordinance. The same principles of recognition and reporting shall apply to the preparation of the condensed balance sheet and the condensed income

statement as those applied to the preparation of the annual financial statements.

(7) If the interim financial statements have been audited by a registered auditor or an audit review has been conducted thereof under conditions and with contents as specified by ordinance, the auditor report or the results of the review, as the case may be, shall be made public together with the financial statements. If the financial statements are not audited or no review thereof has been conducted, the issuer shall state this circumstance.

Article 100o. (1) The requirements under Articles 100m and 100n shall not apply to issuers from a third country if the Commission deems that the law of such third country stipulates requirements equivalent to the requirements herein and the statutory instruments for application of this Act. The conditions where the Commission may deem the requirements of the law of the third country as equivalent to the requirements herein or the statutory instruments for application of this Act shall be laid down by ordinance.

(2) The information that the persons under Paragraph 1 must disclose in accordance with their national law shall be disclosed under the terms and procedure of Articles 100r and 100t.

(3) The persons under Paragraph 1 shall furthermore disclose information under the terms and procedure of Articles 100r and 100t, as required under their national law, including where it is not regulated but could be of importance for the public in the Member States.

(4) The Commission shall publish on its website a list of the countries in respect of which it considers that their laws set out requirements equivalent to the requirements herein and the statutory instruments for application of this Act.

Article 100p. (1) The provisions of Articles 100o and 100n shall not apply to:

1. the Republic of Bulgaria, district or local authorities in the Republic of Bulgaria, public international organizations in which at least one Member State is a member, the European Central Bank, the Bulgarian National Bank and the central banks of the other Member States regardless of whether they are issuers of shares or other securities;

2. issuers of shares who issue only debt securities admitted to trading on the regulated market with a nominal value of no less than the lev equivalent of EUR 50,000 or in the cases of debt securities denominated in currency other than euro, with a nominal value at the date of their issue of no less than the lev equivalent of EUR 50,000.

(2) The provisions of Article 100n shall not apply to banks whose shares are not admitted to trading on a regulated market and which have issued only debt securities issued by them on a continuous basis or periodically, provided that:

1. the total nominal value of the debt securities is lower than the lev equivalent of EUR 100,000,000;

2. have not published a prospectus.

Article 100q. (1) The issuer of securities other than shares shall disclose publicly without delay any changes in the rights of the holders of securities other than shares, including changes in the time limits and conditions of such securities, which could affect indirectly such rights, resulting from a change in the conditions of the loan or the interest rate.

(2) The issuer of securities shall disclose publicly without delay the information about issuance of a new issue of debt securities and any related guarantees and collateral. This requirement shall not apply to international institutions or other similar organizations in which at least one Member State is a member thereof.

Article 100r. (1) The issuer or the person who has requested, without the consent of the issuer, admission of the securities to trading on a regulated market shall disclose the regulated information to the Commission and to the public at the same time. The issuer who has conducted only public offering of securities shall disclose the information under sentence one first on the territory of the Republic of Bulgaria.

(2) Paragraph 1 shall also apply to issuers whose securities are admitted to trading on a regulated market in the Republic of Bulgaria but are not admitted to trading on a regulated market in the home country. In this case the regulated information shall meet the minimum conditions of Directive 2004/109/EC of the European Parliament and of the Council on the harmonization of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC.

(3) The regulated information shall be disclosed to the public in such a manner so as to cover simultaneously as wide a circle of

people as possible and in a non-discriminating manner. The issuer shall use a news agency or another media to ensure the efficient dissemination of the regulated information to the public in all Member States. The requirements as to the form and content of the regulated information as well as the conditions, methods and procedures for its disclosure shall be set out by ordinance.

(4) The issuer or the person who has requested admission of the securities to trading on a regulated market may not collect charges from investors for access to the regulated information.

Article 100s. (1) The Commission shall create and keep centralized storage database of the regulated information received from issuers whose securities are admitted to trading on a regulated market and whose home country is the Republic of Bulgaria.

(2) The information under Paragraph 1 shall be made public and access to it shall be free of charge.

(3) The creation and keeping of centralized storage database of the regulated information, as well as the security requirements to the information, reliability of its sources, the time, procedure and manner of providing access to it shall be set out by ordinance.

Article 100t. (1) Where the securities are admitted to trading only on a regulated market in the Republic of Bulgaria and the Republic of Bulgaria is the home country, the regulated information shall be disclosed in Bulgarian. Where the securities are publicly offered on the territory of the Republic of Bulgaria the regulated information shall be disclosed in Bulgarian.

(2) Where the securities are admitted to trading on a regulated market in one or more Member States simultaneously, including the Republic of Bulgaria, and the Republic of Bulgaria is the home country, the regulated information shall be disclosed in Bulgarian and in a language adopted by the competent authority of such Member States, or in the customary language in the sphere of international finance, at the option of the issuer.

(3) Where the securities are admitted to trading on a regulated market in one or more Member States simultaneously, excluding the Republic of Bulgaria, and the Republic of Bulgaria is the home country, the regulated information shall be disclosed in a language adopted by the competent authority of such Member States, or in the customary language in the sphere of international finance, at the option of the issuer. For the purposes of the Commission's supervisory functions the information shall also be disclosed either in Bulgarian or in English, at the option of the issuer.

(4) Where the securities are admitted to trading on a regulated market without the consent of the issuer, the provisions under Paragraphs 1 - 3 shall apply to the person who has requested the securities to be admitted to trading on a regulated market.

(5) Outside the cases referred to in Paragraphs 1 - 4, where the securities with a single nominal value of at least the lev equivalent of EUR 50,000 or debt securities with a nominal value in a currency other than euro of at least the lev equivalent of EUR 50,000 at the date of their issue are admitted to trading on a regulated market in one or more Member States, the regulated information shall be disclosed in a language adopted by the home and the host Member States or in a customary language in the sphere of international finance, at the option of the issuer or of the person who has requested the securities to be admitted to trading on a regulated market.

Section III

Requirements to issuers of bonds for provision of information to

the holders of bonds and other debt securities.

Article 100u. (1) The issuer of bonds shall ensure equal treatment of the bondholders enjoying equal status regarding all rights attaching to the bonds.

(2) The bondholders may be represented by a proxy with a power of attorney executed in accordance with the laws of the country in which the registered office of the issuer is located.

(3) The person under Paragraph 1 shall:

1. ensure all the necessary conditions and information so as to enable the bondholders to exercise their rights, as well as to guarantee the completeness of such information;

2. submit a copy of the power of attorney under Paragraph 2 on paper or electronically, where applicable, together with the materials for the general meeting or on request and after its convening;

3. specify at least one financial institution through which payments on the bonds shall be made; the types of financial institutions through which payments may be made shall be set out by ordinance.

(4) The issuer may use electronic means to provide information to the bondholders if the general meeting has passed a resolution thereof and subject to the following conditions:

1. use of electronic means is not contingent on the registered office or address of the bondholders or their proxies;

2. measures are taken for identification so as to ensure effective provision of the information to the bondholders;

3. the bondholders have expressly stated their written consent for providing the information electronically or within 14 days from receipt of a request from the issuer of such consent have not expressly objected thereof; at request of the bondholders the issuer shall also provide the information to them at all times on paper;

4. determination of the costs for the provision of information electronically does not prejudice the principle under Paragraph 1 for ensuring equal treatment.

(5) Paragraphs 1 - 4 shall apply mutatis mutandis to provision of information by issuers of other debt securities to their holders.

Article 100v. (1) The issuer of bonds shall send to the Commission the invitation under Article 214, Paragraph 1 of the Commerce Act at least 15 days before the general meeting. In addition to the information under Article 223, Paragraph 4 of the Commerce Act the invitation for the general meeting shall include information about the right of the bondholders to participate in it.

(2) The issuer of the bonds shall notify the Commission of:

1. the payment of interest;

2. the decisions on conversion, exchange, subscription or cancellation of rights on the bonds and payments thereon.

(3) The obligation under Paragraph 2 shall be performed by the end of the working day following the day of taking the decision, and where it is subject to entry in the commercial register, by the end of the working day following the day of coming of knowledge of the entry but no later than 7 days after the entry.

(4) Where the invitation for the general meeting refers only to holders of bonds with single nominal value of at least the equivalent of EUR 50,000 or the equivalent amount of another currency in which the bonds are denominated at the date of their issue, the issuer of the bonds for whom the Republic of Bulgaria is a home country may take a decision for the general meeting to be held in any Member State, provided that all the necessary conditions and information are ensured in such Member State so as the bondholders be able to exercise their rights. In this case the issuer shall notify the Commission of its choice.

(5) The Commission shall make public the information received through the register of public companies and other issuers of securities kept by it.

(6) Paragraphs 1 - 5 shall apply mutatis mutandis to issuers of other debt securities.

Article 100w. (1) The requirements under this Section shall not apply to issuers from a third country if the Commission deems that the law of the third country in question lays down equivalent requirements to those stipulated herein and in the statutory instruments for application of this Act. The conditions under which the Commission may deem that the requirements of the law of the third country are equivalent to the requirements herein and the statutory instruments for application of this Act shall be set out by ordinance.

(2) The information that the persons under Paragraph 1 shall disclose according to national law shall be disclosed under the terms of Articles 100r and 100t.

(3) The persons under Paragraph 1 shall disclose under the terms of Articles 100r and 100t the information which they disclose under their national law and which may be of importance for the public in the Community, even if such information is not regulated information.

(4) The Commission shall publish on its website a list of the countries whose laws provide for requirements equivalent to the requirements herein and the statutory instruments for application of this Act.

Section IV

Supervision requirements

Article 100x. (1) The issuer shall notify the Commission of:

1. any changes in its articles of association;
2. any changes in its management and supervisory bodies;
3. the decision on transformation of the company;
4. other circumstances specified by ordinance.

(2) The obligation under Paragraph 1 shall be performed by the issuer by the close of the working day following the day of taking the decision or coming of knowledge of the specific circumstance, and where it is subject to entry in the commercial register, by the close of the working day following the day of coming of knowledge of the entry but no later than 7 days after the entry.

(3) The Commission shall make public the information received under Paragraph 1 through the register of public companies and other issuers of securities kept by it.

Article 100y. (1) The requirements to the format of the reports and notifications under this Chapter, the procedure and manner of their submission to the Commission, as well as the procedure and manner of making the reports public shall be set out by ordinance.

(2) The circumstances subject to disclosure by an issuer undergoing liquidation or bankruptcy proceedings shall be set out by ordinance.

(3) The obligations of the issuer under this Chapter shall be terminated by the decision of the Deputy Chairperson on deleting the issuer from the register under Article 30, Paragraph 1, item 3 of the Financial Supervision Commission Act.

(4) The terms and procedure for entry and deletion of issuers from the register under Article 30, Paragraph 1, item 3 of the Financial Supervision Commission Act shall be set out by ordinance.

Section V

Supervision and cooperation

Article 100z. (1) To ensure compliance with the provisions of this Chapter, besides the powers provided for in the other titles herein and of the statutory instruments for application of this Act, the Deputy Chairperson may:

1. require from auditors, the issuer and the persons controlling it or which are controlled by it to provide specific information and documents;
2. require from the issuer to disclose publicly the information under item 1 in a manner and within a time limit set out by him/her;
3. publish, after presentation of an explanation by the issuer, the information under item 1 at his/her own initiative in the cases where the issuer or the persons that control it or are controlled by it have not fulfilled their obligation under item 2;
4. require from the members of the management and supervisory bodies and the procurators of the issuer to provide information set out in this Chapter and where necessary, additional information and documents;
5. ban trading in specific securities on a regulated market for a period not exceeding 10 days if he/she has reasonable grounds to assume that the provisions of this Chapter and the instruments for its application are violated;
6. ban trading on a regulated market if the provisions of this Chapter and the instruments for its application are violated or there are reasonable grounds for him/her to assume that they are violated;

7. obligate the issuer to take specific measures for timely disclosure of information to ensure public access to it simultaneously in all Member States in which the issuer's securities are admitted to trading;

8. inform the public that a particular issuer does not meet its obligations herein or the instruments of its application;

9. obligate the issuer within a reasonable time limit set by it to remove any deficiencies or non-conformities herewith and with the statutory instruments for application of this Act, including the International Accounting Standards, established in the financial statements, records and other accounting documents.

(2) In the cases under Paragraph 1, item 1 the auditor shall be exempt from the limitations on disclosure of information set out in law, by-law or contract. The auditor shall not be responsible for disclosure of information under Paragraph 1, item 1 to the Commission and the Deputy Chairperson.

(3) The Commission may disclose any measure taken or penalty imposed for infringement of the provisions of this Chapter and the instruments for its application, save where such disclosure would seriously jeopardise the stability of financial markets or cause disproportionate damage to the parties involved.

Article 100aa. (1) The Commission shall cooperate and exchange information with relevant competent authorities of the other Member States, where this necessary for the purpose of carrying out its duties and shall render assistance in view of the exercise of their functions.

(2) Where the Republic of Bulgaria is a host country and the Commission establishes that an issuer violates the Act and the statutory instruments for its application it shall notify the competent authority in the home country thereof.

(3) If, despite the measures taken by the competent authority in the home country or where such measures prove inadequate, the issuer persists in infringing this Act or the statutory instruments for its application, the Commission may, after informing the competent authority of the home country, take all the appropriate measures in order to protect investors. The Commission shall notify the European Commission of the measures taken within 7 days after their implementation.

(4) Where the Commission is notified by the relevant competent authority of the host country of an issuer for whom the Republic of Bulgaria is a home country and who infringes the law of the Member State on whose territory its securities are admitted to trading, the Commission, the Deputy Chairperson respectively, shall apply relevant enforcement administrative measures."

25. In Chapter Seven Sections I - III Articles 101 - 109 shall be repealed.

26. (Effective 3.07.2007 - SG No. 52/2007) Articles 110b and 110c shall be created:

"Article 110b. Any public company shall ensure equal treatment of the shareholders enjoying equal status.

Article 110c. Any public company shall ensure all the necessary conditions and information so as to enable the shareholders to exercise their rights, as well as to guarantee the integrity of this information."

27. (Effective 3.07.2007 - SG No. 52/2007) In Article 111:

a) Paragraph 6 shall be amended as follows:

"(6) A public company shall be obligated to notify the Commission of the number of own shares which the said company will repurchase within the restriction referred to in Paragraph 5 and regarding the investment intermediary wherewith an order of the repurchase has been placed. Notification shall be made no later than the close of the working day preceding the date of the repurchase. The Commission shall make public the information received through the register of public companies and other issuers of securities kept by it.";

b) Paragraphs 8 and 9 shall be created:

"(8) A public company which acquires or transfers its own shares directly or through another person acting on own behalf but on the account of the public company, shall disclose information about the number of votes attaching to such shares, under the terms and procedure of Articles 100r and 100t forthwith, but no later than 4 working days after the acquisition or transfer thereof, where their number reaches, exceeds or falls below 5 or 10 per cent of the voting shares.

(9) The voting rights shall be calculated on the basis of the total number of voting shares."

28. (Effective 3.07.2007 - SG No. 52/2007) Article 111a shall be created:

"Article 111a. (1) Any public company shall disclose under the conditions of Articles 100r and 100t any changes in the rights of separate classes of shares, including changes in the rights to derivative financial instruments issued by it, which give right to acquisition of shares of the company.

(2) Any public company shall notify the Commission of any decision on issuance of new shares, including decisions on distribution, subscription, cancellation or conversion of bonds into shares.

(3) The obligation under Paragraphs 1 and 2 shall be discharged by the close of the working day following the day of taking the decision, and where it is subject to entry in the commercial register, by the close of the working day following the day of coming of knowledge of the entry but no later than 7 days after the entry.

(4) The Commission shall make public the information received through the register of public companies and other issuers of securities kept by it."

29. In Article 112b, Paragraph 1 the words "Article 56, Paragraph 1" shall be replaced by "Article 8, Paragraph 1 of the Markets in Financial Instruments Act".

30. (Effective 3.07.2007 - SG No. 52/2007) In Article 112c the words "Article 115, Paragraph 2" shall be replaced by "Article 115, Paragraph 3".

31. (Effective 3.07.2007 - SG No. 52/2007) Article 112e shall be created:

"Article 112e. Any public company shall disclose under the conditions of Articles 100r and 100t information about the total number of voting shares and the size of the capital at the end of the month in which an increase or reduction occurred. The information shall be disclosed for every class of shares."

32. (Effective 3.07.2007 - SG No. 52/2007) In Article 115:

a) a new Paragraph 2 shall be created:

"(2) In addition to the information under Article 223, Paragraph 4 of the Commerce Act the invitation for the general meeting shall include information about the total number of shares and the voting rights in the general meeting, as well as the right of the shareholders to participate in the general meeting,";

b) the existing Paragraphs 2, 3, 4 and 5 shall become Paragraphs 3, 4, 5 and 6.

33. (Effective 3.07.2007 - SG No. 52/2007) A new Article 115a shall be created:

"Article 115a. Any public company may use electronic means to provide information to the shareholders where the general meeting has taken such a decision and all of the following conditions obtain:

1. the use of electronic means is not contingent on the registered office or address of the shareholders or of the persons under Article 146, Paragraph 1, items 1 - 8;

2. measures for identification are taken so as to ensure effective provision of the information to the shareholders or the persons who are entitled to exercise the voting right or determine its exercise;

3. the shareholders or the persons under Article 146, Paragraph 1, items 1 - 5 who have the right to acquire, transfer or exercise the voting right have expressly stated their written consent for the provision of the information via electronic means or within 14 days from receipt of a request of such consent from the public company have not expressly objected thereof; on request from the persons under sentence one the public company shall also provide them at all times with the information on paper;

4. determination of the costs relating to the provision of information via electronic means does not prejudice the principle under Article 110b on ensuring equal treatment."

34. (Effective 3.07.2007 - SG No. 52/2007) The existing Article 115a shall become Article 115b and in it in Paragraph 3 the words "Paragraph 3" shall be replaced by "Paragraph 4".

35. (Effective 3.07.2007 - SG No. 52/2007) The existing Article 115b shall become Article 115c and in it:

a) in Paragraph 1, sentence two the words "Article 115a" shall be replaced by "Article 115b";

b) in Paragraph 2 at the end a comma shall be inserted and the following shall be added: "including to specify at least one financial institution through which payments will be made. The types of financial institutions through which payments may be made shall be set out by ordinance."

36. (Effective 3.07.2007 - SG No. 52/2007) In Article 116:

a) a new Paragraph 3 shall be created:

"(3) any public company shall submit a copy of the written power of attorney on paper or electronically, where applicable, together with the materials for the general meeting or at request after its calling.";

b) the existing Paragraphs 3 and 4 shall become Paragraphs 4 and 5;

c) the existing Paragraph 5 shall become Paragraph 6 and in it in the text preceding "a" the words "Paragraph 4" shall be replaced by "Paragraph 5";

d) the existing Paragraphs 6, 7, 8, 9, 10 and 11 shall become Paragraphs 7, 8, 9, 10, 11 and 12.

37. (Effective 3.07.2007 - SG No. 52/2007) In Article 119:

a) in Paragraph 1:

aa) in item 3, "b" the words "with the Deputy Chairperson in charge of the Investment Activity Supervision Department" shall be replaced by "in the Commission";

bb) item 4 shall be created:

"4. repurchase of all voting shares in the general meeting of the public company as per Article 157a is in place.";

b) in Paragraph 4 the words "or 2" shall be replaced by "3 or 4".

38. (Effective 3.07.2007 - SG No. 52/2007) In Article 120 the words "Paragraphs 3 and 4" shall be replaced by "Paragraphs 4 and 5" and the word "six" shall be replaced by "six "a"".

39. (Effective 3.07.2007 - SG No. 52/2007) Article 120a shall be created:

"Article 120a. (1) Articles 110b, 110c, 111, Paragraphs 8 and 9, Articles 111a, 112e, 115, Paragraph 2, Articles 115a, 115c, Paragraph 2 on specification of a financial institutions and Article 116, Paragraph 3 shall also apply to issuers of shares from a third country for whom the Republic of Bulgaria is a home country under Article 100j, Paragraph 2, item 1.

(2) The requirements under Paragraph 1 shall not apply to issuers from a third country for whom the Republic of Bulgaria is a home country if the Commission deems that the law of that country lays down requirements equivalent to the requirements herein and the statutory instruments for the application of this Act. The conditions under which the Commission may deem that the requirements of the law of that country are equivalent to the requirements herein and the statutory instruments for the application of this Act shall be set out by ordinance.

(3) The information that the persons under Paragraph 1 shall disclose according to national law shall be disclosed under the terms of Articles 100r and 100t.

(4) The Commission shall publish on its website a list of the countries whose laws provide for requirements equivalent to the requirements herein and the statutory instruments for application of this Act."

40. (Effective 3.07.2007 - SG No. 52/2007) In Article 126b:

a) Paragraph 4 shall be amended as follows:

"(4) The persons referred to in Paragraph 3 shall submit to the Commission annual and quarterly financial reports on their activity under Chapter Six "a", Section II, as well as any other information specified by ordinance. The procedure, terms and

the manner of submitting the information under sentence one to the Commission and the procedure, terms and manner of its dissemination shall be set out by ordinance.

b) a new Paragraph 5 shall be created:

"(5) The Commission shall make public the information received under Paragraph 1 through the register kept by it under Article 30, Paragraph 1 of the Financial Supervision Commission Act.";

c) the existing Paragraphs 5 and 6 shall become Paragraphs 6 and 7.

41. In Article 126d:

a) in Paragraph 2 sentence three shall be deleted;

b) a new Paragraph 3 shall be created:

"(3) Based on the documents submitted the Deputy Chairperson shall determine the extent whereto the requirements for issuing of the approval have been satisfied. Should the particulars and documents as submitted be found deficient or invalid, or should any additional information or evidence authenticating the particulars be required, the Commission shall transmit a communication and shall set a time limit for removal of the deficiencies or non-conformities found and/or for submission of the additional information and documents required.";

c) Paragraphs 4 and 5 shall be created:

"(4) If the notification under Paragraph 3 is not accepted at the correspondence address specified by the applicant, the time limit for their submission shall be effective from posting thereof on a notice board expressly provided therefor on the premises of the Commission. Any such posting shall be attested by a memorandum drawn up by officers designated by an order of the Chairperson of the Commission.

(5) The applicant shall be notified in writing of the decision taken within 7 days.";

d) the existing Paragraph 3 shall become Paragraph 6.

42. In Article 127:

a) in Paragraph 3 sentence two shall be deleted;

b) a new Paragraph 4 shall be created:

"(4) The Central Depository may not:

1. grant loans or secure receivables of third parties;

2. issue bonds;

3. receive loans under conditions less favourable than the market conditions for the country.";

c) the existing Paragraphs 4, 5, 6, 7 and 8 shall become Paragraphs 5, 6, 7, 8 and 9.

43. Article 131, Paragraph 1, item 4 shall be amended as follows:

"4. regulated markets or market operators where they are persons other than regulated markets."

44. In Article 133, Paragraph 5:

a) item 2 shall be amended as follows:

"2. in pursuance of a judgment of the [competent] court of law rendered under the terms and according to the procedure established by Article 35, Paragraphs 6 and 7 of the Markets in Financial Instruments Act;"

b) (effective 3.07.2007 - SG No. 52/2007) items 3 and 4 shall be created:

"3. on a written request from the director of the National Investigation Service, the National Security Service or the National

Police Service regarding companies with over 50 per cent state and/or municipal participation;

4. on a request from the chief prosecutor or his/her authorized deputy upon available data about organized criminal activity or money laundering.";

45. In Article 136:

a) in Paragraph 1 the words "Article 74d, Paragraph 1" shall be replaced by "Article 41, Paragraph 1 of the Markets in Financial Instruments Act";

b) in Paragraph 3 the words "Article 54, Paragraph 3, item 1" shall be replaced by "Article 5, Paragraph 3, item 1 of the Markets in Financial Instruments Act";

c) in Paragraph 5 the words "Article 54, Paragraph 3, item 1" shall be replaced by "Article 5, Paragraph 3, item 1 of the Markets in Financial Instruments Act".

46. In Article 144

the words "Chapters Six and Seven herein shall apply, mutatis mutandis" shall be replaced by "Chapter Six herein shall apply, mutatis mutandis".

47. (Effective 3.07.2007 - SG No. 52/2007) Chapter Eleven, Section I shall be amended and supplemented as follows:

a) Article 145 shall be amended as follows:

"Article 145. (1) Any shareholder who acquires or transfers directly and/or under Article 146 a voting right in the general meeting of the public company shall notify the Commission and the public company where:

1. following the acquisition or transfer his voting right reaches, exceeds or falls below 5 per cent or a multiple of 5 per cent of the number of voting rights in the general meeting of the company;

2. his voting right reaches, exceeds or falls below the thresholds under item 1 as a result of events leading to a change of the total number of voting rights based on the information disclosed under Article 112e.

(2) The voting rights shall be calculated on the basis of the total amount of voting shares regardless of whether a restriction is imposed on the right to exercise it. Calculation shall be made for every class of shares.

(3) Where the thresholds under Paragraph 1 are reached or exceeded as a result of direct acquisition or transfer of voting shares, the obligation under Paragraph 1 shall also arise for the Central Depository. The format, content and the procedure for notification shall be set out by ordinance.

(4) Paragraph 1 shall not apply to voting rights attaching to:

1. shares acquired only for the purpose of making clearing or settlement within the normal settlement cycle, which may not be longer than three working days from the conclusion of the transaction;

2. shares held by custodians in said capacity and provided that they may exercise voting rights attaching to the shares only on the order of a client given in writing or electronically.

(5) No notification is required from a market maker acting in said capacity, where his voting right reaches, exceeds or falls below 5 per cent of the votes in the general meeting, provided that the market maker:

1. has been granted authorization for conducting activity as investment intermediary under Article 3 of Council Directive 93/22/EC on the investment services in the securities field;

2. does not participate in the management of the company and does not exert influence on the company for the purchase of the shares or maintenance of their prices.";

b) Article 146 shall be amended as follows:

"Article 146. (1) The obligation under Article 145, Paragraph 1 shall furthermore apply to a person who has the right to acquire, transfer or exercise the voting rights in the general meeting of a public company in one or more of the following cases:

1. voting rights held by a third party with whom the person has entered into agreement on pursuit of a long-term common policy on the management of the company through joint exercise of the voting rights held by them;
2. voting rights held by a third party with whom the person has entered into agreement on a temporary transfer of the voting rights;
3. voting rights attaching to shares provided as security to the person, provided that the latter may control the voting rights and has expressly stated its intention to exercise them;
4. voting rights attaching to shares provided for use by the person;
5. voting rights held or which may be exercised under items 1 - 4 by a company controlled by the person;
6. voting rights attaching to shares deposited with the person, which rights the person may exercise at its discretion without special instructions by the shareholders;
7. voting rights held by third parties on their behalf but on the account of the person;
8. voting rights that the person may exercise in its capacity as proxy where the person may exercise them at his discretion, without special instructions by the shareholders.

(2) The voting rights of the parent undertaking of a management company shall not be added to the voting rights of the management company, attaching to shares included in an individual portfolio managed by it under Article 202, Paragraph 2, item 1, provided that the management company exercises the voting rights independently from the parent undertaking.

(3) The voting rights of the parent undertaking of an investment intermediary who has been granted authorization for carrying on activity under Article 3 of Council Directive 93/22/EEC on the investment services in the securities field shall not be added to the voting rights of the investment intermediary, attaching to shares included in an individual portfolio managed by it under § 1, item 7 of the supplementary provisions of the Markets in Financial Instruments Act, provided that:

1. the investment intermediary is authorized to manage an individual portfolio under Article 5, Paragraph 2, item 4 of the Markets in Financial Instruments Act;
2. the investment intermediary may exercise the voting rights attaching to the shares only on instruction given in writing or electronically, or shall guarantee that the individual portfolio is managed separately from the other services and under conditions equivalent to the conditions under Council Directive 85/611/EEC by applying appropriate measures;
3. the investment intermediary exercises its voting rights independently from the parent undertaking.

(4) Paragraphs 2 and 3 shall not apply in cases where the parent undertaking or another company controlled by the parent undertaking has invested in voting shares included in an individual portfolio managed by the management company or the investment intermediary and the management company, as the case may be, and the investment intermediary has not the right to exercise the voting rights at its own discretion but only in accordance with direct or indirect instructions given to it by the parent undertaking or another company controlled by the parent undertaking.

(5) Paragraphs 2 - 4 shall also apply to companies whose registered office is in a third country for which an authorization would be required under Article 5 of Council Directive 85/611/EEC or for management of individual portfolio under item 3 of Section "A" of the annex to Council Directive 93/22/EEC on investment services in the securities field if they had a registered office in a Member State, or in the cases of investment intermediary, if its head office was located in a Member State provided that equivalent requirements are complied with for independent exercise of the voting rights or in portfolio management as management company or investment intermediary, as the case may be. The conditions where the requirements are considered equivalent shall be set out in ordinance."

c) Article 147 shall be amended as follows:

"Article 147. The requirements under Articles 145 and 146, Paragraph 1, item 3 shall not apply to shares provided to or by the European Central Bank, the Bulgarian National Bank or the central banks of the other Member States in the performance of their monetary policy functions, including shares provided to or by them as security, in repo agreements or similar agreements on liquidity provision for the purposes of the monetary policy or within one payment system, if the transactions are concluded for a short period of time and the voting rights attaching to the shares are not exercised."

d) Article 148 shall be amended as follows:

"Article 148. (1) The notification under Article 145, Paragraph 1 and Article 146, Paragraph 1 shall contain at a minimum:

1. the number of the votes resulting from the change;
2. the controlled persons through which the person exercises the voting rights, where applicable;
3. the date on which the voting rights of the person reach, exceed or fall below the thresholds under Article 145, Paragraph 1;
4. data about the shareholder, regardless of whether he may exercise the voting rights under Article 146, Paragraph 1, and about the persons who have the right to exercise the voting right on account of the shareholder.

(2) The notification shall be prepared either in Bulgarian or in a language normally used in the field of international finance. The public company is not obligated to provide translation of the notification into the language adopted by the Commission or the other competent authorities.

(3) The obligation for notification under Article 145, Paragraph 1 and Article 146, Paragraph 1 shall be fulfilled without delay but no later than 4 working days after the day following the day on which the shareholder or the person under Article 146, Paragraph 1:

1. becomes aware of the acquisition, transfer or the option to exercise his voting rights under Article 146 or on which, depending on the specific circumstances, he should have become aware of, regardless of the date on which the acquisition or transfer was carried out or the option for exercise of the voting rights arose;
2. has been notified of the occurrence of the events under Article 145, Paragraph 1, item 2.

(4) The obligation for notification under Article 145, Paragraph 3 shall be fulfilled no later than the day following the acquisition or the transfer of the shares.

(5) The requirement under Paragraph 1 shall not apply to the person whose obligation for notification has been fulfilled by its parent undertaking, and where the parent undertaking is a controlled company, by its parent undertaking.

(6) Attached to the notification shall be a declaration of existence of the circumstances under Article 145 and/or Article 146.

(7) The form and procedure for giving notification as well as additional requirements to its content, the cases where it is deemed that the person must have become aware of the acquisition and transfer, the conditions where it is deemed that the exercise of the votes or the management of a portfolio by the management company and the investment intermediary are independent, as well as the measures for exercising control on compliance with the conditions for exemption from the obligations for notification under this Section shall be set out by ordinance.

e) Articles 148a - 148f shall be created:

"Article 148a. (1) The obligation for notification under Article 145 shall furthermore refer to the persons who hold directly or indirectly financial instruments entitling them to acquire at their own initiative and based on a written contract voting shares in the general meeting of a public company.

(2) The types of financial instruments under Paragraph 1, the procedure for giving the notification, the nature of the contract, the content, term and form of the notification as well as any other requirements relating to the notification shall be set out by ordinance.

Article 148b. Any public company shall disclose publicly under the terms of Article 100r the information provided with the notifications by the persons under Article 145 and Article 146 within three working days from notification thereof.

Article 148c. (1) To ensure compliance with the provisions of this Section, in addition to the powers provided for in the other parts of the Act and the statutory instruments for its application, the Deputy Chairperson may:

1. require from the public company, the Central Depository, the shareholders, the persons holding other financial instruments, and the persons under Articles 146 and 148a to provide particular information and documents;
2. require from the public company to disclose publicly the information under item 1 in a manner and within the term set by him;

3. publish the information under item 1 at its own initiative in the cases where the public company has not fulfilled its obligation under item 2 and after submission of explanation from the company;

4. require from the Central Depository, the shareholders and the persons holding other financial instruments as well as from the persons under Articles 146 and 148a to provide the information under this Section, and where necessary, additional information and documents;

5. inform the public that a particular public company, a shareholder or a person holding other financial instruments or the person under Articles 146 and 148a does not fulfill his obligations under this Section or the instruments for its application.

(2) The Commission may disclose any measure taken or penalty imposed for infringement of the provisions of this Section and the instruments for its application, save where such disclosure would seriously jeopardise the stability of financial markets or cause disproportionate damage to the parties involved.

Article 148d. (1) The Commission shall cooperate and exchange information with the relevant competent authorities of the other Member States where this necessary for the purpose of carrying out its duties under this Section and shall render assistance in view of the exercise of their functions.

(2) Where the Republic of Bulgaria is a host country and the Commission establishes that an issuer, shareholder or holder of other financial instruments or the person under Article 146 infringes this Act and the statutory instruments for its application it shall notify the competent authority in the home country thereof.

(3) If, despite the measures taken by the competent authority in the home country or where such measures prove inadequate, the issuer, the shareholder or the holder of other financial instruments or the person under Article 146 persists in infringing this Act or the statutory instruments for its application, the Commission may, after informing the competent authority of the home country, take all the appropriate measures in order to protect investors. The Commission shall notify the European Commission of the measures taken within 7 days after their implementation.

(4) Where the Commission is notified by the relevant competent authority of the host country within the meaning of Article 100j, Paragraph 2, item 2 that a public company, shareholder or holder of other financial instruments or the person under Article 146 infringes the law of the relevant Member State, the Commission, the Deputy Chairperson respectively, shall apply relevant enforcement administrative measures.

Article 148e. (1) This Section shall furthermore apply to issuers from a third country, whose shares are admitted to trading on a regulated market and for whom the Republic of Bulgaria is a home country within the meaning of Article 100j, Paragraph 2, item 1.

(2) In the cases of Article 145, Paragraph 1, item 2 where the issuer is from a third country notification shall be made upon occurrence of equivalent events which lead to changes in the total number of voting rights.

(3) The requirements of Article 148b for the term for disclosure shall not apply to the persons under Paragraph 1 if the Commission considers that the law of that country lays down equivalent requirements. The conditions under which the Commission may consider that the requirements of the law of the third country are equivalent to the requirements of Article 148b shall be set out by ordinance.

(4) The Commission shall publish on its website a list of the countries whose laws set out requirements equivalent to the requirements under Article 148b.

Article 148f. The provisions of this Section shall not apply to:

1. the units of collective investment undertakings other than the closed end type within the meaning of Article 77x, Paragraph 1, items 8 and 9, or to units acquired or transferred within such collective investment undertaking;

2. money market instruments with a maturity of less than 12 months."

48. (Effective 3.07.2007 - SG No. 52/2007) Article 148g and Article 148h shall be created in Chapter Eleven, Section II:

"Article 148g. Within the meaning of this Section "related parties" shall be the persons who on the basis of an agreement, either express or tacit, either oral or written, aim either at acquiring control of the offeree company or at frustrating the successful outcome of a tender offering. The persons controlled by another person within the meaning of § 1, item 44 of the

supplementary provisions shall be considered related parties with such person or among themselves, as well as with the persons under § 1, item 12, "c" and "d" of the supplementary provisions.

Article 148h. This Section shall not apply to tender offerings regarding:

1. securities issued by companies whose purpose is collective investment of funds raised through public offering of units, operating on the principle of risk-spreading and on request from holders of such units buy back directly or indirectly their units at a price based on their net asset value;

2. shares issued by the central banks of the Member States."

49. In Article 149:

a) (effective 3.07.2007 - SG No. 52/2007) in Paragraph 3 the word "offeror" shall be replaced by "tender offeror";

b) in Paragraph 9 the words "Article 56, Paragraph 1" shall be replaced by "Article 8, Paragraph 1 of the Markets in Financial Instruments Act".

50. (Effective 3.07.2007 - SG No. 52/2007) In Article 149a:

a) in Paragraph 1, sentence two the words "Paragraphs 3 and 4" shall be replaced by "Paragraphs 3, 4 and 9";

b) a new Paragraph 3 shall be created:

"(3) If the person under Article 149, Paragraphs 1 and 6 acquires within the 14-day period, directly, through related parties or indirectly under Article 149, Paragraph 2, more than 90 per cent of the votes in the general meeting of the public company it shall meet its obligation under Article 149, Paragraphs 1 and 6 and may exercise its right under Paragraph 1 by registering one tender offer.";

c) the existing Paragraphs 3 and 4 shall become Paragraphs 4 and 5.

51. (Effective 3.07.2007 - SG No. 52/2007) In Article 149b, Paragraph 1, sentence two the words "Paragraphs 3 and 4" shall be replaced by "Paragraphs 3, 4 and 9".

52. (Effective 3.07.2007 - SG No. 52/2007) In Article 150:

a) in Paragraph 1:

aa) in item 1 at the end shall be added "and protection of the other shareholders upon acquiring control of the company";

bb) in item 2 a sentence two shall be created: "In the giving of an opinion on the tender offer the management body of the offeree company shall give its opinion on the consequences from accepting the tender offer on the employees, the conditions of the contracts of employment and the place of carrying on activity.";

cc) item 3 shall be amended as follows:

"3. the management bodies acting in the best interest of the company as a whole, without preventing the shareholders from the possibility to take decision on the substance of the tender offer;"

dd) items 5 and 6 shall be created:

"5. making a tender offer only after providing opportunity for full payment or exchange, as the case may be, of the shares to the shareholders who have accepted the offer;

6. the company that is the subject of tender offer shall not be placed in a situation which inhibits its activity for an unjustifiably long period of time.";

b) in Paragraph 2:

aa) in item 1 the word "offeror" shall be replaced by "the tender offeror";

bb) a new item 2 shall be created:

"2. the shares or the class of shares, as the case may be, for which the tender offer refers;"

cc) the existing items 2 and 3 shall become items 3 and 4;

dd) a new item 5 shall be created:

"5. the compensation for the rights of the shareholders which may be restricted under the terms of Article 151a, Paragraph 4, including the procedure and manner of its payment and the methods of its setting;"

ee) the existing items 4, 5 and 6 shall become items 6, 7 and 8;

ff) the existing item 7 shall become item 9 and shall be amended as follows:

"9. the intentions of the offeror regarding the future operation of the company subject to tender offer and of the offeror - legal person to the extent the latter is affected by the tender offer, regarding retention of the members of the management bodies and the staff of the said companies, including material changes in the terms and conditions of the contracts of employment and in particular the strategic plans of the offeror for the two companies and for the likely repercussions of the offer on the employees and the locations of the companies' places of business;"

gg) the existing items 8 and 9 shall become items 10 and 11;

hh) item 12 shall be created:

"12. applicable law to the contracts between the offeror and the shareholders upon acceptance of the tender offer and the competent court,"

ii) the existing item 10 shall become item 13;

c) in Paragraph 3 the words "items 2 and 9" shall be replaced by "items 3 and 11";

d) in Paragraph 6 the words "Article 150, Paragraph 2, item 3" shall be replaced by "Paragraph 2, item 4";

e) in Paragraph 7:

aa) in item 1 at the end the conjunction "and" shall be deleted;

bb) in item 2 the text after the words "3 months" shall be deleted;

cc) item 3 shall be created:

"3. the highest price per share paid by the offeror, the persons related to him or the persons under Article 149, Paragraph 2 during the last 6 months before the registration of the offer; in the cases where the price of the shares cannot be determined in accordance with the preceding sentence, it shall be determined as the last issue value or the last price paid by the tender offeror, whichever is higher."

f) in Paragraph 8 after the words "paid by the offeror" a comma shall be inserted and the words "by the persons related to him or by the persons under Article 149, Paragraph 2" shall be added;

g) a new Paragraph 9 shall be created:

"(9) if until expiry of the term of the tender offer the tender offeror acquires directly, through related parties or indirectly under Article 149, Paragraph 2 voting shares in the general meeting of the offeree company at a price higher than that offered in the tender offer the tender offeror shall increase the offered price to such higher price. In this case the purchase of the shares shall be effected at the higher price in respect of all shareholders who have accepted the offer before or after the increase."

h) the existing Paragraph 9 shall become Paragraph 10;

i) the existing Paragraph 10 shall become Paragraph 11 and in it the words "item 5" shall be replaced by "item 7" and at the end shall be added "save in the cases of competitive tender offer made where the term of the tender offer shall be extended until expiry of the term for acceptance of the competitive tender offer."

53. (Effective 3.07.2007 - SG No. 52/2007) In Article 151:

a) a new Paragraph 2 shall be created:

"(2) Paragraph 1 shall not apply to tender offer for acquisition and/or exchange of voting shares of the company which has its registered office in a Member State and whose shares are admitted to trading on a regulated market in the Republic of Bulgaria, which was subject to approval and has been approved by the competent authority of that Member State. In this case the Commission may require from the tender offeror to make a translation of the tender offer as well as include in it additional information which is specific for the market in the Republic of Bulgaria, relating to the conditions of acceptance of the tender offer, receipt of the price of the shares or their stock exchange value, as well as any fees due thereon.";

b) the existing Paragraph 2 shall become Paragraph 3 and in it the word "offerror" shall be replaced by "tender offeror" and added after the words "subject to tender offer" shall be the words "of the representatives of its employees or, where there are no such representatives, to the employees themselves";

c) a new Paragraph 4 shall be created:

"(4) The management body of the offeree company shall submit the tender offer to the representatives of its employees or, where there are no such representatives, to the employees themselves.";

d) the existing Paragraph 3 shall become Paragraph 5 and shall be amended as follows:

"(5) Within 7 days after receipt of any tender offer, the management body of the company affected shall present a reasoned opinion on the transaction proposed to the Commission, to the offeror, and to the representatives of the employees or, where there are no such representatives, to the employees themselves, inter alia as to the repercussion from accepting the tender offer on the company and the employees and the strategic plans of the offeror for the offeree company and their likely repercussion on the employees and the place of business as per Article 150, Paragraph 2, item 9. The opinion must furthermore contain information concerning the existence of possible agreements stipulating the exercise of the voting power carried by the shares in the offeree company, in so far as any such information is known to the management body, as well as information concerning the number of shares in the company held by the members of the management body thereof and whether the said members intend to accept the offer. When the management body of the offeree company receives within the time limit under sentence one an opinion from the representatives of the employees on the repercussion of the tender offer on the employees, this opinion shall be attached to the opinion of the management board.";

e) the existing Paragraph 4 shall become Paragraph 6 and shall be amended as follows:

"(6) Upon receipt of the offer referred to in Paragraph 3 and until publication of the results of the tender offering or until closing of the said offering, as the case may be, the management body of the offeree company may not perform any other acts except for seeking a competitive tender offer, whereof the principal aim is frustration of the acceptance of the tender offer or infliction of material difficulties or material additional expenses on the offeror such as issue of shares or conclusion of transactions which would result in a significant change in the property of the company, unless said acts are performed with the prior approval of the general meeting of the offeree company.";

f) a Paragraph 7 shall be created:

"(7) The general meeting shall approve any decision of the management body on taking measures under Paragraph 6, taken before receipt of the tender offer, which is not effected in full or in part and which is not part of the ordinary business of the company and which may frustrate acceptance of the tender offer."

54. (Effective 3.07.2007 - SG No. 52/2007) Article 151a shall be created:

"Article 151a. (1) All restrictions on the transfer of voting shares provided for in the articles of association of the offeree company, in agreements between the offeree company and the shareholders or in agreements among the shareholders shall not apply to the tender offer within the term for acceptance of the tender offer.

(2) Any restrictions on the voting right provided for in the articles of association of the offeree company, in agreements between the offeree company and the shareholders or in agreements among the shareholders shall not apply in taking decisions by the general meeting concerning the taking of measures under Article 151, Paragraphs 6 and 7.

(3) Where as a result of a tender offer the offeror acquires more than 75 per cent of the votes in the general meeting of a public company, the restrictions under Paragraphs 1 and 2 shall not apply as well as the exclusive rights of the shareholders related to

election or dismissal of the members of the management bodies set out in the articles of association of the offeree company.

(4) The offeror shall pay compensation to the shareholders for restricting their rights under Paragraphs 1 - 3. The conditions and procedure for the payment of the compensation shall be determined by the offeror and shall be specified in the tender offer. Any disputes regarding the amount of the compensation set shall be settled under the general procedure.

(5) Paragraphs 2 and 3 shall not apply to shares where the restrictions on the voting right are compensated for by additional dividend or other pecuniary payments.

(6) Paragraphs 1 - 4 shall not apply to the special rights of the State relating to its participation in the offeree company."

55. (Effective 3.07.2007 - SG No. 52/2007) In Article 152, Paragraph 1 a third sentence shall be created: "The Commission may require any information about the tender offer as may be necessary to it for the performance of its functions, and from the members of the management body of the offeror - legal person, the offeree company, the shareholders and the members of the management body of the offeree company, as well as from related parties thereof."

56. (Effective 3.07.2007 - SG No. 52/2007) In Article 154:

a) in Paragraph 1:

aa) a new sentence two shall be created: "Within the time limit under sentence one the offeror shall make the tender offer to representatives of its employees and to the representatives of the employees of the offeree company or, where there are no such representatives, to the employees themselves.";

bb) the existing sentence two shall become sentence three;

b) a Paragraph 3 shall be created:

"(3) Where the shares of the offeree company are admitted to trading on a regulated market in another Member State the offeror shall, within the time limit under Paragraph 1, make available the tender offer to the shareholders in the countries where its shares are admitted to trading. At request from the competent authority of the Member State the tender offeror shall make a translation of the tender offer in the language adopted by the relevant competent authority as well as include additional information which is specific for the relevant market and refers to the conditions of acceptance of the tender offer, receipt of the price of the shares or the stock exchange value or the fees due thereon."

57. (Effective 3.07.2007 - SG No. 52/2007) In Article 155:

a) in Paragraph 1 the words "Article 151, Paragraphs 1 and 2" shall be replaced by "Article 151, Paragraphs 1 and 3";

b) in Paragraph 4 the words "Paragraph 10" shall be replaced by "Paragraph 11";

c) in Paragraph 5, sentence two the words "Paragraph 2" shall be replaced by "Paragraph 3";

58. (Effective 3.07.2007 - SG No. 52/2007) In Article 156, Paragraphs 1 and 2 the words "item 5" shall be replaced by "item 7".

59. (Effective 3.07.2007 - SG No. 52/2007) In Article 157 the word "the tender" shall be replaced by "the tender offering".

60. (Effective 3.07.2007 - SG No. 52/2007) A new Article 157a shall be created:

"Article 157a. (1) A person who as a result of a tender offering made to all voting shareholders acquires directly, through related parties or indirectly in the cases under Article 149, Paragraph 2 at least 95 per cent of the votes in the general meeting of a public company shall have the right, within three months of the term of the tender offer, to repurchase the voting shares out of the remaining shareholders. Article 149, Paragraphs 3, 4 and 9 herein shall apply mutatis mutandis.

(2) The proposed repurchase shall be approved by the Commission.

(3) The price under Paragraph 1 shall be at least equal to the price:

1. proposed in the tender offer whereby the threshold under Paragraph 1 is reached and upon mandatory making of the offer;

2. proposed in the tender offer whereby the threshold under Paragraph 1 is reached and where making of the offer was

optional and provided that the person under Paragraph 1 has acquired no less than 90 per cent of the voting shares proposed in the said tender offer;

3. determined in accordance with Article 150, Paragraphs 6 and 7 - in the other cases.

(4) For issuance of approval the person under Paragraph 1 shall submit to the Commission a proposal for repurchase, which shall contain the data under Article 150, Paragraph 2, items 1 - 4, 6, 8, 10, 12 and 13. Article 150, Paragraphs 4 and 5 herein shall apply *mutatis mutandis*.

(5) The Commission shall pronounce on the application for issuance of approval within 14 days after the date of receipt thereof. Articles 152 and 153 herein shall apply *mutatis mutandis*.

(6) Within three days from issuance of the approval the person under Paragraph 1 shall submit the proposal to the company and the regulated market whereon the shares of the company are admitted to trading and shall publish it under Article 154.

(7) The shareholders shall sell their shares to the person under Paragraph 1 within one month from publication of the proposal and their consent shall not be required thereof. The shares not sold within the said time limit shall be considered ownership of the person under Paragraph 1 upon expiry of the time limit. Article 156 herein shall apply *mutatis mutandis*."

61. (Effective 3.07.2007 - SG No. 52/2007) Articles 157b - 157d shall be created:

"Article 157b. (1) Any shareholder may require from the person who has acquired directly, through related parties or indirectly in the cases of Article 149, Paragraph 2 at least 95 per cent of the votes in the general meeting of a public company as a result of tender offer, to repurchase its voting shares within three months from the deadline of the tender offer. The request shall be in writing and shall contain data about the shareholder and the shares held thereby. In this case Article 157a, Paragraph 3 herein shall apply accordingly.

(2) The person under Paragraph 1 shall repurchase its shares within 30 days from receipt of the application.

Article 157c. (1) The Commission shall supervise tender offers where the offeree company has its registered office in the Republic of Bulgaria and the shares issued thereby are admitted to trading on a regulated market in the Republic of Bulgaria or in a third country.

(2) The Commission shall furthermore supervise the tender offer where the shares of the offeree company are admitted to trading on a regulated market in the Republic of Bulgaria but are not admitted to trading on a regulated market in the Member State at its registered office.

(3) Where the shares of the offeree company under Paragraph 2 are admitted to trading on a regulated market in the Republic of Bulgaria and in another Member State the supervision of the tender offering shall be exercised by the Commission if the shares of the company are admitted to trading on a regulated market in the Republic of Bulgaria for the first time.

(4) Where the shares of the offeree company under Paragraph 2 are admitted to trading on a regulated market in the Republic of Bulgaria and in another Member State the supervision of the tender offering shall be exercised by the Commission if the company has determined it as the competent authority to exercise supervision of tender offering. The company shall communicate its decision to the Commission and the competent authorities of the other Member States in which the shares of the company are admitted to trading on a regulated market as well as the respective regulated markets on the first day of trading.

(5) The Commission shall disclose publicly the decision under Paragraph 4, designating it as the body responsible for the exercise of supervision of the tender offering.

(6) This Act or the statutory instruments for its application shall apply to the cases under Paragraph 2 - 4 on the issues regarding the price and/or the stock exchange value of the tender offer, the decision of the offeror on making a tender offer, the contents of the tender offer and its publication, and to issues regarding the information to be provided to the employees of the offeree company and company law, including the cases wherein an obligation arises for making a tender offer and wherein this obligation is not applied, as well as the circumstances wherein the offeree company may take actions that could frustrate the tender offering the law of the Member State where the registered office of the offeree company is located shall apply.

Article 157d. (1) The Commission shall cooperate and exchange information with the competent authorities of the other Member States, particularly in the cases under Article 157c, Paragraphs 2 - 4.

(2) The competent authorities of the other Member States shall be the authorities exercising supervision of tender offerings, securities markets and other financial instruments and trade on these markets.

(3) The Commission may require from the competent authorities of the other Member States cooperation for serving particular documents in order to bring into effect acts issued by it in relation to tender offering as well as other actions with a view to ascertaining committed or alleged violations under this Act or the statutory instruments for its application.

(4) At request from a competent authority of a Member State the Commission shall serve particular documents with a view to bringing into effect acts issued by it in relation to tender offering, as well as other actions with a view to ascertaining committed or alleged violations of the law of the respective Member State in relation to the tender offerings."

62. (Effective 3.07.2007 - SG No. 52/2007) The existing Article 157a shall become Article 157e and therein in Paragraph 2 at the end shall be added "and repurchase of voting shares under Articles 157a and 157b".

63. Chapter Eleven with Articles 161a and 162 shall be repealed.

64. A Paragraph 3 shall be created in Article 164b:

"(3) Additional requirements to the conditions which money market instruments under Paragraph 1 and the securities under Paragraph 2 shall meet as well as determination of the assets under Article 195 which are considered liquid financial assets shall be set out by ordinance."

65. Article 167 shall be amended as follows:

"Article 167. (1) A person elected as member of the management body of an investment company shall:

1. have the professional qualification and experience required for management of the investment company;
2. have no conviction for a premeditated offence at public law;
3. hold no previous membership of a management body or a supervisory body of, and no previous status as general partner in, any company undergoing bankruptcy proceedings or dissolved by bankruptcy and leaving any creditor unsatisfied;
4. have not been declared in bankruptcy or not be in bankruptcy proceedings;
5. be no spouse of any other member of a management body or a supervisory body of the company, and is no lineal or collateral relative to any such person up to the third degree of consanguinity and do not actually live with such a member;
6. is under no effective disqualification from occupying a position of property accountability.

(2) A person elected as member of a supervisory body of an investment firm shall meet the requirements of Paragraph 1, items 2 - 6.

(3) The requirements under Paragraphs 1 and 2 shall furthermore apply to natural persons who represent legal persons - members of management and supervisory bodies of the investment company.

(4) The provisions of Paragraph 1 shall furthermore apply to other persons who may conclude independently or jointly with another person transactions on the account of the investment company.

(5) The circumstances under Paragraph 1, items 3 - 6 shall be ascertained by declaration."

66. In Article 168, Paragraph 5 the words "Article 61" shall be replaced by "Article 12 of the Markets in Financial Instruments Act."

67. (Effective 3.07.2007 - SG No. 52/2007) In Article 172, Paragraph 1 the words "in securities" shall be replaced by "in financial instruments".

68. (Effective 3.07.2007 - SG No. 52/2007) In Article 173:

a) in Paragraph 1 the word "securities" shall be replaced by "financial instruments" and the words "register of the Central Depository" shall be replaced by "depository institution";

b) in Paragraph 2, item 2 the word "securities" shall be replaced by "financial instruments";

c) in Paragraph 7 the word "securities" shall be replaced by "financial instruments".

69. In Article 177:

a) in Paragraph 2, sentence three the words "Article 69" shall be replaced by "Article 23 of the Markets in Financial Instruments Act";

b) in Paragraph 3 sentence three shall be deleted;

c) new Paragraphs 4 and 5 shall be created:

"(4) Based on the documents submitted the Commission shall determine the extent whereto the requirements for issuing of the permission as requested have been satisfied. Should the particulars and documents as submitted be found deficient or invalid, or should any additional information or evidence authenticating the particulars be required, the Commission shall transmit a communication specifying the deficiencies or non-conformities found or the additional information and documents required.

(5) If the communication under Paragraph 4 is not accepted at the correspondence address specified by the applicant, the time limit for their submission shall be effective from posting thereof on a notice board expressly provided therefor on the premises of the Commission. Any such posting shall be attested by a memorandum drawn up by officers designated by an order of the Chairperson of the Commission."

d) the existing Paragraphs 4 and 5 shall become Paragraphs 6 and 7.

70. (Effective 3.07.2007 - SG No. 52/2007) In Article 177a, Paragraph 7 the word "securities" shall be replaced by "financial instruments" and the words "register of the Central Depository" shall be replaced by "depository institution".

71. (Effective 3.07.2007 - SG No. 52/2007) In Article 179 the words "and Chapter Eleven, Section I" and "Section II" shall be deleted.

72. (Effective 3.07.2007 - SG No. 52/2007) In the title of Chapter Fourteen the words "common fund authorization" shall be replaced by "authorization to organize and manage a common fund".

73. In Article 180:

a) Paragraph 4 shall be amended as follows:

"(4) Based on the documents submitted the Commission shall determine the extent whereto the requirements for issuing of a license or permission, as the case may be, have been satisfied. Should the particulars and documents as submitted be found deficient or invalid, or should any additional information or evidence authenticating the particulars be required, the Commission shall transmit a communication and shall set a time limit for removal of the deficiencies or non-conformities found or for submission of the additional information and documents required, which shall not be less than one month and longer than two months."

b) Paragraphs 5, 6 and 7 shall be created:

"(5) If the communication under Paragraph 4 is not accepted at the correspondence address specified by the applicant, the time limit for their submission shall be effective from posting thereof on a notice board expressly provided therefor on the premises of the Commission. Any such posting shall be attested by a memorandum drawn up by officers designated by an order of the Chairperson of the Commission.

(6) The Commission shall pronounce on the application within three months after receipt thereof and where additional particulars and documents have been required, within three months after receipt thereof or expiry of the time limit under Paragraph 4, sentence two, as the case may be. Simultaneously with the issuing of a licence to an investment company of an open-end type and an authorization to a management company to organize and manage a common fund, the Commission shall confirm the prospectus of the investment company and the common fund.

(7) The applicant shall be notified in writing of the decision taken within 7 days."

74. In Article 185, Paragraph 3 the words "Article 68, Paragraphs 2 and 3 and Article 69" shall be replaced by "Article 20,

Paragraphs 3 and 4 and Article 23 of the Markets in Financial Instruments Act".

75. (Effective 3.07.2007 - SG No. 52/2007) In Article 187, Paragraph 3 the words "Article 98a shall apply" shall be replaced by "the Deputy Chairperson shall determine a sufficient time limit for their removal under the terms of Article 212".

76. (Effective 3.07.2007 - SG No. 52/2007) In Article 191:

a) Paragraph 1 shall be amended as follows:

"(1) The investment company and the management company of the common fund shall submit to the Commission:

1. annual and interim financial reports;
2. monthly balance sheet;
3. other information established by ordinance.";

b) new Paragraphs 2, 3 and 4 shall be created:

"(2) The requirements as to the content of the information under Paragraph 1, the procedure, time limits and the manner of submission thereof to the Commission, as well as the requirements regarding the public dissemination of information shall be established by ordinance.

(3) The Commission shall make public the information received under Paragraph 1 through the register kept by it under Article 30, Paragraph 1 of the Financial Supervision Commission Act.

(4) The persons under Paragraph 1 shall cause publication of a notice of the submission of the annual and interim reports, the time limit and the manner of familiarizing with them in one national daily newspaper within 7 days after their submission to the Commission. The notice shall be published first in the official bulletin of the Commission.";

c) the existing Paragraphs 2 and 3 shall become Paragraphs 5 and 6;

d) the existing Paragraph 4 shall become Paragraph 7 and shall be amended as follows:

"(7) The auditor of the investment company and the common fund shall notify the Commission without delay of any circumstance that has come to its knowledge in the course of conducting the audit and which refers to the activity of the investment company and the common fund and constitutes a material breach of this Act and the statutory instruments for its application or could affect adversely the conduct of their activity, or constitutes a ground for refusal to give opinion, a ground for a qualified opinion or a ground for a negative opinion.";

e) Paragraphs 8 and 9 shall be created:

"(8) The auditor of the investment company and of the common fund shall furthermore notify the Commission of any circumstance under Paragraph 7 that has come to its knowledge in the course of conducting an audit of a related party of the collective investment scheme or its management company or the depositary bank.

(9) In the cases of Paragraphs 7 and 8 the restrictions on disclosure of information set out by law, by-law or contract shall not apply."

77. (Effective 3.07.2007 - SG No. 52/2007) In Article 193, Paragraph 8, item 1 the word "securities" shall be deleted.

78. In Article 195, Paragraph 1, items 1 and 2 the words "Article 7" shall be replaced by "Article 73 of the Markets in Financial Instruments Act".

79. In Article 196, Paragraph 15, sentence two the words "Paragraphs 3 and 4" shall be replaced by "Paragraphs 3 - 6".

80. In Article 197, Paragraph 2, sentence two the words "Paragraphs 3 and 4" shall be replaced by "Paragraphs 3 - 6".

81. Article 200 shall be amended as follows:

a) in Paragraphs 1 and 2 the word "securities" shall be deleted;

b) in Paragraph 3 the words "Paragraph 5" shall be replaced by "Paragraph 7";

82. In Article 201, Paragraph 5, sentence three the words "Paragraphs 3 and 4" shall be replaced by "Paragraphs 3 - 6".

83. In Article 202:

a) (effective 3.07.2007 - SG No. 52/2007) in Paragraph 2 everywhere the word "securities" shall be replaced by "financial instruments";

b) in Paragraph 3 the words "the provisions of the law regarding investment intermediaries" shall be replaced by "Article 4, Paragraph 2, Article 24, Paragraphs 1 - 3, 7 and 8, Article 27, Paragraphs 4 - 7, Articles 28, 29, 32, Paragraph 6, Articles 33 and 34 of the Markets in Financial Instruments Act".

c) in Paragraph 8 the words "Article 54, Paragraph 2, item 2" shall be replaced by "Article 5, Paragraph 2, item 2 of the Markets in Financial Instruments Act";

d) (effective 3.07.2007 - SG No. 52/2007) in Paragraph 10 the words "and/or securities" shall be replaced by "and/or financial instruments" and the word "securities" shall be deleted;

e) Paragraph 11 shall be amended as follows:

"(11) The Commission may issue licence for carrying on activity as management company on the territory of the Republic of Bulgaria through a branch of a legal person from a third country provided that the person has the right under its national law to carry on such activity and the body controlling the capital market in the country where the person is registered shall exercise control over it on a consolidated basis. Where an international treaty whereto the Republic of Bulgaria is a party the Commission may recognize the licence for carrying on activities and services under Paragraphs 1 and 2, issued to a legal person from a third country. The person from a third country has the rights and obligations of a local management company unless the law provides for otherwise."

84. In Article 203, Paragraph 8 shall be amended as follows:

"(8) Article 167 shall apply accordingly to the members of the management and supervisory bodies of the management companies. The management company shall be managed jointly by at least two persons meeting the requirements of Article 167, Paragraph 1. The persons under sentence one may authorize third parties for performing particular actions."

85. In Article 204:

a) (effective 3.07.2007 - SG No. 52/2007) in Paragraph 2, item 5 the word "securities" shall be replaced by "financial instruments";

b) in Paragraph 4 the words "Article 63" shall be replaced by "Article 180, Paragraphs 4 - 7".

86. In Article 205, Paragraph 1, item 2 shall be amended as follows:

"2. a person under Article 203, Paragraph 8 is ineligible for such an office owing to statutory disqualification or does not satisfy the requirements established by this Act."

87. In Article 208, Paragraph 1 shall be amended as follows:

"(1) The Commission may revoke any licence as issued if

1. the management company does not commence performing the activity under Article 202, Paragraphs 1 and 2 within 12 months from issuing of the licence, expressly renounces the licence issued or has not performed the activity under Article 202, Paragraphs 1 and 2 for the preceding six months;

2. the management company has submitted false data which have served as a ground for issuing the licence;

3. the management company no longer meets the conditions under which the licence was issued;

4. the management company no longer meets the capital adequacy and liquidity requirements established by ordinance and within 5 days from occurrence of the inconsistency has failed to submit a rehabilitation programme for bringing it in line with

such requirements or the Commission does not approve the programme within 14 days from its submission or the management company no longer implements the rehabilitation programme approved by the Commission;

5. the financial position of the management company has deteriorated for a long time and it is unable to meet its obligations;

6. the management company and/or the persons under Article 203, Paragraph 8 have infringed or have allowed infringement under Article 214, Paragraph 2 hereof, Article 35, Paragraph 1 of the Markets in Financial Instruments Act and Article 11 of the Measures against Market Abuse with Financial Instruments Act or another gross violation, or systematic violations hereof, the Markets in Financial instruments Act, the Measures against Market Abuse with Financial Instruments Act and the statutory instruments for their application.

88. In Article 209 the words "Article 69" shall be replaced by "Article 23 of the Markets in Financial Instruments Act".

89. In Article 210, Paragraph 5 the words "Article 70, Paragraph 1, Article 71, Article 74, Paragraphs 1 and 2, Article 74a - 74c, Article 76b and Article 191, Paragraphs 2 and 3" shall be replaced by "Articles 9, 25, 26, Article 27, Paragraph 2, Article 35, 39, 40 and 42 of the Markets in Financial Instruments Act".

90. In Article 211a, Paragraph 4, sentence two the words "Article 4" shall be replaced by "Paragraph 6".

91. (Effective 3.07.2007 - SG No. 52/2007) In Article 211d the words "in accordance with the law of the European Community" shall be replaced by "in accordance with Council Directive 85/611/EEC".

92. In Article 211f, Paragraph 3 the words "Article 74, Paragraphs 1 and 2" shall be replaced by "Article 39, Paragraphs 1 and 2 of the Markets in Financial Instruments Act".

93. (Effective 3.07.2007 - SG No. 52/2007) In Article 211h, Paragraph 1 the words "meeting of the requirements of the law of the European Community" shall be replaced by "obtained authorization for conduct of activity under the terms of Council Directive 85/611/EEC".

94. (Effective 3.07.2007 - SG No. 52/2007) In Article 211j, Paragraph 1 in the text preceding item 1 the preposition "in" after the words "accordingly" shall be deleted.

95. In Article 212:

a) in Paragraph 1 the words "the Rules and Regulations or any other internal instruments of regulated securities markets as approved by the Deputy Chairperson" shall be deleted;

b) in Paragraph 4 the words "Article 65, Paragraph 2 of the BC" shall be replaced by "Article 103, Paragraph 2 of the Credit Institutions Act".

c) in Paragraph 5 the word "the authorization" shall be replaced by "the licence";

d) Paragraph 6 shall be repealed.

96. In Article 216, Paragraph 1:

a) item 1 shall be repealed;

b) in item 2 the words "investment intermediary" shall be deleted.

97. In Article 217, Paragraph 2 the words "Article 60, Paragraph 1, items 1, 2, 3 and 6" shall be replaced by "Article 167, Paragraph 1, items 1, 2, 3 and 6".

98. In Article 221:

a) in Paragraph 1:

aa) (effective 3.07.2007 of a sentence second regarding the replacement - SG No. 52/2007) in item 1 the words "Article 33, Paragraph 4, Article 51, Paragraph 3, Article 73, Paragraphs 1 and 2, Article 74, Paragraphs 2 and 3, Article 75,

Paragraph 4, Article 76, Article 76a" shall be deleted and the words "Article 96, Article 98, Paragraph 1, Article 98a, Article 114b, Paragraph 2" shall be replaced by "Article 100x, Paragraphs 1 and 2, Article 114b, Paragraph 2, Article 191,

Paragraphs 4, 7 and 8";

bb) (effective 3.07.2007 of a sentence second regarding the replacement - SG No. 52/2007) in item 2 the words "Article 23, Paragraph 4, sentence two, Article 32, Article 34, Paragraph 3, Article 40, Paragraph 3, Article 50, Article 54, Paragraph 8, Article 66, Paragraph 1, Article 71, Paragraph 3, Article 73, Paragraph 3, Article 74, Paragraph 1, Article 74a, Paragraph 1, Article 74b, Paragraphs 1 and 2, Article 74c, Paragraphs 1 and 2" shall be deleted, and the words "Article 94, Article 95, Article 95a, Article 99, Paragraph 1, Article 103, Article 104, Paragraphs 1 - 5, Article 109, Paragraph 4, Article 110, Paragraph 6, sentence two, and Paragraph 9, Article 111, Paragraph 6, Article 112b, Paragraph 12, Article 115, Paragraph 1, sentence one, Paragraphs 2, 3 and 4, Article 115b, Paragraphs 2 and 3, Article 116, Paragraphs 4, 5, 6 and 10, Article 117, Paragraph 1, Article 122, Paragraph 3, Article 142, Article 151, Paragraph 3" shall be replaced by "Article 100j, Paragraph 3, Article 100m, 100n, Article 100o, Paragraphs 2 and 3, Article 100q, 100r, Article 100u, Paragraphs 3 and 5, Article 100v, Paragraphs 1, 2, 3, 5 and 6, Article 100w, Paragraphs 2 and 3, Article 110, Paragraph 6, sentence two, and Paragraph 9, Article 110c, Article 111, Paragraph 6, sentences one and two, Article 111a, Paragraphs 1 - 3, Article 112b, Paragraph 12, Article 115, Paragraph 1, sentence one, and Paragraphs 2 - 5, Article 115b, Paragraph 2, Article 115c, Paragraphs 2 and 3, Article 116, Paragraphs 3, 5 - 7 and 11, Article 117, Paragraph 1, Article 120a, Paragraphs 1 - 3, Article 122, Paragraph 3, Article 142, Article 151, Paragraphs 3 - 6, Article 151a, Paragraph 4, Article 154, Paragraphs 1 and 3, Article 155, Paragraph 5, Article 157, Article 157a, Paragraphs 7 and 8";

cc) (effective 3.07.2007 of a sentence second regarding the replacement - SG No. 52/2007) in item 3 the words "Article 21, Paragraphs 1 and 3, Article 23, Paragraphs 2, 6 and 7, Article 33, Paragraph 1, Article 34, Paragraph 1, Article 35, Paragraph 4, Article 38, Article 44, Paragraphs 1 and 3, Article 51, Paragraph 1, Article 52, Article 53, Paragraph 2, Article 54, Paragraph 7, Article 57, Paragraph 1, Article 68b, Paragraphs 1 and 4, Article 69a, Paragraphs 1, 5 and 6, Article 69b, Paragraphs 1, 4 and 5, Article 69g, Paragraph 2, Article 69h, Paragraph 1, Article 70, Paragraphs 1, 3, 4 and 5, Article 71, Paragraphs 1 and 5, Article 75, Paragraphs 1, 2, sentence one, and Paragraph 5" shall be deleted, and the words "Article 77m, Paragraphs 1, 4 and 11, Article 77w, Article 80, Paragraphs 1 and 3, Article 85, Paragraphs 1 and 2, Article 89, Paragraph 1, sentence two, and Paragraph 2, Article 92a, Paragraph 7, sentence two, and Paragraph 8, Article 92c, Paragraphs 2 and 5, Article 100g, Paragraphs 1 and 2, Article 101, Paragraph 2, Article 102, Paragraph 2, Article 105, Paragraph 2, Article 107, Article 108, Paragraph 1, Article 111, Paragraph 2, Article 112b, Paragraph 3, sentence one, and Paragraph 8, Article 115b, Paragraph 5, Article 116b, Article 116d, Paragraphs 1 and 5, Article 119, Paragraph 5, sentence two, and Paragraph 6, Article 126, Paragraph 2, Article 126f, Paragraph 4, Article 126g, Paragraph 1, Article 127, Paragraph 4, Article 133, Paragraph 1, sentence two, and Paragraph 3, Article 135, Paragraph 1, Article 141, Paragraphs 1 and 2, Article 145, Paragraphs 1 and 4, Article 146, 148, Article 164, Paragraph 2, Article 168, Paragraph 3, Article 170, Paragraph 1, Article 173, Paragraph 1, sentence one, and Paragraph 5, Article 177a, Paragraphs 6 and 8, Article 187, Paragraph 3, sentence one, Article 190, Article 191, Paragraph 1, sentence two, Article 193, Paragraph 9, Article 196, Paragraph 13" shall be replaced by "Article 77a, Paragraphs 3 and 4, Article 77m, Paragraphs 1, 2, 4 and 11, Article 77w, Article 80, Paragraphs 1 and 3, Article 85, Paragraphs 1 and 2, Article 89, Paragraph 1, sentence two, and Paragraphs 2 and 4, Article 92a, Paragraph 7, sentence two, Paragraph 8, Article 92c, Paragraphs 2 and 5, Article 100g, Paragraphs 1 and 2, Article 111, Paragraphs 2 and 8, Article 112b, Paragraph 3, sentence one, and Paragraph 8, Article 112e, Article 115c, Paragraph 5, Article 116b, Article 116d, Paragraphs 1, 3 and 5, Article 119, Paragraph 6, sentence two, and Paragraph 7, Article 126, Paragraph 2, Article 126f, Paragraph 4, Article 126g, Paragraph 1, Article 127, Paragraphs 3 and 4, Article 133, Paragraph 1, sentence two, and Paragraph 3, Article 135, Paragraph 1, Article 141, Paragraphs 1 and 2, Article 145, Paragraphs 1 and 3, Article 146, Paragraph 1, Article 148, Paragraphs 1 - 4 and 6, Article 148a, Paragraph 1, Article 148b, Article 148c, Paragraph 1, Article 164, Paragraph 2, Article 168, Paragraph 3, Article 170, Paragraph 1, Article 173, Paragraph 1, sentence one, and Paragraph 5, Article 177a, Paragraphs 6 and 8, Article 187, Paragraph 3, sentence one, Article 190, Article 191, Paragraph 1 and Paragraph 4, sentence one, Article 193, Paragraph 9, Article 197, Paragraph 3";

dd) (effective 3.07.2007 of a sentence second regarding the replacement - SG No. 52/2007) in item 4 the words "Article 68a, Paragraphs 1 and 2, Article 68b, Paragraph 2, Article 72, Paragraphs 1 and 3" shall be deleted, the words "Article 78, Paragraphs 1, 2 and 3" shall be replaced by "Article 78, Paragraphs 1, 2 and 3", and the words "Article 93a, Paragraphs 1 and 2, Article 100d, Paragraphs 2, 3 and 4, Article 114, Paragraph 2, Article 114a, Paragraph 1, Article 114b, Paragraph 1, Article 115, Paragraph 5, Article 116a, Paragraph 3, Article 126b, Paragraph 4, Article 128, Paragraph 3, Article 134, Paragraphs 1 and 2, Article 139, Paragraphs 2 and 4, Article 149, Paragraphs 1, 2, 6 and 8, Article 149a, Paragraphs 2 and 4, Article 149b, Paragraph 2" shall be replaced by "Article 100l, Paragraphs 1 and 2, Article 100d, Paragraphs 2, 3 and 4, Article 114, Paragraph 2, Article 114a, Paragraph 1, Article 114b, Paragraph 1, Article 115, Paragraph 6, Article 116a, Paragraph 3, Article 126b, Paragraph 4, Article 128, Paragraph 3, Article 134, Paragraphs 1 and 2, Article 139, Paragraphs 2 and 4, Article 149, Paragraphs 1, 2, 6 and 8, Article 149a, Paragraphs 2, 3 and 5, Article 149b, Paragraph 2, Article 150, Paragraph 9, Article 157b, Paragraph 2";

b) in Paragraph 5 the words "Article 26, Paragraphs 5 and 6, Article 54, Paragraph 5 and Article 69, Paragraph 1, Article 71, Paragraphs 2 and 4" and the words "Article 161a" shall be deleted.

99. § 1 of the supplementary provisions shall be amended and supplemented as follows:

a) in item 1 letter "b" shall be repealed;

b) item 2 shall be amended as follows:

"2. "Financial instruments" shall mean the financial instruments within the meaning of Article 3 of the Markets in Financial Instruments Act.";

c) items 5, 6 and 7 shall be repealed;

d) (effective 3.07.2007 - SG No. 52/2007) in item 9 sentence two shall be created: "In the cases of securities depository receipts the issuer shall be the person that issued the underlying securities.";

e) (effective 3.07.2007 - SG No. 52/2007) items 16, 18 and 19 shall be repealed;

f) items 41 - 48 shall be created:

"41. "Regulated information" shall be all information which the issuer, or any other person who has applied for the admission of securities to trading on a regulated market without the issuer's consent, is required to disclose under Chapter Six "a", Section II, Chapter Eleven, Section I of this Act and under Article 12 of the Measures Against Market Abuse With Financial Instruments Act and the statutory instruments for their application.

42. "Electronic means" are means of electronic equipment for the processing, including digital compression, storage and transmission of data, employing wires, radio, optical technologies, or any other electromagnetic means.

43. "Shareholder" within the meaning of Chapter Eight and Chapter Eleven, Section I, shall be a person holding, directly or indirectly:

a) shares of the issuer on his own behalf and on his account;

b) shares of the issuer on his own behalf but on account of another person;

c) depository receipts and in this case the holders of depository receipts shall be considered shareholders of underlying shares in respect of which the depository receipts are issued.

44. "Controlled company" within the meaning of this Chapter Six "a" and Chapter Eleven, Section I, shall be a company in which a person:

a) holds, including through a subsidiary, more than half of the votes in the general meeting;

b) has the right to determine more than half of the members of the management or supervisory body and is a shareholder or partner in the said company; in the case of sentence one added to the votes of the controlled company shall be the votes over which it exercises control, as well as the votes of the persons who act on their own behalf but on its account or on account of a person controlled by it;

c) is a shareholder or partner and controls independently by virtue of an agreement with other shareholders or partners in such company more than half of the votes in the general meeting;

d) has the right to exercise or actually exercises a decisive influence over the company.

45. "Market maker" means a person who holds himself out on the financial markets on a continuous basis as being willing to deal on own account by buying and selling financial instruments against his proprietary capital at prices defined by him.

46. "Tender offer" means a public offer made by the offeror at his discretion or by virtue of law for purchase and/or exchange of all or part of the voting shares in the general meeting of the public company, which follows or has as its objective the acquisition of voting shares in the general meeting of the offeree company above the thresholds set out in law for making a tender offer.

47. "Offeree company" means a company the securities of which are the subject of a tender offer.

48. "Tender offeror" means a natural or legal person who makes a tender offer."

100. § 1b of the supplementary provisions shall be amended as follows:

"§ 1b. The provisions of Title Three, Chapter Nine shall apply to financial instruments *mutatis mutandis*."

101. § 1c of the supplementary provisions shall be amended and supplemented as follows:

a) items 2 and 5 shall be repealed;

b) (effective 3.07.2007 - SG No. 52/2007) new items 6 and 7 shall be created:

"6. Directive 2004/109/EEC of the European Parliament and of the Council on the harmonization of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC.

7. Directive 2004/25/EC of the European Parliament and of the Council on takeover bids."

102. (Effective 3.07.2007 - SG No. 52/2007) § 10b shall be created in the transitional and final provisions:

"§ 10b. (1) Where at the date of entry into force of Article 157c the voting shares of the offeree company, in accordance with Article 157c, Paragraph 4, have been admitted to trading simultaneously on a regulated market in the Republic of Bulgaria and in another Member State, the Commission and the competent authority of that Member State shall determine jointly who will exercise supervision of the tender offering within 4 weeks from its entry into force. If the competent authorities of the Member States fail to specify who of them shall exercise supervision of the tender offering the offeree company shall determine the authority on the first day of trading following the expiry of the time limit under sentence one.

(2) The Commission shall make public the decision under Paragraph 1, determining it to exercise supervision of the tender offering."

§ 8. (Effective 3.07.2007 - SG No. 52/2007) The Measures Against Market Abuse With Financial Instruments Act (SG No. 84/2006) shall be amended and supplemented as follows:

1. In Article 3, Paragraph 3 the words "terms and procedure set out by ordinance" shall be replaced by "the terms and procedure of Commission Regulation (EC) № 2273/2003 as regards exemptions for buy-back programmes and stabilisation of financial instruments".

2. In Article 6, Paragraph 4 the word "accepted" shall be replaced by "recognized".

3. In Article 12:

a) in Paragraph 1 the words "in Republic of Bulgaria" shall be deleted and the words "shall inform the Commission of" shall be replaced by "shall disclose publicly under the terms of Article 100r of the Public Offering of Securities Act";

b) in Paragraph 3 the word "notification" shall be replaced by "disclosure";

c) Paragraph 4 shall be repealed;

d) in Paragraph 6 sentence one the words "inform the Commission of" shall be replaced by "disclose under the terms of Paragraph 1", and sentence two shall be deleted.

4. In Article 13:

a) in Paragraph 1 the word "provision" shall be replaced by "disclosure", and the words "and its public disclosure" shall be deleted;

b) in Paragraph 4 the words "provide the inside information to the Commission" shall be replaced by "disclose inside information under Article 12 (1)."

5. Article 15a shall be created:

"Article 15a. The provisions of Articles 12 - 15 shall not apply to issuers who have not requested or approved admission of the financial instruments issued thereby to trading on a regulated market."

6. In Article 16:

a) in Paragraph 1 sentence one the words "where for a term of one calendar year the value of these transactions exceeds BGN 5,000 within a calendar year" shall be replaced by "within 5 working days from conclusion of the transaction", and sentence two shall be deleted;

b) a new Paragraph 3 shall be created:

"(3) The obligation for notification shall not apply where the total amount of the transactions concluded by a person discharging managerial responsibilities within the issuer and the persons closely associated with them does not exceed BGN 5,000 within a calendar year. The value of the transaction shall be the market value of the financial instruments at the day of conclusion of the transaction and in the case of transactions in derivative instruments, the market value of the underlying asset.";

c) the existing Paragraph 3 shall become Paragraph 4 and added in it after the word "according to" shall be the words "Article 77x (6) of".

7. In Article 20, Paragraph 5, item 3 added after the words "legal person" shall be "is the market maker or".

8. In Article 40, Paragraph 1, item 1 the words "Article 12, (1), (4), (5) and (7)" shall be replaced by "Article 12, (1), (3), (5) - (8)".

§ 9. The Financial Supervision Commission Act (promulgated, SG No. 8/2003; amended, Nos. 31, 67 and 112/2003, No. 85/2004, Nos. 39, 103 and 105/2005, Nos. 30, 56, 59 and 84/2006) shall be amended and supplemented as follows:

1. In Article 1, Paragraph 2, item 1 added at the end shall be "and the Markets in Financial Instruments Act".

2. In Article 12, item 2 added at the end shall be "and the Markets in Financial Instruments Act".

3. In Article 15:

a) in Paragraph 1:

aa) in items 2 and 3 added after the words "the Public Offering of Securities Act" shall be "and the Markets in Financial Instruments Act";

bb) in item 4 added after the words "the Public Offering of Securities Act" shall be "and Part Four, Chapter One of the Markets in Financial Instruments Act";

cc) item 5 shall be amended as follows:

"5. in the cases referred under Article 212 (4) of the Public Offering of Securities Act and Article 118 (2) of the Markets in Financial instruments Act, to propose to the Bulgarian National Bank to apply the measures under Article 103 (2) of the Credit Institutions Act or apply the measures under Article 212 (1), Item 1 of the Public Offering of Securities Act and Article 118 (1), Item 1 of the Markets in Financial Instruments Act to a bank carrying on business as investment intermediary and/or depository";

dd) in item 6 added after the words "the Public Offering of Securities Act" shall be "the Markets in Financial Instruments Act";

ee) in item 7 added after the words "the Public Offering of Securities Act" shall be "the Markets in Financial Instruments Act";

ff) in item 15 after the words "the Public Offering of Securities Act" a comma shall be inserted and the words "the Markets in Financial Instruments Act" shall be added;

b) in Paragraph 2, "a" and "b" after the words "the Public Offering of Securities Act" the words "the Markets in Financial Instruments Act" shall be added".

4. In Article 24, Paragraph 5:

a) (effective 3.07.2007 - SG No. 52/2007) in the text preceding item 1 the words "The information constituting a professional

secret" shall be replaced by "Except in the cases where the person who has provided the information constituting a professional secret has given an express consent for the information to be used for other purposes, the information";

b) in item 1 added after the words "the Public Offering of Securities Act" shall be "the Markets in Financial Instruments Act".

5. (Effective 3.07.2007 - SG No. 52/2007) In Article 25:

a) in Paragraph 1:

aa) in item 1 the words "according to the procedure established in the law" shall be replaced by "in initiated criminal proceedings, and before court, liquidator or assignee in bankruptcy - in civil and commercial proceedings in the cases of liquidation or insolvency of a supervised person, provided that the information does not prejudice the interests of third parties";

bb) in item 3 the word "securities" shall be deleted and the words "the National Guarantee Bureau" shall be replaced by "the Gurantee Fund";

cc) a new item 4 shall be created:

"4. to clearing houses or other persons who, according to law, effect clearing and settlement on the markets in financial instruments in the Republic of Bulgaria in so far as this is necessary for the performance of their functions - in the event of non-performance or possible non-performance by market participants;"

dd) the existing items 4 and 5 shall become items 5 and 6;

b) in Paragraph 3 added at the end shall be "and to use it for the purposes for which it was provided, except in the cases where the Commission has given explicit consent that the information may be used for other purposes";

c) a new Paragraph 5 shall be created:

"(5) The Commission may provide information constituting a professional secret provided that it has ensured the same level of confidentiality of the information provided to:

1. the authorities of a Member State supervising the activity of credit institutions in relation to performance of their supervisory functions;

2. the authorities of a Member State that participate in liquidation, bankruptcy proceedings or similar proceedings of investment intermediaries, insurers, collective investment schemes and their management companies and depositories, in connection with performance of their supervisory functions;

3. persons from a Member State who are responsible for legally prescribed audits of reports of investment intermediaries, credit institutions, insurers and other financial institutions, in connection with performance of their supervisory functions;

4. the authorities of a Member State that manage investor compensation schemes or funds for securing insurance receivables, in connection with performance of their supervisory functions.";

d) the existing Paragraph 5 shall become Paragraph 6;

e) the existing Paragraph 6 shall become Paragraph 7 and in it the words "under the terms of Paragraph 5" shall be replaced by "under the terms of Paragraph 1, item 1 - in the cases of liquidation or bankruptcy, items 2 and 3 and Paragraph 6".

6. In Article 13, Paragraph 1, items 4, 5, 6, 10 and 11 and Paragraph 2, Article 18, Paragraph 1, items 1 and 6 and Paragraph 3, Article 19, Paragraph 2, item 1 and Article 27, Paragraph 1, item 1 after the words "the Public Offering of Securities Act" shall be "and the Markets in Financial Instruments Act".

7. (Effective 3.07.2007 - SG No. 52/2007) In the annex to Article 27, Paragraph 2 the following amendments shall be made:

a) in item 1.4, "a" the figure "200" shall be replaced by "300";

b) item 2.3 shall be amended as follows:

"2.3. For insurance broker:

- a) for examination - BGN 300;
- b) for issuance of a certificate - BGN 60;
- c) for entry in the register - BGN 5,000."

§ 10. In the Bulgarian National Bank Act (promulgated, SG No. 46/1997, amended, Nos. 49 and 153/1998, Nos. 20 and 54/1999, No. 109/2001, No. 45/2002, Nos. 10 and 39/2005, Nos. 37, 59 and 108/2006) in Article 39, Paragraph 3 the words "investment intermediaries within the meaning of the Public Offering of Securities Act, which have been granted a license for investment intermediation with government securities" shall be replaced by "primary dealers of government securities, sub-depositaries of government securities and other persons determined by the minister of finance and the governor of the Bulgarian National Bank under the terms of the ordinance under Article 36, Paragraph 1 of the Government Debt Act".

§ 11. In the Value Added Tax Act (promulgated, SG No. 63/2006; amended, SG No. 86, 105 and 108/2006, SG No. 37/2007 - Decision No. 7/2007 of the Constitutional Court, amended, SG No. 41/2007) in Article 46, Paragraph 1, item 6 the words "regarding securities" shall be deleted and after the words "the Public Offering of Securities Act" a comma shall be inserted and the words "and the Markets in Financial Instruments Act" shall be added.

§ 12. In the Supplementary Supervision of Financial Conglomerates Act (SG No. 59/2006) in § 1 of the additional provisions the following amendments and supplements shall be made:

1. In item 3 the words "under Article 54 (2) and (3) of the Public Offering of Securities Act" shall be replaced by "under Article 5 (2) and (3) of the Markets in Financial Instruments Act".
2. In item 19, "c" the words "Article 56 (6)" shall be replaced by "Article 8 (6) of the Markets in Financial Instruments Act".
3. In item 20, "c" after the words "the Public Offering of Securities Act" added shall be "the Markets in Financial Instruments Act" and the words "its application" shall be replaced by "their application".

§ 13. The Special Purpose Investment Companies Act (promulgated, SG No. 46/2003; amended, No. 109/2003, No. 107/2004, Nos. 34 and 105/2006) shall be amended as follows:

1. In Article 13:

a) in Paragraph 1 sentence two shall be deleted;

b) in Paragraph 3 sentence one the words "Article 56 (1) of the Public Offering of Securities Act" shall be replaced by "Article 8 (1) of the Markets in Financial Instruments Act", and in sentence two the word "shall underwrite" shall be replaced by "shall offer" and the words "and shall be offered" shall be deleted.

2. In Article 28, sentence four the words "Articles 68a and 69 of the Public Offering of Securities Act" shall be replaced by "Articles 21 and 23 of the Markets in Financial Instruments Act".

3. In Article 29, Paragraph 1, sentence three the words "Article 28 (2) and (3)" shall be replaced by "Article 177 (4) and(5)".

§ 14. The Credit Institutions Act (promulgated, SG No. 59/2006; amended, No. 105/2006) shall be amended and supplemented as follows:

1. (Effective 3.07.2007 - SG No. 52/2007) In Article 2, Paragraph 3:

a) after the word "The acquisition" the words "registration, settlement" shall be added;

b) a sentence two shall be created: "Trade in government securities on regulated markets in financial instruments and on multilateral trading facilities shall be carried out under the terms of the Markets in Financial Instruments Act".

2. In Article 89:

a) the existing text shall become Paragraph 1;

b) a Paragraph 2 shall be created:

"(2) Also included in the scope of the supervision on a consolidated basis under this Act shall be management companies in the

manner and to the extent applicable to financial institutions."

3. In the transitional and final provisions § 9a shall be created:

"§ 9a. Everywhere in the Act the words "Article 54 (2) and (3) of the Public Offering of Securities Act" shall be replaced by "Article 5, (2) and (3) of the Markets in Financial Instruments Act."

§ 15. In the Criminal Assets Forfeiture Act (promulgated, SG No. 19/2005; amended, Nos. 86 and 105/2005, Nos. 33 and 75/2006) in Article 19 the words "Article 71" shall be replaced by "Article 35 (1) of the Markets in Financial Instruments Act".

§ 16. In the Transactions in Compensation Instruments Act (promulgated, SG No. 47/2002; amended, No. 71/2003) in Article 8, Paragraph 1 the words "the Public Offering of Securities Act" shall be replaced by "the Markets in Financial Instruments Act".

§ 17. In the Social Insurance Code (promulgated, SG No. 110/1999, No. 55/2000 - Decision No. 5/2000 of the Constitutional Court of the Republic of Bulgaria, amended, No. 64/2000, Nos. 1, 35 and 41/2001, Nos. 1, 10, 45, 74, 112, 119 and 120/2002, Nos. 8, 42, 67, 95, 112 and 114/2003, Nos. 12, 38, 52, 53, 69, 70, 112 and 115/2004, Nos. 38, 39, 76, 102, 103, 104 and 105/2005, Nos. 17, 30, 34, 56, 57, 59, 68, 82, 95, 102 and 105/2006, No. 41/2007) in Article 123c, Paragraph 4 the words "securities with a person who meets the requirements of Article 61" shall be replaced by "financial instruments with a person who meets the requirements of Article 12 of the Markets in Financial Instruments Act".

§ 18. In the Tax and Social Insurance Procedure Code (promulgated, SG No. 105/2005; amended, Nos. 33, 34, 59, 63, 73, 82, 86, 95 and 105/2006) in Article 143, Paragraph 4 the words "Article 71 and" shall be replaced by "Article 35 (1) of the Markets in Financial Instruments Act and Article".

§ 19. (Effective 3.07.2007 - SG No. 52/2007) In the Mortgage Bonds Act (promulgated, SG No. 83/2000; amended, No. 59/2006) in Article 13 the words "the State Securities Commission" shall be replaced by "the Financial Supervision Commission".

§ 20. In the Corporate Income Tax Act (SG No. 105/2006) in § 1 of the supplementary provisions the following amendments and supplements shall be made:

1. In item 21 everywhere the words "the Public Offering of Securities Act" shall be replaced by "the Markets in Financial Instruments Act".

2. In item 26 "c" added after the word "intermediaries" shall be "under the Markets in Financial Instruments Act".

§ 21. In the Income Taxes on Natural Persons Act (SG No. 95/2006) in § 1, item 11 "a" of the supplementary provisions the words "the Public Offering of Securities Act" shall be replaced by "the Markets in Financial Instruments Act".

§ 22. In the 2007 State Budget of the Republic of Bulgaria Act (SG No. 108/2006) in § 25, Paragraph 7 of the transitional and final provisions the words "Article 54 (2) and (3) of the Public Offering of Securities Act" shall be replaced by "Article 5 (2) and (3) of the Markets in Financial Instruments Act".

§ 23. The Government Debt Act (promulgated, SG No. 93/2002; amended, No. 34/2005) shall be amended and supplemented as follows:

1. In Article 35:

a) the existing text shall become Paragraph 1 and in it:

aa) item 1 shall be amended as follows:

"1. establish and organize a system for conduct of auctions and subscriptions for sale of government securities the participants wherein shall be specified by the ordinance under Article 36 Paragraph (1)";

bb) a new item 3 shall be created:

"3. establish and organize a system for settlement of government securities in which three or more members shall participate, who may be primary dealers, sub-depositories of government securities and other persons determined by the minister of finance and the governor of the Bulgarian National Bank under the terms of the ordinance under Article 36 Paragraph (1), with

common rules providing for the discharge of obligations related to participation in the system on the basis of agreement, such as:

a) order for registration of transfer sent to the system in accordance with its rules may not be cancelled after the time specified in the settlement system; actions performed by a participant in the system or a third party after that time, aimed to withdraw or cancel said order for transfer shall be invalid;

b) withdrawal of the license of a bank or a branch of a foreign bank in the country, as well as initiation of bankruptcy proceedings against another participant in the settlement system shall not affect the obligation of the system to process and execute settlement of the orders for registration of transfer, as well as the validity and enforceability against third parties of such orders, if they were accepted by the system in accordance with its rules."

cc) the existing item 3 shall become item 4 and shall be amended as follows:

"4. select, jointly with the Ministry of Finance, government securities primary dealers and other participants in the government securities market, as well as take enforcement measures against them in case of violations - in accordance with criteria and rules approved by the Minister of Finance and the Governor of the Bulgarian National Bank;"

dd) the existing items 4 and 5 shall become 5 and 6;

b) a Paragraph 2 shall be created:

"(2) Sub-depositories of government securities issued on the domestic market may be only credit institutions under Article 2, Paragraph 5 of the Credit Institutions Act, whose license covers the activities under Article 2, Paragraph 2, item 4 of the Credit Institutions Act."

2. In Article 36:

a) in Paragraph 1 after the word "acquisition" a comma shall be inserted and the word "registration" shall be added and at the end a comma shall be inserted and the following text shall be added: "except for trade on regulated markets in financial instruments and multilateral trading facilities";

b) in Paragraph 2 at the end a comma shall be inserted and the following text shall be added: "except for trade on regulated markets in financial instruments and multilateral trading facilities";

c) a new Paragraph 3 shall be created:

"(3) The Bulgarian National Bank shall issue an ordinance on the settlement of government securities governing the keeping of accounts for government securities with the Bulgarian National Bank and with the persons under Article 35, Paragraph (2).";

d) the existing Paragraph 3 shall become Paragraph 4 and shall be amended as follows:

"(4) The ordinances referred to in Paragraphs (1), (2) and (3) shall be promulgated in the State Gazette".

§ 24. In the Measures against Money Laundering Act (promulgated, SG No. 85/1998, amended, SG No. 1/2001, SG No. 31/2003, SG No. 103 and 105/2005, SG No. 30, 54, 59, 82 and 108/2006) Article 3, Paragraph 2, item 12 shall be amended as follows:

"12. market operator and/or regulated market;"

§ 25. The Financial Supervision Commission shall adopt the ordinances for the application of the Act.

§ 26. The statutory instruments for the application of the Public Offering of Securities Act adopted until entry into force of this Act shall apply to the extent they do not conflict it.

§ 27. (1) This Act shall come into force on 1 November 2007 with the exception of § 7, items 6, 7, 8, 18, 19, 22 - 24, 26 - 28, 30 - 40, item 44 "b", items 47, 48, item 49 "a", items 50 - 62, 67, 68, 70, 71, 72, 75, 76, 77, item 83 "a" and "d", item 85 "a", items 91, 93, 94, item 98 "a", "aa", sentence two regarding the exchange, "bb", sentence two regarding the exchange, "cc", sentence two regarding the exchange, and "dd", sentence two regarding the exchange, item 99 "d" and "e", item 101 "b" and item 102, § 8, § 9, item 4 "a", items 5 and 7, § 14, item 1 and § 19, which shall enter into force three days after promulgation of the Act in the State Gazette".

(2) Paragraph 7, items 6, 7 and 8 shall apply until 1 November 2007.

This Act was adopted by the 40th National Assembly on 14 June 2007 and the Official Seal of the National Assembly has been affixed thereto.

ACT to Amend and Supplement the Ministry of Interior Act

(State Gazette No. 93/2009, effective 24.12.2009)

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Supplementary Provision

§ 59. (Effective 24.11.2009, SG No. 93/2009) This Act introduces:

1. The Convention on the establishment of a European Police Office (Europol) adopted on 26 July 1995 (ratified by law, SG No. 105/2006, non-promulgated) and Council Decision 2002/187/JHA of 28 February 2002 setting up Eurojust with a view to reinforcing the fight against serious crime.

2. Council Framework Decision 2006/960/JHA of 18 December 2006 on simplifying the exchange of information and intelligence between law enforcement authorities of the Member States of the European Union.

Transitional and Final Provisions

§ 60. Upon entry into force of this Act, existing civil service relations of civil servants employed in the Ministry of Interior shall be retained as per Article 87a of the Civil Servants Act.

§ 61. Upon entry into force of this Act, existing employment relations of persons working in the Ministry of Interior under employment contracts shall not be terminated, in accordance with Article 123 of the Labour Code.

§ 62. (Effective 24.11.2009, SG No. 93/2009) Incumbent investigating police officers who do not comply with the requirements set out in Article 217(1) shall perform the investigation functions assigned to them in the course of two years from the date of entry into force of this Act.

§ 63. (Effective 24.11.2009, SG No. 93/2009) The Ministry of Interior shall be the legal successor of assets, liabilities, rights and obligations of the Ministry of Emergency Situations rendered defunct by the National Assembly's Decision adopting the structure of the Council of Ministers of the Republic of Bulgaria (SG No. 60/2009), as well as of any documents which are not subject to archiving under the procedure of the National Archives Stock Act.

§ 64. (Effective 24.11.2009, SG No. 93/2009) The following persons shall be appointed to the Ministry of Interior without a competition held to this effect and without the special requirements of Article 179, Paragraphs 1(4) and 3 being met: civil servants employed under civil service relations and officials employed under employment relations with the Minister of Emergency Situations who perform functions relating to protection in cases of disasters and enabling citizens' access to the emergency services via the National Emergency Call System Employing the Single European Number "112" prior to the date of entry into force of the National Assembly's Decision adopting the structure of the Council of Ministers of the Republic of Bulgaria (SG No. 60/2009), which rendered the Ministry of Emergency Situations defunct.

§ 65. (Effective 24.11.2009, SG No. 93/2009) Prior to 31 December 2009, employees under § 64 shall be paid their relevant remunerations, benefits and clothing allowances, as set according to the existing statutory procedure.

§ 66. (Effective 24.11.2009, SG No. 93/2009) Upon entry into force of this Act, existing civil service relations of civil servants, as well as employment relations of persons working in the Special Courier Service under employment contracts shall not be terminated. The aforementioned relations shall be transformed, accordingly, into civil service or employment relations as employees of the Ministry of Interior, whereby the persons concerned shall be appointed to the same positions which they held prior to the employment relation transformation.

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TRANSITIONAL AND FINAL PROVISIONS

to the Act Amending and Supplementing

the Corporate Income Taxation Act

(SG No. 95/2009, effective 1.01.2010)

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§ 49. In the Markets of Financial Instruments Act (promulgated, SG No. 52 of 2007; amended, SG No. 109 of 2007, SG No. 69 of 2008 and SG Nos. 24 and 93 of 2009) in Article 8, paragraph 10 the words "International Standards for Financial Reporting" shall be replaced by "International Financial Reporting Standards".

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§ 51. This Act shall enter into force on 1 January 2010, except for § 10, 11 and 14, which shall enter into force on 1 January 2009.

ADDITIONAL PROVISIONS

to the Act Amending and Supplementing

the Excise and Tax Warehouses Act

(SG No. 95/2009, effective 1.01.2010)

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§ 93. In the Markets of Financial Instruments Act (promulgated, SG No. 52 of 2007; amended, SG No. 109 of 2007, SG No. 69 of 2008, SG Nos. 24 and 93 of 2009) in Article 35, paragraph 6, sub-paragraph 6 in the text before letter "a" the words "the directors of regional customs directorates" shall be replaced by the words "the heads of the customs offices".

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§ 96. This Act shall enter into force on 1 January 2010, except for § 1, § 2, sub-paragraphs 1, 3, 4 and 6, § 3 and 4, § 5, sub-paragraphs 1 and 4, § 6, 7, 8, 10 and 11, § 13, sub-paragraph 1, letters "b" and "c", § 15 and 16, § 20, sub-paragraph 2, § 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 35, 36, 37, 38, 39, 41, 42, 45, 46, 47, 50, 51, 52, 53, 54, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 78, 81, 82, 86, 87, 88, 90, 91, 92, 93, 94 and 95, which shall enter into force on the day of the promulgation of the Act in the State Gazette, and § 2, sub-paragraphs 2 and 5, § 5, sub-paragraph 3, § 20, sub-paragraph 1, § 34, 43, 44, 48, 77, 79, 80, 83, 84, 85 and 89, which shall enter into force on 1 April 2010.

TRANSITIONAL AND FINAL PROVISIONS

to the Act Amending and Supplementing

the Financial Supervision Commission Act

(SG No. 43/2010)

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§ 27. (1) Within three months from entry into force of this Act regulated markets, investment intermediaries and management companies shall submit to the Commission a list of the persons up to a beneficial owner, holding directly or indirectly 5 and over 5 per cent of the voting rights in the general meeting or of the capital of the respective company.

(2) Attached to the list under paragraph 1 shall be a declaration according to a standard form approved by the Commission, which shall contain comprehensive data about the beneficial owners of the respective supervised person. Where necessary, the Deputy Chairperson of the Commission heading the Investment Supervision Division, within one month from receipt of the list under paragraph 1, may request in writing additional information or documents. The request shall state a time limit for elimination of the gaps and for provision of additional information, which shall not exceed one month.

(3) In the event of non-performance of the requirements under paragraphs 1 and 2 and where the information or documents provided do not allow identification of the beneficial owners:

1. the Deputy Chairperson may take the measures under Article 118, paragraph 1, sub-paragraph 1 of the Markets in Financial Instruments Act, Article 212, paragraph 1, item 1 of the Public Offering of Securities Act respectively;

2. in the event of non-performance of the measures under item 1 the Deputy Chairperson may take the measures under Article 40, paragraph 3 of the Markets in Financial Instruments Act, Article 210, paragraph 5 of the Public Offering of Securities Act in connection with Article 40, paragraph 3 of the Markets in Financial Instruments Act respectively;

3. in the event of non-performance of the measures under items 1 and 2 the Commission may take the measures under Article 20, paragraph 1, item 5 of the Markets in Financial Instruments Act, Article 208, paragraph 1, sub-paragraph 6 of the Public Offering of Securities Act respectively.

(4) The provisions of paragraphs 1 - 3 shall not apply to public companies within the meaning of the Public Offering of Securities Act, save where the Commission decides at its own discretion to require such information for the purposes of tender offerings under chapter eleven, section II of the Public Offering of Securities Act.

(5) The Commission shall update the information on the ownership of the supervised persons under paragraph 1 in the public registers under Article 30, paragraph 1.

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TRANSITIONAL AND CONCLUDING PROVISIONS

to the Act on Forfeiture to the Exchequer of Unlawfully Acquired Assets

(SG No. 38/2012, effective 19.11.2012)

§ 3. (1) Within two months after the entry into force of this Act, the National Assembly shall elect and the President and the Prime Minister shall appoint members of the Commission for Forfeiture of Unlawfully Acquired Assets.

(2) The credentials of the members of the Commission for Establishing Property Acquired from Criminal Activity who are incumbent upon the entry into force of this Act shall be terminated upon the election or the appointment, as the case may be, of the members of the Commission for Forfeiture of Unlawfully Acquired Assets.

(3) The assets, liabilities, archives and the other rights and obligations of the Commission for Establishing Property Acquired from Criminal Activity shall pass to the Commission for Forfeiture of Unlawfully Acquired Assets.

(4) The Commission referred to in Paragraph (1) shall adopt the Rules referred to in Article 20 herein within one month after the determination of the composition thereof.

(5) The employment relationships of the employees of the Commission for Establishing Property Acquired from Criminal Activity shall be settled under the terms and according to the procedure established by Article 123 of the Labour Code.

§ 4. The authorities referred to in Article 13 (1) herein, who have been appointed prior to the entry into force of this Act, shall be obligated to take the action necessary for the elimination of incompatibility under Items 1, 3 and 5 of Article 8 (3) herein.

§ 5. Any examinations and proceedings for the forfeiture of assets acquired from criminal activity, which are not completed until the entry into force of this Act, shall be completed under the terms and according to the procedure established by the Criminal Assets Forfeiture Act as hereby superseded.

§ 6. This Act shall furthermore apply to any assets acquired unlawfully prior to the entry into force of the said Act.

§ 7. Within six months after the entry into force of this Act, the National Revenue Agency shall deliver to the Interdepartmental Board for Management of Forfeited Assets the case files of any assets which have been forfeited to the Exchequer according to the procedure established by the Act on Forfeiture to the Exchequer of Assets Acquired from Criminal Activity as hereby superseded and which have not been sold as at the date of entry into force of this Act, for making a decision under this Act.

§ 8. The instruction referred to in Article 30 (2) herein shall be adopted within three months after the entry into force of this Act.

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§ 16. This Act shall enter into force six months after the promulgation thereof in the State Gazette.

FINAL PROVISIONS to the amendment of the Tax Procedure Code

(SG No. 109/2013, effective 1.01.2014)

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§ 21. In the Markets in Financial Instruments Directive (promulgated, SG No. 52/2007, amended, SG No. 109/2007 SG No. 69/2008, SG No. 24, 93 and 95/2009, SG No. 43/2010, SG No. 77/2011, SG No. 21, 38 and 103/2012 and SG No. 70/2013) in Article 35, para. 6 new Item 9:

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§ 24. This Act shall enter into force on January 1, 2014 , except § 23, which shall enter into force after the judgment of the European Commission to extend the duration of existing authorized aid scheme.

TRANSITIONAL AND FINAL PROVISIONS

to the amendment of the Law on the activities of collective

investment schemes and other collective investment undertakings

(SG No. 109/2013, effective 20.12.2013)

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§ 81. In the Markets in Financial Instruments Directive (promulgated, SG No. 52/2007, amended, SG No. 109/2007, SG No. 69/2008, SG No. 24, 93 and 95/2009, SG No. 43/2010, SG No. 77/2011, SG No. 21, 38 and 103/2012, SG No. 70/2013) the following amendments:

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§ 95. This Act shall enter into force on the day of its publication in the "State Gazette" with the exception of § 88, 89 and 90, which shall enter into force on January 1, 2014.

TRANSITIONAL AND FINAL PROVISIONS

of the Climate Change Mitigation Act

(SG No. 22/2014, effective 11.03.2014)

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§ 14. Within two months of the promulgation of the Act the Financial Supervision Commission shall adopt amendments to the secondary legislation ensuing from the Markets in Financial Instruments Act necessary for the implementation of Article 53, Paragraph 2.

FINAL PROVISIONS

to the Act Amending and Supplementing the Markets in Financial Instruments Act

(SG No. 34/2015)

§ 56. Articles 63a - 63c and Articles 116 - 116c shall enter into force on the date on which the liquidity cover requirement becomes applicable in accordance with the delegated act to be adopted by the European Commission under Article 460 of Regulation (EU) No. 575/2013.

§ 57. Investment intermediaries which have been authorised before entry into force of this Act shall submit to the Commission its recovery plans under Article 25a within 6 months from entry into force of this Act.

Annex

to Article 36, Paragraph 1

Professional clients

Section I

Clients considered professional clients in respect of all investment services, investment activities and financial instruments

1. Persons for which granting of authorization is required for conduct of business on the financial markets or whose activity is regulated otherwise by the national law of a Member State, whether or not in conformity with Directive 2004/39/EC of the European Parliament and of the Council, as well as persons which are granted authorization for conduct of said business or regulated otherwise by the national law of a third country shall be as follows:

- (a) credit institutions;
 - (b) investment intermediaries;
 - (c) other institutions subject to authorization or regulation otherwise;
 - (d) insurance undertakings (companies);
 - (e) collective investment undertakings and their management companies;
 - (f) pension funds and pension insurance companies;
 - (g) persons trading in commodities or derivative financial instruments relating to commodities as a regular occupation or a business on a professional basis;
 - (h) legal persons which provide investment services or perform investment activities consisting exclusively in dealing on own account on markets in financial futures or options or other derivatives and on cash markets for the sole purpose of hedging positions on derivatives markets or which deal for the accounts of other members of those markets or make prices for them and which are guaranteed by clearing members of the same markets, where responsibility for ensuring the performance of contracts entered into by such persons is assumed by clearing members of the same markets;
 - (i) other institutional investors.
2. Large companies which meet at least two of the following conditions:
- (a) total assets - the lev equivalent of EUR 20,000,000 at a minimum;
 - (b) net turnover - the lev equivalent of EUR 40,000,000 at a minimum;
 - (c) own funds - the lev equivalent of EUR 2,000,000 at a minimum.
3. National and regional government bodies, public bodies charged with or intervening in the management of the public debt, central banks, international and supranational institutions such as the World Bank, the International Monetary Fund, the European Central Bank, the European Investment Bank and other similar international organizations.
4. Other institutional investors whose primary business is investment in financial instruments, inter alia persons dealing in securitisation of assets or other financial transactions.

Section II

Clients considered professional clients at their request

1. Identification criteria:

The clients under Article 37, Paragraph 1 shall meet at least two of the following criteria:

- (a) in the last year the person has concluded on average 10 large-scale transactions per quarter on a relevant market;
- (b) the value of the investment portfolio of the person, which consists of financial instruments and cash deposits, exceeds the lev equivalent of EUR 500,000;
- (c) the person works or has worked in the financial sector for at least one year on a position which requires knowledge of relevant transactions or services.

2. Procedure

The clients under Article 37 may request treatment as professional clients subject to the following procedure:

- (a) the clients shall request in writing from the investment

intermediary to be treated as professional clients for all or for specific investment services or transactions or specific types of transactions or investment product;

(b) the investment intermediary shall warn the client in writing that it will not be afforded the relevant degree of protection in providing the services and performing the activities by the investment intermediary and shall not enjoy the right of compensation from the Fund for Compensation of Investors in Financial Instruments;

(c) the client must declare that he is notified of the consequences under "b";

(d) before taking a decision on treatment of the client under Article 37 as professional client the investment intermediary shall take the necessary steps to assure itself that the client meets the requirements referred to in item 1.