1. Privatization market

The BSE trading system supports some special auctions to facilitate the sale of residual stakes of the Bulgarian government in public companies. The privatization body, via an authorized investment intermediary is the only seller of the government stake and buyers can be all member firms.

The Board of Directors of the Exchange adopted the closed mixed auction as a permissible auction in the process of privatization of public companies.

2. Buy orders allowed by the closed mixed auction.

The trading system allows entering of limit and market orders.

The limit order is a buy order at a given limit price or better. The market order assumes execution at the best possible market price.

The parameters of all buy orders are:

- Number of securities (for limit orders) or total amount in leva of the trade (for market orders), that is **the market order defines only the maximum amount of money, that the participant is willing to pay.**
- Maximum price (limit price) for limit orders.

The priorities of all limit orders are as follows:
1. Price
2. Time of entering

and only time of entering for the market orders.

3. The closed mixed auction passes through the following stages.

3.1 Announcement of the date of the auction, the number of securities offered for sale and the minimum auction price.

3.2. Entering of buy orders into the trading system.

Each participant can enter in the trading system unlimited number of limit orders that can be executed partially as well as market orders. Because the auction is closed, each participant has access only to his or hers orders and not to these entered by the others. Each participant can amend the parameters of his orders.

3.3 End of the process of entering buy orders.

3.4. Announcement of the price of the limit sell order by the seller (cut price) and conduct of an auction during which the trades are executed.

The seller announces the cut price (the limit price of the sell order) which is equal to one of the prices of the buy orders. All orders that have lower prices are excluded from the auction. That is why, the announcement of the cut price defines the number of orders that may result in trades.

3.5 Finalization of the trades.

3.5.1 The total volume of the limit orders with maximum price plus the market orders that can be executed at the maximum price exceeds the volume of securities offered for sale.

In this case, the system allows as a cut price only the highest price of the limit buy orders which aims maximum profit for the seller.

Example 1. There are 100 000 stocks of the company "X" offered for sale, as the minimum price per share is BGN 1 (The system does not allow entering orders below that price). The participants in the mixed auction have entered the following buy orders:

Order No	Type	Volume	Price	Total amount (BGN)
15015	Limit	10 000	5.00	50 000
15016	Limit	20 000	5.00	100 000
15017	Limit	15 000	5.00	75 000
15018	Limit	20 000	4.50	90 000
15019	Limit	20 000	3.50	70 000
15020	Limit	20 000	3.00	60 000
15021	Market	-	-	100 000
15022	Market	-	-	50 000
15023	Market	-	-	100 000
15024	Market	-	-	50 000

The total volume of the limit orders with maximum price is 45 000 shares (10000+20000+15000). The total volume of the market orders if they are executed at the maximum price of BGN 5.00 is 60 000 shares ([100 000+ 50 000+100 000+50 000]/5) In such case the total volume of the limit orders with maximum price plus the market orders executed at this price is 105 000 shares. The system will allow as a cut price only BGN 5.00 in order to guarantee maximum profit for the seller. The resulting trades will be as follows:

Order No	Type	Number of securities	Price	Total amount of the order	Trade volume	Trade price	Total amount of the trade
15015	Limit	10 000	5.00	50 000	10 000	5.00	50 000
15016	Limit	20 000	5.00	100 000	20 000	5.00	100 000
15017	Limit	15 000	5.00	75 000	15 000	5.00	75.000
15021	Market	-	-	100 000	20 000	5.00	100 000
15022	Market	-	-	50 000	10 000	5.00	50 000
15023	Market	-	-	100 000	20 000	5.00	100 000
15024	Market	-	-	50 000	5 000	5.00	25 000

Orders 15018, 15019 and 15020 will not be satisfied because their prices are lower than the cut price. Order 15024 is entered last, that is why it has the lowest priority. The total volume of the supply is 100 000 shares and the total volume of the buy orders executed at the maximum price (BGN 5.00) is 105 000 shares. Therefore, order 15024 will be executed partially.

After the end of the auction all securities will be sold.

The described in the previous example algorithm for execution of buy orders is valid only in case that the total volume of limited orders at the maximum price plus the volume of market orders, which can be executed at the maximum price, exceeds the volume of the offered shares. Otherwise the algorithm for execution of buy orders described bellow is applicable.

3.5.2 The total volume of limited orders at the maximum price plus the volume of market orders, which can be executed at the maximum price, DOES NOT exceed the volume of shares offered for sale.

All limited orders at prices not less than the cut price, will be executed at their own price, and the market orders will be executed at the weighted average price of the accepted limited orders.

The shares, which are not sold at the end of the auction, remain for the next trading day.

Example 2: There are 100 000 stocks of the company "X" offered for sale, as the minimum price per share is BGN 1. The participants in the mixed auction have entered the following buy orders:

Order No	Type	Volume	Price	Total value (BGN)
15053	Limit	10 000	5.00	50 000
15054	Limit	15 000	5.00	75 000
15055	Limit	20 000	4.50	90 000
15056	Limit	20 000	4.00	80 000
15057	Market	-	-	50 000
15058	Market	-	-	50 000

The total demand no matter the price doesn't exceed the offered volume of stocks. That's why all prices /BGN 4.00, 4.50 and 5.00/ are suitable for a cut price.

The board of Directors of the Exchange adopted a rule which states that the cut price should be always the lowest one of all possible, which in this case is BGN 4.00. All buy orders will be accomplished:

Order No	Type	Number of securities	Price	Total amount of the order	Trade volume	Trade price	Total amount of the trade
15053	Limit	10 000	5.00	50 000	10 000	5.00	50 000
15054	Limit	15 000	5.00	75 000	15 000	5.00	75 000
15055	Limit	20 000	4.50	90 000	20 000	4.50	90 000
15056	Limit	20 000	4.00	80 000	20 000	4.00	80 000
15057	Market	-	-	50 000	11013	4.54	49 999.02
15058	Market	-	-	50 000	11 013	4.54	49 999.02

The price of BGN 4.54, at which the market orders are executed, is the weighted average price of the executed limited orders.

Example 3: There are 100 000 stocks of the company "X" offered for sale, as the minimum price per share is BGN 1. The participants in the mixed auction have entered the following buy orders:

Order No	Type	Volume	Price	Total value (BGN)
15053	Limit	10 000	5.00	50 000
15054	Limit	15 000	5.00	75 000
15055	Limit	20 000	4.50	90 000
15056	Limit	70 000	4.00	280 000
15057	Market	-	-	50 000
15058	Market	-	-	50 000

The total demand at BGN 4.00 exceeds the offered volume of stocks. That is why only 4.50 and 5.00 will be suitable for a cut price According to the rule of the Board of Directors, the cut price will be BGN 4.00 and the following trades will be executed:

Order No	Type	Number of securities	Price	Total amount of the order	Trade volume	Trade price	Total amount of the trade
15053	Limit	10 000	5.00	50 000	10 000	5.00	50 000
15054	Limit	15 000	5.00	75 000	15 000	5.00	75 000
15055	Limit	20 000	4.50	90 000	20 000	4.50	90 000
15057	Market	-	-	50 000	10460	4.78	49 998.80
15058	Market	-	-	50 000	10460	4.78	49 998.80

The price of BGN 4.78, at which the market orders are executed, is the weighted average of the executed limited orders.