LAW ON THE ACTIVITIES OF COLLECTIVE INVESTMENT SCHEMES AND OTHER COLLECTIVE INVESTMENT UNDERTAKINGS

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Part One
GENERAL PROVISIONS

Art. 1. This Law shall govern:

1. the activities of collective investment schemes and management companies;

2. the activities of other collective investment undertakings;

3. the requirements to persons who manage and control the entities under Item 1 and 2, as well as to the persons having a qualifying holding in management companies;

4. The state supervision for ensuring compliance with this Law.

Art. 2. The goal of this Law is to:

1. ensure protection of investor rights and interests, including by establishing conditions for enhancement of their knowledge about the market in units of collective investment undertakings;

2. create conditions for development of a fair, transparent and efficient market in units of collective investment undertakings;

3. maintain the integrity and public confidence in the capital market.

Art. 3. The regulation and supervision over the activities and persons under Art. 1 is carried out by the Financial Supervision Commission, hereinafter referred to as the "Commission", and fby the Deputy Chairperson of the Commission in charge of Investment Activity Supervision Division, hereinafter referred to as the "Deputy Chairperson".

Part Two
COLLECTIVE INVESTMENT SCHEMES

Title One
CONDITIONS OF PURSUING BUSINESS BY A COLLECTIVE INVESTMENT SCHEME

Chapter One
GENERAL CONDITIONS

Art. 4. (1) A collective investment scheme is an undertaking for collective investment, meeting the following conditions:

1. its sole object is collective investment in transferable securities or in other liquid financial assets under Art. 38, para 1, of cash raised through public offering, and which operates on the principle of risk-spreading;

2. its units are dematerialized and are subject to redemption, directly or indirectly, on the basis of its net asset value, at request made by unit-holders.

(2) The actions of the collective investment scheme, taken with the purpose to ensure that the stock exchange value of its units does not significantly vary from their price,

determined on the basis of the net asset value, shall be regarded as equivalent to its redemption actions.

(3) The collective investment scheme has no right to perform any other activity outside that indicated under para 1, except where it is needed for performance of the activity under para 1 and the actions under para 2.

Art. 5. (1) The collective investment scheme shall be constituted as a contractual fund or as an investment company.

(2) The contractual fund is a separate property and is considered established with its entry into the Register according to Art. 30, para 1 of the Financial Supervision Commission Act. In regard to the contractual fund shall apply Section XV Company of the Obligations and Contracts Act, except for Art. 359, para 2 and 3, Art. 360, 362, Art. 363, letters "c" and "d" and Art. 364, in so far as this Act or the contractual fund rules do not provide otherwise.

(3) The investment company is a joint-stock company with a one-tier management system and a head office in the Republic of Bulgaria, which is established only at a constitutive meeting.

(4) The activity of the collective investment scheme is managed only by a management company according a concluded contract, respectively according to the contractual fund rules.

(5) The collective investment scheme may not be transformed into a collective investment undertaking, which is not a collective investment scheme within the meaning of this Law.

Art. 6. (1) To pursue activities as a collective investment scheme, it is required a license to be issued for carrying out the business of an investment company, respectively authorization for organization and management of a contractual fund, by the Commission. The obtained license, respectively authorization, entitles the collective investment scheme to pursue business on the territory of all Member States.

(2) No entity shall have the right to pursue activities under Art. 4, para 1, unless it has been granted a license, or respectively authorization.

(3) A person who does not possess a license, or respectively authorization for pursuing business under Art. 4, para 1, may not use in its name, advertising or other activity the words "investment company", respectively "contractual fund", ""mutual fund", "investment fund" or other equivalent words in Bulgarian or foreign language, meaning the pursuing of such business.

Art. 7. (1) The subscribed capital of the investment company shall be not less than BGN 500 000. In the trade register shall be entered the capital with which the company is established.

(2) The capital contributions can be made only in cash.

(3) Not less than 25 per cent of the capital under para 1 must be paid in upon filing of the application for the issue of a license to pursue business as an investment company, and the other part – within a 14-day period of receiving a written notification from the Commission, that it will issue a license after the full capital amount is paid in.

(4) Since the company's entry in the trade register, its capital shall always be equal to the net asset value. The capital may not be less BGN 500 000.

(5) The capital of the investment company is increased or reduced in accordance with the change in the net asset value, including as a result of the sold or redeemed shares. The provisions of Art. 192 - 203 and 246 of the Commercial Law shall not apply.

(6) An investment company shall issue only dematerialized, unprivileged shares with a right to one vote. Besides upon establishment of the company, its shares shall be

acquired at issue price, determined on the basis of the net asset value. The provisions of Art. 176, para 2 and 3 and Art. 188 - 191 of the Commercial Law shall not apply.

(7) The company may not issue bonds and other debt securities.

Art. 8. Unless otherwise provided for by this Law, in regard to the procedure of convening and holding of a general shareholders' meeting of an investment company and dividend distribution, shall apply respectively the provisions of Chapter Eight of the Law on Public Offering of Securities.

Art. 9. (1) The net asset value of the contractual fund may not be less than BGN 500 000. This minimum amount must be reached within one year of obtaining the authorization for organization and management of a contractual fund.

(2) The contractual fund is considered an issuer of the units, into which it is divided. The units entitle to a corresponding part of the fund's property, including upon the fund's liquidation, redemption right as well as other rights, as envisaged herein and the contractual fund rules.

(3) Contractual funds may also issue on the basis of their net asset value partial units against a contributed money deposit of certain amount, if a whole number of units cannot be issued against the deposited amount.

(4) Contractual funds can distribute income proportionately to the held units under conditions and procedure, as determined by the contractual fund rules.

(5) The conditions for participation in the contractual fund, its organization, management and winding-up shall be determined by the contractual fund rules.

Art. 10. (1) A person who has been elected a member of an investment company's board of directors must not have been:

1. sentenced for crimes against property, against the economy or against the financial, tax and the social security system, perpetrated in the Republic of Bulgaria or abroad, unless rehabilitated;

2. a member of a management or supervisory body, or unlimited liability partner in a company, for which a bankruptcy procedure has been initiated, or company wound up due to bankruptcy, where there are unsatisfied creditors left ;

3. declared bankrupt or involved in pending bankruptcy proceedings;

4. not be the spouse or relative in the direct or collateral line up to the third degree inclusive, or by affinity up to the third degree to another member of the company's board of directors;

5. deprived of the right to occupy positions involving financial responsibilities.

(2) The requirement under para 1 shall also apply to the natural persons representing legal persons – members of the board of directors of the investment company.

(3) The requirements of para 1 shall also apply to any other persons who may, independently or jointly with another person, enter into transactions for the account of the investment company.

(4) The circumstances under para 1, Item 1 shall be certified by a certificate of conviction, or respectively by an equivalent document, and under para 1, Item 2 - 5 shall be certified by a written statement.

(5) The persons under para 1 - 3 shall inform the Commission of any change in the declared by them circumstances according to para 1 within three business days of such change.

Art. 11. The provisions of this Part shall not apply to the activity of:

1. collective investment undertakings, which raise cash without offering to the public their units for sale within the European Union or in parts thereof;

2. collective investment undertakings, whose units according the fund rules or the articles of association of the investment company can be offered to the public only in third countries;

3. The collective investment undertakings, settled in Part Three, unless otherwise provided in this Law;

4. Holding companies, whose funds are invested through their subsidiary companies predominantly in assets, other than transferable securities under Art. 38, para 1.

Chapter Two
ISSUING AND WITHDRAWAL OF A LICENSE OF AN INVESTMENT COMPANY AND AUTHORIZATION FOR ORGANIZATION AND MANAGEMENT OF A CONTRACTUAL FUND

Art. 12. (1) In order a license to be issued for pursuing business as an investment company, an application shall be filed with the Commission in a standard form, approved by the Deputy Chairperson, to which shall be enclosed:

1. the articles of association;

2. particulars about the capital subscribed and paid-in;

3. information and other needed documents about the members of the investment company's board of directors, or about the natural persons representing legal entities, members of the board of directors, or other persons authorized to manage and represent the investment company, as well as information about their professional qualification and experience;

4. the contract with the management company and the contract for depositary services;

5. the names or business names of and particulars about the persons who hold, directly or indirectly, 10 or more than 10 per cent of the voting shares of the applicant or can exercise control over it, as well as about the number of the held by them votes; the persons shall submit written declarations, in a standard form approved by the Deputy Chairperson, about the origin of the funds whereby the contributions against the subscribed shares were made, including where these are loan funds, as well as about the taxes paid by such persons over the preceding 5 years;

6. the rules of portfolio evaluations and determination of the net asset value;

7. the prospectus of the investment company and the key investor information document;

8. the rules of risk management;

9. other documents and information, as laid down in an ordinance.

(2) In order authorization to be issued to organize and manage a contractual fund, the management company shall file an application with the Commission in a standard form approved by the Deputy Chairperson, to which shall be enclosed:

1. the contractual fund rules;

2. decision of the competent body of the management company to organize a contractual fund;

3. the rules of portfolio evaluation and determination of the net asset value;

4. the contract for depositary services;

5. the prospectus of the contractual fund and the key investor information document;

6. the rules of risk management;

7. other documents and information, as laid down in an ordinance.

(3) On the basis of the submitted documents the Commission shall establish to what extent the requirements to the issue of a license, or an authorization, have been complied with. If the presented data and documents are incomplete or irregular, or additional information is needed or evidence for the data correctness, the Commission shall send a notification and set a term for removal of the found deficiencies and irregularities or for submission of additional information and documents, which may not be shorter than one month and longer than two months.

(4) If the notification under para 3 is not accepted at the indicated by the applicant address for correspondence, the term for their submission shall start running from the posting of the notification at a specially designated for the purpose place in the Commission's building. This circumstance is verified by a protocol drawn up by officials appointed by order of the Commission's Chairman.

(5) The Commission shall pronounce on the application within two months of its receiving, and where additional information and documents have been requested – within two months of their receiving, or respectively the expiration of the term under para 3, sentence two.

(6) Simultaneously with the issuing of a license to an investment company and authorization to a management company for organization and management of a contractual fund, the Commission shall confirm the prospectus and the key investor information document of the collective investment scheme.

(7) The applicant shall be informed in writing of the decision taken within a 7-day period.

(8) Upon the issuing of a license to pursue the business as an investment company, respectively authorization to organize and manage a contractual fund, the investment company, or the contractual fund, shall be filed into the register kept by the Commission under Art. 30, para 1 of the Financial Supervision Commission Act.

Art. 13. (1) In addition to the particulars required under the Commercial Law, the articles of association of an investment company must contain:

1. the main objectives and restrictions on the investment activity, as well as the investment policy of the investment company;

2. the share of investments by type of assets;

3. the remuneration and the methods for calculation of the remuneration of the management company, of the members of the board of directors respectively;

4. the distribution of powers and duties between the company's board of directors and the management company;

5. the conditions and procedure to calculate the net asset value, the issue price and the redemption price of the shares and the amount of dividend, if such is envisaged;

6. the conditions and procedure for redemption of the shares and the conditions to suspend such redemption and for distribution of the dividend, when such has been envisaged, or for its reinvestment;

7. the conditions for replacement of the depositary bank and the rules safeguarding the interests of shareholders in case of such replacement;

8. the conditions for replacement of the management company and the rules safeguarding the interests of shareholders in case of such replacement.

(2) The rules of the contractual fund must contain:

1. the name of the contractual fund;

2. information about the person that organizes or manages the contractual fund;

3. the main objectives and restrictions of the investment activity, as well as of the investment policy;

4. the conditions and procedure for calculation of the net asset value, the issue value and the redemption price of units;

5. methods of valuation of the assets and liabilities;

6. the rights attached to the units;

7. the remuneration of the management company, the fees withheld by the management company for the units sale and redemption, and other fees, if such are envisaged, as well as the methods of their calculation;

8. the rules of determining the remuneration of the depositary bank;

9. the conditions and procedure for redemption of units and the conditions of the redemption suspension;

10. the conditions and procedure for distribution of the income, or its reinvestment;

11. the conditions for replacement of the depositary bank and the rules safeguarding the interests of unit-holders in case of such replacement;

12. the conditions for replacement of the management company and the rules safeguarding the interests of the unit-holders in case of such replacement.

Art. 14. (1) The issued by the Commission license to pursue activities of an investment company, or authorization to organize and manage a contractual find shall be valid on the territory of all Member States.

(2) The Commission shall not require a collective investment scheme to be managed only by a management company established in the Republic of Bulgaria, as well as require a management company established in another Member State to pursue its business through delegation of activities on the territory of the Republic of Bulgaria.

Art. 15. (1) The Commission shall refuse to issue a license to pursue the business of investment company, if:

1. the company's articles of association do not comply with the law;

2. the subscribed capital does not meet the requirements of Art. 7, para 1;

3. the contract with the management company does not meet the requirements of this Law and its implementing instruments;

4. the members of the board of directors fail to meet the requirements of Art. 10;

5. persons who hold, directly or indirectly, 10 and more than 10 per cent of the votes at the investment company's general meeting, may prejudice the investments safety through their activities or influence on decision-making;

6. persons who hold, directly or indirectly, 10 and more than 10 per cent of the votes at the general meeting, have made contributions with borrowed funds;

7. the depositary bank, or the contract with the depositary bank, do not meet the requirements of the Law or its implementing instruments;

8. the prospectus or the key information document of the investment company does not meet the requirements of this Law and its implementing instruments;

9. according the law or the articles of association of the investment company, it may not market its shares on the territory of the Republic of Bulgaria;

10. investor interests are not guaranteed to a sufficient extent;

11. the management company was not granted authorization to pursue activities under 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", in its home Member State.

(2) The Commission shall refuse to issue authorization to organize and manage a contractual fund if:

1. the applicant does not meet the requirements of the Law;

2. the contractual fund rules do not comply with the requirements of the Law and its implementing instruments;

3. the depositary bank or the contract with the depository bank does not meet the requirements of the Law and its implementing instruments;

4. the prospectus and the key investor information document of the contractual fund do not comply with the requirements of the law and its implementing instruments;

5. according the Law or its rules, the contractual fund may not market its units on the territory of the Republic of Bulgaria;

6. investor interests are not guaranteed to a sufficient extent;

7. the management company was not granted authorization to pursue business in accordance with Directive 2009/65/EC in its home Member State.

(3) In the cases under para 1, Item 1 - 4, 7 and 8, respectively under para 2, Item 2, 3 and 4, the Commission may refuse to issue a license, or authorization, only if the applicant has failed to remove the inconsistencies or to submit the required documents within the time limit set by the Commission, which may not be less than one month.

(4) The Commission's refusal shall be reasoned in writing.

Art. 16. In the cases of refusal under Art. 15, the applicant may file a new request for the issue of a license, or authorization, not earlier than 6 months after the coming into effect of the decision of refusal.

Art. 17. (1) The Registry Agency shall enter the investment company in the trade register, after it has been provided with the relevant license issued by the Commission.

(2) The investment company shall inform the Commission about the entry within a 7-day period after it is made.

Art. 18. (1) Any change in the rules, or the articles of association of a collective investment scheme, replacement of the depositary bank and of the management company, change in the rules of risk management, the rules of portfolio valuation and determination of the net asset value and change in the contract for depositary services shall be admitted after approval by the Deputy Chairperson.

(2) In order approval under para 1 to be issued, an application shall be filed in a standard form, approved by the Deputy Chairperson. The Deputy Chairperson shall issue or refuse to issue the approval under para 1 within a 14-day period of receiving the application with the enclosures thereto, and where additional information and documents have been required – of their receiving.

(3) On the basis of the submitted documents the Deputy Chairperson shall establish to what extent the requirements for the issued of the requested approval have been complied with. If the presented data and documents are incomplete or irregular or additional information is need, the Deputy Chairperson shall send a notification and set a term for removal of the found deficiencies and irregularities, or for submission of additional information and documents.

(4) If the notification under para 3 is not accepted at the indicated by the applicant address for correspondence, the term for removal of deficiencies and irregularities, respectively for presentation of additional information, shall start running from the posting of the notification at a specially designated for the purpose place in the Commission's building. This circumstance shall be verified by a protocol drawn up by officials appointed by order of the Deputy Chairperson.

(5) The Deputy Chairperson shall refuse to issue approval under para 1, if the requirements of the Law or its implementing instruments have not been complied with, or the investor interests are not guaranteed. The refusal shall be reasoned in writing.

(6) The applicant shall be informed in writing of the decision made within a three-day period.

(7) The Registry Agency shall enter the amendment to the investment company's articles of association after it is provided with the approval of the Deputy Chairperson.

Art. 19. (1) The Commission shall withdraw the issued license where the investment company:

1. does not start to pursue the relevant business within 12 months after the license issuing, expressly renounces the issued license or has not been executing business for more than 6 months;

2. in the course of 6 consecutive months, the average monthly net asset value is less than BGN 500 000;

3. has submitted false particulars, which served as a ground to issue the license;

4. ceases to meet the conditions, on which the license is issued;

5. does not meet the requirements for liquidity, as laid down in an ordinance;

6. grossly or systematically violates the provisions of this Law and its implementing instruments.

7. has not designated a new management company, or has not transformed itself in the cases according to 157, para 1, Item 2.

(2) The Commission shall withdraw authorization issued to organize and manage a contractual fund:

1. if in the course of one year after the authorization granting, the balance sheet net asset value of the contractual fund does not reach BGN 500 000;

2. in the cases under para 1, Item 1 - 5 and 7;

3. if that is necessary for protection of investor interests.

Art. 20. The Commission shall publish the acting laws, regulations and administrative provisions, relating to the constitution and functioning of the collective investment scheme on its website in the Bulgarian and English language and upon amendment shall update them in due time .

Chapter Three
PUBLIC OFFERING AND REDEMPTION OF UNITS OF A COLLECTIVE INVESTMENT SCHEME

Art. 21. (1) A collective investment scheme must continuously offer its units to the investors at their issue price, based on the net asset value, and at the request of any unit-holders redeem them at price based on the net asset value, under conditions and procedure, determined by this Law, its implementing instruments, respectively in the contractual fund rules, except for the case under Art. 22, para 1, 3 and 5.

(2) The issue price and the redemption price shall be calculated by the depositary bank or by the management company under the supervision of the depositary bank.

(3) The issue price and the redemption price shall be calculated at least twice a week in equal intervals of time.

(4) If so provided for in the articles of association, or respectively in the rules of the collective investment scheme, the issue price may be higher than the net asset value per unit with the amount of the cost of issuance.

(5) If so provided for in the articles of association, or respectively in the rules of the collective investment scheme, the redemption price may be lower than the net asset value per unit with the amount of the cost of redemption.

(6) The obligation of redemption shall be performed within 10 days of filing the request in writing and at a price, based on the redemption price for the nearest day following the day on which the request is made.

(7) All orders to buy units in a collective investment scheme and all orders for redemption of its units, received between two issue price and redemption price quotations, shall be executed at the same price.

(8) A collective investment scheme shall issue, sell and redeem its units through the management company on the basis of a written contract with the customer.

(9) The management company shall provide for filing into the national registration system, maintained by Central Depository AD, information about the newly issued and redeemed units, as well as about the persons, who purchased units and whose units were redeemed.

Art. 22. (1) A collective investment scheme may temporarily suspend the redemption of its units under the conditions and procedure provided for in its articles of association, respectively in the rules, but only in exceptional cases, where circumstances so require and where suspension is justified having regard to the interests of the unit-holders, including in the following cases:

1. when entering into transactions on a regulated market, on which a substantial portion of the collective investment scheme's assets are admitted or dealt in, is suspended, discontinued or subject to restrictions;

2. where the collective investment scheme's assets or liabilities cannot be valued accurately or it may not dispose of them without prejudice to the interests of unit-holders;

3. when a decision is taken for dissolution or transformation through merger or acquisition of the collective investment scheme under the conditions and procedure of Chapter Fourteen.

(2) In the cases under para 1, the collective investment scheme shall communicate the decision made to the Commission and the relevant competent authorities of all Member States, in which it offers its units, by the end of the business day, or respectively shall notify of the resumption of redemption by the end of the business day preceding such resumption.

(3) Upon taking a decision under 1, the collective investment scheme must also discontinue without delay the issuing of units for the period of temporary suspension of the redemption.

(4) The collective investment scheme, or respectively the management company must notify the unit-holders in the cases under para 1 of the decision made to suspend the redemption, as well as upon a subsequent decision for its resumption. The collective investment scheme, or respectively the management company, shall post the decisions for suspension of the redemption or for its resumption on its website, and where its units are admitted to trading on a regulated market, it must also inform the market in the time-limit according to para 2.

(5) The Commission takes decision for suspension of the redemption, in case that the interests of unit-holders or the market require it.

Art. 23. (1) The rules for the valuation of the net asset value of the collective investment scheme, as well as the rules for calculating the issue price and redemption price shall be laid down in the articles of association, or in the rules of the collective investment scheme.

(2) The requirements to the rules of determining the net asset value, the issue price and redemption price of a collective investment scheme shall be laid down in an ordinance.

(3) The distribution or reinvestment of the realized income of a collective investment scheme shall be effected in accordance with the articles of association, or the rules of the collective investment scheme.

Art. 24. (1) A collective investment scheme shall have no right to issue units, whose issue price is not paid in full.

(2) The restriction according to para 1 shall not apply in the cases of distribution of bonus units under conditions and procedure, provided in the articles of association, or in the rules of the collective investment scheme.

Chapter Four

GENERAL REQUIREMENTS

Art. 25. (1) The depositary bank as well as the members of its management and supervisory bodies may not be the same person or a related person with the management company, with the members of its management or supervisory bodies or with the persons under para 10 or with another person performing managerial functions in the investment company, as well as with persons who control the investment company.

(2) In carrying out its duties, the depositary bank shall act independently and solely in the interest of the unit-holders.

Art. 26. (1) The contract with the management company may be terminated by the investment company by a three-month prior notice after approval by the Deputy Chairperson of the replacement of the management company.

(2) In case of breaking of the contract under para 1 by the investment company due to non-fulfillment of the obligations of the management company, the latter shall immediately cease the management of the investment company's activities. Until the conclusion of a contract with another management company, or until the transformation of the investment company by merger or acquisition, the management body of the investment company shall as an exception carry out management actions for a period not longer than three months.

(3) In cases of withdrawal of a license to pursue business, winding-up or declaring insolvent of a management company, which manages a contractual fund, the management company shall cease the fund's management and shall immediately deliver to the fund's depositary bank the whole available with it information and documentation in relation to the fund's management. Until the conclusion of a contract with another management company or until the fund's transformation by merger or acquisition, the depositary bank shall, as an exception, carry our management functions for a period not longer than three months.

(4) The contract with the depositary bank may be terminated by the investment company, or respectively by the management company, for the contractual fund's account with a three-month prior notice after approval by the Deputy Chairperson of the replacement of the depository bank.

Art. 27. (1) The investment company, as well as the management company and the depositary bank, when acting on behalf of a collective investment scheme, may not borrow loans, except in the cases under para 2 and 3.

(2) A collective investment scheme may acquire foreign currency by means of a 'back-to-back' loan on conditions as laid down in an ordinance.

(3) The Deputy Chairperson may allow the collective investment scheme to use a loan up to 10 per cent of its assets, if the following conditions are met simultaneously:

1. the loan to be for a term not longer than three months and to be needed for cover of the liabilities for redemption of the scheme's units;

2. the conditions of the loan agreement not to be more unfavorable than the usual for the market and the articles of association or the rules of the collective investment scheme to allow conclusion of such agreement.

(4) The Deputy Chairperson shall issue or refuse to issue the authorization under para 3 according the procedure of Art. 18, para 2 - 6.

(5) The actions performed in violation of para 1 shall be void in regard to the unit-holders.

Art. 28. (1)An investment company, as well as a management company and a depositary bank, when acting on behalf of the collective investment scheme shall not grant loans, or act as guarantors on behalf of third parties.

(2) The actions performed in violation of para 1, shall be void in regard to the unit-holders.

(3) Notwithstanding the restrictions under para 1, the persons referred to in para 1 may acquire transferable securities, money market instruments or other financial instruments under Art. 38, para 1, Item 5, 7, 8 and 9, in the cases when they value is not fully paid.

Art. 29. An investment company, as well as a management company and a depositary bank, when acting on behalf of the collective investment scheme, may not conclude a contract for uncovered sale of transferable securities, money market instruments or other financial instruments referred to in Art. 38, para 1, Item 5, 7, 8 and 9.

Art. 30. (1) The remuneration and the expenditure, which a management company is empowered to charge to a collective investment scheme, as well as the methods of calculation of such remuneration shall be determined under the conditions and procedure, as provided in this Law, its implementing instruments or in the articles of association, or the rules of the collective investment scheme.

(2) The management company may not collect fees, which are not envisaged or are higher than the amount of the fees envisaged in the articles of association of the investment company, or respectively in the rules of the contractual fund.

Art. 31. An investment company may not exercise control over the management company.

Art. 32. The investment company and the management company shall adopt rules about the personal transactions of the members of the board of directors of the investment company, or the members of management or supervisory bodies of the management company, which are to guarantee that there will be no personal transactions concluded or investments maintained by these persons, allowing them jointly or severally to exercise significant influence over an issuer, or which would lead to conflict of interests, or are a result of abuse of information, which they have acquired in connection with their professional activity within the meaning of the Law on Measures Against Market Abuse with Financial Instruments.

Art. 33. Other requirements to the activity, the asset and liability structure and the liquidity of a collective investment scheme, aimed at protection of investor interest, including the maintenance and keeping of records by the collective investment scheme, the annual and half-yearly reports and their distribution, the method and procedure for valuation of the collective investment scheme's assets and liabilities, the disclosure of information, the content of the marketing communications in relation to units of the collective investment scheme, the activity of sale of units, the content of the contract of the investment company with the management company and the depositary bank and the content of the contract of the management company with the depositary bank shall be laid down in an ordinance.

Chapter Five

OBLIGATIONS OF THE DEPOSITARY BANK

Art. 34. (1) The dematerialized financial instruments, held by the collective investment scheme, shall be entered in a depositary institution on the sub-account of the depositary bank, and its assets shall be kept at the depositary bank. The depositary bank shall effect all payments on behalf of the collective investment scheme.

(2) The depositary bank's liability according to Art. 37 shall not be affected by the fact that it has entrusted to a third party all or some of its assets for safe-keeping.

(3) A depositary bank shall:

1. ensure the issue, sale, redemption and cancellation of the units of the collective investment scheme in accordance with the law and the articles of association, respectively the rules;

2. oversee compliance with the law and the rules of the collective investment scheme in calculation of the value of units;

3. dispose of the collective investment scheme's assets entrusted to it only on order of the management company, unless such order is contrary to the law, the articles of association, respectively the rules of the collective investment scheme or the contract for depositary services;

4. ensure that all considerations relating to transactions involving portfolio assets are remitted in favor of the collective investment scheme within the usual time limits;

5. ensure the collection and use of the collective investment scheme's income in conformity with the law and the articles of association, respectively the rules;

6. report regularly to the collective investment scheme on the assets entrusted and the operations carried out.

Art. 35. (1) A depositary bank may be a bank, included in a list approved by the Deputy Chairperson, which meets the following requirements:

1. to have been granted a license by the Bulgarian National Bank to pursue banking activity, or to be a bank from a Member State, which carries out banking activity into the territory of the Republic of Bulgaria through a branch;

2. to have obtained authorization for execution of transactions with financial instruments;

3. to have obtained authorization to pursue activities as a depositary or custodian institution in accordance with Art. 2, para 2, Item 4 of the Law on Credit Institutions;

4. whose license, activities, transactions or operations have not been restricted to an extent that will impede or render impossible the execution of the duties envisaged in this Law in the contract for depositary services;

5. in relation to which no measures under Art. 103, para 2, Item 14, 19, 20 or 21 of the Law on Credit Institutions were imposed during the last 12 months, or which has not been sanctioned for violation of the provisions of this Law;

6. which has staff and information provision for effective execution of its depositary functions and obligations in compliance with the requirements of this Law and its implementing instruments.

(2) To be included in the list under para 1, the depositary bank shall file an application in a standard form approved by the Deputy Chairperson. The bank shall be excluded from the list when it ceases to comply with some of the requirements referred to in para 1.

(3) The Bulgarian National Bank shall inform the Commission in due time of any imposed measure or sanction, which limits the license, the transactions or the operations of the depositary bank to an extent that will impede or render impossible the execution of the envisaged in this Law or the contract for depositary services obligations.

Art. 36. (1) The depositary bank shall render an account of the assets of the collective investment scheme segregated from its own assets and from the other customer assets. The depositary bank shall not be liable for its own obligations towards its creditors with the collective investment scheme's assets.

(2) The depositary bank shall assist the collective investment scheme in obtaining information and participation in general meetings of the issuers in whose financial instruments the collective investment scheme has invested and shall assume other obligations related to the entrusted assets according to the concluded contract. The remuneration of the depositary bank may not exceed the customary one for the services provided.

(3) On request, the depositary bank shall provide to the Commission the whole information it has obtained while discharging its duties.

(4) Where a collective investment scheme established in the Republic of Bulgaria has a contract concluded with a management company established in another home Member State, the depositary bank shall sign a written agreement with the management company, defining the information needed to allow it to perform its functions under this Law and its implementing instruments. The content of the written agreement between the depositary bank and the management company is to be specified in an ordinance.

Art. 37. (1) A depositary bank shall be liable to the management company and the unit-holders of the collective investment scheme for any damages suffered by them as a result of its failure to perform its obligations, including of incomplete, inaccurate and untimely performance, when it is due to reasons for which the bank is responsible.

(2) The unit-holders may claim liability from the depositary bank, directly or indirectly, through the management company in accordance with the nature of the legal relationship between the depositary bank, the management company and the unit-holders.

Chapter Six
OBLIGATIONS CONCERNING THE INVESTMENT POLICY OF A COLLECTIVE INVESTMENT SCHEME

Art. 38. (1) The investments of collective investment schemes may consist only of the following:

1. transferable securities and money market instruments admitted to or dealt in on a regulated market according to Art. 73 of the Markets in Financial Instruments Act;

2. transferable securities and money market instruments dealt in on a regulated market other than that under Art. 73 of the Markets in Financial Instruments Act, in the Republic of Bulgaria or another Member State, which operates regularly and is recognized and open to the public, as well as securities and money market instruments, issued by the Republic of Bulgaria or another Member State;

3. transferable securities and money market instruments admitted to be dealt in on an official market of a stock exchange or dealt in on another regulated market, which operates regularly and is recognized and open to the public, which are included in a list approved by the Deputy Chairperson, or are provided in the articles of incorporation, respectively in the rules of the collective investment scheme;

4. recently issued transferable securities, the conditions of the issue of which include the assuming of an obligation that an application will be made for admission, and within a period not longer than one year of their issuing, to be admitted to trading on an official market of a stock exchange or another regulated market, which operates regularly and is recognized and open to the public, included in a list approved by the Deputy Chairperson or provided in the articles of association, respectively the rules of the collective investment scheme;

5. units of collective investment schemes and/ or other collective investment undertakings, which meet the conditions of Art. 4, para 1, irrespective of whether established in a Member State, provided that:

a) such other collective investment undertakings comply with the following conditions:

aa) they are authorized to pursue business under a law, which provides that they are subject to supervision, considered by the Deputy Chairperson to be equivalent to the supervision laid down in Community law and that the cooperation between the supervisory authorities is sufficiently ensured;

bb) the level of protection of unit-holders therein, including the rules of asset segregation, borrowing, lending of transferable securities and money market instruments, as well as uncovered sales of securities and money market instruments, are equivalent to the rules and protection of the unit-holders in collective investment schemes;

cc) they disclose periodically information, drawing up and publishing annual and half-yearly reports to enable an assessment to be made of the assets, liabilities, income and the executed operations over the reporting period, and

b) no more than 10 per cent of the assets of the collective investment schemes or of the other collective investment undertakings, whose acquisition is contemplated, can according to their instruments of incorporation or rules, be invested in aggregate in units of other collective investment schemes or in other collective investment undertakings;

6. deposits with credit institutions, which are payable on demand or have the right to be withdrawn at any time, and maturing in no more than 12 months; the credit institutions in a third country must comply with rules and be subject to supervision, which the Deputy Chairperson considers to be equivalent to those laid down in Community law;

7. financial derivative instruments, including equivalent cash-settled instruments, dealt in on regulated markets under Item 1 - 3;

8. financial derivative instruments, dealt in on over-the-counter (OTC) markets, provided that:

a) their underlying assets consist of instruments covered by para 1, financial indices, interest rates, currencies or foreign exchange rates, in which the collective investment scheme may invest according to its investment policy, as stated in the articles of association or the rules;

b) the counterparty to the transaction with these financial derivative instruments is an institution subject to prudential supervision, and meets requirements approved by the Deputy Chairperson;

c) are subject of reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the initiative of the collective investment scheme;

9. money market instruments other than those dealt in on a regulated market and stated in § 1, Item 6 of the Additional Provisions, if supervision is exercised over the issue or issuer of such instruments for the purpose of protecting investors or the savings, and they meet the following conditions:

a) they are issued or guaranteed by central, regional or local authorities in the Republic of Bulgaria or in another Member State, by the Bulgarian National Bank, by a central bank of another Member State, by the European Central Bank, by the European Union or the European Investment Bank, by a third country, or in the case of a Federal State, by one of the members of the federation, or by a public international body to which at least one Member State belongs;

b) they are issued by an issuer, whose issue of securities is dealt in on a regulated market pursuant to Item 1 - 3;

c) issued or guaranteed by an establishment subject to prudential supervision, in accordance with criteria defined by Community law, or by an establishment, which is subject to and complies with rules, adopted by the relevant competent authority, which are at least as stringent as those laid down by Community law;

d) issued by issuers other than those under letters "a", "b" and "c", meeting criteria, approved by the Deputy Chairperson, guaranteeing that:

aa) investments in such instruments are subject to investor protection, equivalent to the protection to which the investments under letters "a", "b" and "c" are subject;

bb) the issuer is a company whose capital and reserves amount to at least the BGN equivalence of EURO 10 000 000, which presents and publishes its annual accounts in accordance with Fourth Council Directive of 25 July 1978, adopted on the ground of Article 54, § 3, letter "g" of the Treaty on the annual accounts of certain types of companies (78/660/EEC) or with Regulation (EC) № 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, and is an entity, which is financing a group of companies which includes one or several companies admitted to trading on a regulated market, or is an entity which is financing securitization vehicles which benefit from a banking liquidity line.

(2) Collective investment schemes shall not invest more than 10% of their assets in transferable securities or money market instruments other than those stated in para 1.

(3) Collective investment schemes shall not acquire precious metals or certificates representing them.

(4) Collective investment schemes may hold ancillary liquid assets, the requirements to which shall be laid down in an ordinance.

Art. 39. Additional requirements to the conditions, which the securities, the money market instruments and the other assets under Art. 38 must meet, shall be laid down in an ordinance.

Art. 40. (1) A management company shall adopt and apply risk management rules with the purpose of continuous monitoring, control and measuring at any time the risk of any position and its contribution to the overall risk profile of each managed by it collective investment scheme.

(2) Where the collective investment scheme invests in financial derivative instruments, it shall employ rules for accurate and independent assessment of the value of the OTC derivatives.

Art. 41. The management company shall present regularly to the Commission information in regard to the types of financial derivative instruments, in which it invests, the main underlying risks, the quantitative limits and the methods which are chosen to estimate the risks associated with transactions in derivative instruments regarding each managed collective investment scheme.

Art. 42. (1) The collective investment scheme may employ techniques and instruments, relating to transferable securities and money market instruments, for the purpose of efficient investment portfolio management, if so provided in the articles of association, or respectively in the rules of the collective investment as well as in its prospectus. The types of techniques and instruments as well as the conditions of their employment shall be laid down in an ordinance.

(2) Where the techniques and instruments according to para 1 lead to use of derivative instruments, in regard to their use shall apply the conditions and limits laid down in this Law and its implementing instruments.

(3) The employment of the techniques and instruments under para 1 may not cause any change in the investment objectives and limits, or heightening of the risk profile of the collective investment schemes, as stated in their instruments of incorporation, prospectus or rules, approved by the Commission.

(4) The techniques and instruments under para 1 shall not be considered to be transferable securities.

Art. 43. (1) The global exposure of the collective investment scheme relating to financial derivative instruments may not exceed its net asset value.

(2) A collective investment scheme may invest in financial derivative instruments, if that is expressly envisaged in its investment policy, while complying with the provisions of Art. 45, para 8 – 10, provided that the exposure to the underlying assets does not exceed in aggregate the investment limits under Art. 45.

(3) When a collective investment scheme invests in index-based financial derivative instruments, these instruments shall not be combined for the purposes of the investment limits laid down in Art. 45.

(4) When transferable securities or money market instruments embed a derivative instrument, the exposure of the collective investment scheme to such derivative instrument shall be taken into account when calculating the global exposure pursuant to para 1.

(5) The exposure in financial derivative instrument shall be computed, when taking into account the current value of the underlying assets, the risk of the counterparty to the transaction with the financial derivative instrument, the future market fluctuations, as well as the period of time needed to close the position.

Art. 44. The criteria for assessing the adequacy of the risk management process under Art. 40, para 1, employed by the investment company, as well as by the management company about each managed collective investment scheme, the detailed rules regarding the accurate and independent assessment of the value of OTC derivatives, the detailed rules and time-limits for communicating to the Commission regarding the content of the information

stated in Art. 41, the procedure of provision of this information to the Commission by the management company, as well as the additional requirements to the contents of the risk management rules shall be laid down in an ordinance.

Art. 45. (1) A collective investment scheme shall invest no more than 5 per cent of its assets in transferable securities or money market instruments issued by the same body.

(2) A collective investment scheme shall invest no more than 20 per cent of its assets in deposits made with the same body under Art. 38, para 1, Item 6.

(3) The risk exposure of a collective investment scheme to a counterparty in an OTC financial derivative instruments transaction shall not exceed either of the following thresholds:

1. ten percent of the assets when the counterparty is a credit institution under Art. 38, para 1, Item 6, or

2. five percent of its assets – in other cases.

(4) A collective investment scheme may invest up to 10 per cent of its assets in transferable securities or money market instruments issued by the same body, only provided that the total value of the investments in the bodies, in each of which it invests more than 5 per cent of its assets, shall not exceed 40 per cent of the assets of the collective investment scheme. The limitation of sentence one shall not apply to deposits made with credit institutions subject to prudential supervision, as well as to transactions in OTC financial derivative instruments with such institutions.

(5) Notwithstanding the limits under para 1 – 3, the total value of the investments of a collective investment scheme in transferable securities or money market instruments issued by a single body, deposits made with that body, as well as the exposure with that body arising as a result of transactions in OTC financial derivative instruments, may not exceed 20 per cent of its assets.

(6) A collective investment scheme may invest up to 35 per cent of its assets in transferable securities and money market instruments, issued by the same body, if the transferable securities and money market instruments are issued or guaranteed by the Republic of Bulgaria, by another Member State, by their regional or local authorities, by a third country or by a public international body to which at least one Member State belongs.

(7) The transferable securities and money market instruments under para 6 shall not be taken into account for the purpose of the limit referred to in para 4.

(8) The investments limits under para 1 - 6 shall not be combined. The total value of the investments of a collective investment scheme in transferable securities or money market instruments issued by the same body, the deposits with that body, as well as the exposure to the same body arisen as a result of transactions with financial derivative instruments according to para 1 - 6, may not exceed 35 per cent of its assets.

(9) Companies which are included in the same group for the purposes of drawing up consolidated accounts in accordance with recognized accounting standards shall be regarded as a single body when applying the limit under para 1 - 8.

(10) The total value of the investments in transferable securities or money market instruments issued by the companies within the same group may not exceed 20 per cent of the value of the assets of a collective investment scheme.

Art. 46. (1) Besides the limits, provided in Art. 49, a collective investment scheme may invest in shares or debt securities issued by the same body, to a maximum of 20 per cent of its assets, if according the articles of association, respectively the rules of the collective investment scheme, the investment policy envisages replication of the composition of a stock or bond index, recognized by the Deputy Chairperson as acceptable according the following criteria:

1. the composition of the index is sufficiently diversified;

2. the index represents an adequate benchmark for the market to which it refers, and

3. it is published in an appropriate manner.

(2) Additional requirements to the composition of the index, the benchmark and the publishing of information about the index shall be laid down in an ordinance.

Art. 47. (1) While observing the principle of risk spreading, a collective investment scheme may exceed the limit according to Art. 45, para 6 and invest up to100 per cent of its assets in transferable securities and money market instruments issued or guaranteed by the Republic of Bulgaria or by another Member State, by one or more regional or local authorities, by third countries or public international bodies to which one or more Member States belong, only provided that by judgment of the Deputy Chairperson the unit-holders in the collective investment scheme that has been granted such authorization have protection of their rights, equivalent to that of the unit-holders in the collective investment scheme complying with the limits laid down in Art. 45.

(2) The collective investment scheme must envisage this possibility in its articles of association, respectively its rules, stating exhaustively the Member States, regional or local authorities or the public international bodies, issuing or guaranteeing securities and money market instruments in which they intend to invest more than 35 per cent of their assets.

(3) The information according to para 2 must be contained in the prospectus, in the key investor information and in all marketing materials.

(4) In the cases referred to in para 1, the collective investment scheme shall hold securities from at least 6 different issues, where the value of the investment in each of them must not be more than 30 per cent of its assets.

Art. 48. (1) A collective investment scheme may invest no more than 10 per cent of its assets in units of a single collective investment undertaking under Art. 38, para 1, Item 5, irrespective of whether or not with a registered office in a Member State.

(2) The investments made, in aggregate, in units of collective investment undertakings other than a collective investment scheme, may not exceed 30 per cent of the assets of the collective investment scheme.

(3) Where a collective investment scheme invests in units of other collective investment schemes or collective investment undertakings which are managed, directly or by delegation, by its management company or by any other company, with which its management company is linked by common management or control, or by a substantial direct or indirect holding, its management company or the other company shall not have right to charge fees for the sale and redemption of the units of the collective investment scheme.

(4) A collective investment scheme that invests a substantial proportion of its assets in other collective investment schemes or in other collective investment undertakings shall disclose in its prospectus the maximum level of the management fees that may be charged both to the collective investment scheme itself, and to the other collective investment schemes or collective investment undertakings in which it intends to invest. The information about the maximum percent of the fees charged according to sentence one to the investing collective scheme and the other undertakings in which it invests shall be provided in its annual report.

Art. 49. (1) A management company acting for the account of managed by it collective investment schemes or other collective investment undertakings, may not acquire any shares carrying voting rights which would enable it to exercise significant influence over the management of an issuer.

(2) A collective investment scheme may acquire no more than:

1. ten percent of the non-voting shares of a single issuing body;

2. ten percent of the bonds or other debt securities of a single issuing body;

3. twenty five per cent of the units of a single collective scheme or other collective investment undertaking, which complies with the requirements of Art. 4, para 1;

4. ten percent of the money market instruments of a single issuing body.

(3) The limits of para 2, Item 2, 3 and 4 shall not apply when at the time of acquisition of the indicated instruments, the collective investment scheme cannot calculate the gross amount of the debt securities, of the money market instruments, or the net amount of the securities in issue.

Art. 50. (1) The limits laid down in this Chapter shall not apply when the collective investment scheme exercises subscription rights, attaching to transferable securities or money market instruments which are part of its assets.

(2) When observing the principle of risk spreading, the collective investment schemes recently authorized to pursue business may not to apply Art. 45 - 48 within a period of 6 months following the authorization obtaining.

(3) In case of mergers and acquisitions of collective investment schemes, if the Commission is a competent authority for the receiving collective investment scheme, such collective investment scheme can not apply the limits according to Art. 45 - 48, not deviating substantially from them within 6 months following the date of entry of the merger or acquisition in the relevant register.

Art. 51. If the investment limits of this Chapter are violated for reasons beyond the control of the collective investment scheme, or as a result of the exercise of subscription rights, such collective investment scheme shall with priority, but not later than two months after the violation occurrence, bring by sales transactions its assets in compliance with the investment limitations, taking due account of the interests of the unit-holders.

Art. 52. In the cases under Art. 51 the collective investment scheme must within a 7-day period of the violation commitment notify the Commission, providing information on the reasons for its occurrence and on the measures undertaken for its elimination.

Chapter Seven
OBLIGATIONS CONCERNING INFORMATION TO BE PROVIDED TO INVESTORS

Art. 53. (1) The public offering of units of a collective investment scheme shall be admitted if a prospectus is published in a manner and with the content as laid down in this Law and its implementing instruments.

(2) The prospectus may only be published if the Commission has issued a license to pursue the business of an investment company, or respectively authorization to organize and manage a contractual fund.

Art. 54. (1) The prospectus shall include the information necessary for investors to make an informed judgment of the proposed investment, including the risks attached thereto. The prospectus shall also contain information on the risk profile of the collective investment scheme, presented in a clear and easily understandable way, independent of the instruments in which it invests.

(2) The prospectus shall contain information on the categories of assets, in which the collective investment scheme may invest, including:

1. whether it is authorized to execute transactions with financial derivative instruments according the articles of association, or the rules of the collective investment scheme; whether these transactions may be carried out for the purpose of risk hedging or with the aim of meeting the investment goals of the collective investment scheme;

2. the possible outcome of the use of financial derivative instruments on the risk profile of the collective investment scheme.

(3) Where a collective investment scheme invests principally in categories of assets, other than transferable securities or money market instruments or replicates a stock or debt securities index, in accordance with Art. 46, the prospectus and the marketing communications shall include a prominent statement of this circumstance in a manner drawing the investor attention.

(4) Where the net asset value of a collective investment scheme is likely to be subject to volatility due to the portfolio composition or the portfolio management techniques, the prospectus and the marketing communications shall include a prominent statement of this circumstance in a manner drawing the investor attention.

(5) Upon request of investors, the management company shall also provide supplementary information on the quantitative limits that apply in the risk management of the collective investment scheme, on the methods chosen for compliance with such limits and on the recent changes of the risks and yield of the main categories of instruments.

(6) The minimum requirements to the content of the prospectus shall be laid down in an ordinance.

Art. 55. The articles of association, or respectively the rules of the collective investment scheme shall be an integral part of the prospectus and shall be annexed thereto. They will not be annexed to the prospectus, in case that investors are provided with information about the place where the same are accessible in each Member State in which the units of the collective investment scheme are marketed, or upon the investors' request may be sent to them.

Art. 56. (1) Upon any change of the essential elements included in the prospectuses of the collective investment scheme, within a 14-day period of the occurrence of such change the prospectus shall be updated and submitted to the Commission.

(2) In the event that any deficiencies or irregularities are established in the submitted updated prospectus, the Deputy Chairperson shall forward a notification and set a term for their removal. Article 196, para 3 shall apply accordingly.

Art. 57. (1) To the prospectus of the collective investment scheme shall be enclosed a key investor information document.

(2) The key investor information shall provide the essential characteristics of the collective investment scheme concerned, so that the investors are able to understand the nature and the risks of the investment product that is offered to them, and consequently to take investment decisions on an informed basis.

(3) Key investor information shall contain the following essential elements:

1. data about the collective investment scheme;

2. a short description of the investment objectives and investment policy of the collective investment scheme;

3. past-performance presentation, or performance forecasts, where relevant;

4. costs and charges;

5. risk profile and investment reward, including warnings in relation to the risks associated with investments in the relevant collective investment scheme.

(4) The key investor information document shall be in form and content according to Commission Regulation (EU) № 583/2010 of 1 July 2010 implementing Directive

2009/65/EC of the European Parliament and of the Council as regards key investor information and conditions to be met when providing key investor information or the prospectus in a durable medium other than paper or by means of a website (OJ, 1L76/1 of 10 July 2010), hereinafter referred to as "Regulation **(**EU**)** № 583/2010".

(5) The key investor information shall clearly specify where and how additional information relating to the proposed information can be obtained, including the place and time of obtaining the prospectus, the annual and half-yearly report, on request, and the language in which such information is available to investors.

(6) Key investor information shall be presented in a concise manner and without use of specialized terminology. A key investor information document shall be drawn up in a common format, allowing comparisons, and shall be presented in a way comprehensible to retail investors without the need of any reference to other documents.

(7) Key investor information shall be used without alterations or supplements in all Member State where the collective investment scheme markets its units.

(8) Key investor information shall constitute pre-contractual information, which is fair, clear and not misleading and consistent with the relevant parts of the prospectus.

(9) Key investor information shall contain clear warning that civil liability may not be incurred solely on the basis of it, unless the information is misleading, inaccurate or inconsistent with the relevant parts of the prospectus.

Art. 58. (1) A key investor information document shall be updated forthwith upon any amendments to the essential elements thereof and shall be provided to the Commission and the investors.

(2) The up-to-date version of the document shall be published on the website of the management and of the investment company.

Art. 59. (1) A management company, respectively a collective investment scheme, and any other person to whom functions and action under Art. 106 have been delegated, when offering units of a collective investment scheme, shall provide free of charge the key investor information document to any person subscribing units within a reasonable time before conclusion of the transaction.

(2) Where the management company, or the collective investment scheme, does not market the units of the collective investment scheme directly or through another person to whom functions and actions have been delegated according to Art. 106, the management company, or the collective investment scheme must provide, upon request, the key investor information to persons that offer a product, based on investment in the units of the collective investment scheme, or advising investors in relation to such product.

(3) Persons that offer a product based on investment in the units of the collective investment scheme, or advise investors in relation to such product, shall provide key investor information to their clients.

Art. 60. (1) An investment company and the management company of a contractual fund shall submit to the Commission:

1. an annual report within a period of 90 days after the ending of the financial year;

2. a half-yearly report covering the first 6 months of the financial year within a period of 30 days after the end of the reporting period;

3. other information as laid down in an ordinance.

(2) The requirements to the content of the reports and the information under para 1, the procedure, time-limits and manner of its submission to the Commission as well as of its public dissemination shall be laid down in an ordinance.

(3) The Commission shall publish the reports received under para 1, Item 1 and 2 through the Register kept by it pursuant to Art. 30, para 1 of the Financial Supervision Commission Act.

(4) The annual financial statements of the collective investment scheme shall be certified by a registered auditor.

(5) The results of the audit conducted by the auditor of the annual financial statements shall be stated in a separate report, which constitutes a part of the annual financial statement.

Art. 61. (1) An auditor engaged in conducting of an obligatory audit in a collective investment scheme or another undertaking contributing towards the scheme's business activity, shall inform the Commission immediately of any circumstance or decision in relation to the collective investment scheme or such undertaking, having become known to him in the course of the audit, which may result in:

1. substantial violation of the laws, regulations or the administrative provisions, regulating the requirements for the issuing of authorization to pursue business, the carrying out of the activity of the collective investment scheme or of the undertaking contributing towards its business activity;

2. impeding the continuous functioning of the business of the collective investment scheme or of the undertaking contributing towards its business activity;

3. refusal to certify the financial statements or statement of qualifications.

(2) The auditor of para 1 shall also inform the Commission of any circumstance or decision that has become known to him in the course of the audit, which may lead to the consequences under para 1, Item 1, in a undertaking which is a related person through control to the collective investment scheme or to the undertaking contributing towards its business activity.

(3) In the cases under para 1 and 2 the restrictions for disclosure of information, as laid down in a sub-statutory act or a contract, shall not apply .

Art. 62. The management company shall, on investor request and free of charge, provide the prospectus, key investor information document and the latest published annual and half-yearly reports of a managed by it collective investment scheme.

Art. 63. (1) The prospectus and the key investor information document are provided to the investors on a durable medium or on the website of the management and the investment company. On request, the management company shall deliver to the investors a paper copy of thereof free of charge.

(2) When providing the prospectus and the key investor information document in a durable medium other than paper or on a website, the conditions of Art. 38 of Regulation (EU) № 583/2010 must be met.

(3) The annual and half-yearly reports shall be available to investors in the manner specified in the prospectus and in the key investor information document. At request, a paper copy thereof shall be delivered to the investors free of charge.

Art. 64. The management company of a collective investment scheme shall announce at the Commission and make public in an appropriate manner, as specified in the prospectus, the issue price and redemption price of its units every time they are determined, as well as summarized information about them at least twice a month in a form and content as laid down in an ordinance.

Art. 65. (1) All marketing communications to investors shall be clearly identified as such, they shall be fair, clear and not misleading. Any marketing communication

comprising a solicitation to purchase units of a collective investment scheme cannot contain false or misleading information, as well as such that contradicts the information contained in the prospectus and key investor information document.

(2) All marketing communications in relation to the marketing of units of a collective investment scheme shall contain:

1. information about the place, time, manner and language, in which the prospectus and the key investor information document may be obtained or where they are publicly accessible;

2. information that the value of the units and the yield thereof may decrease, that no profits are guaranteed and that there is a risk for the investors not to recover the full amount of the invested funds.

(3) Other information and additional requirements to the marketing communications shall be laid down in an ordinance.

Art. 66. The Commission may request from a collective investment scheme established in another home Member State, and which has a concluded management contract with a management company established in the Republic of Bulgaria, the prospectuses and any amendment thereto, as well as the annual and half-yearly report of that collective investment scheme.

Chapter Eight
STRUCTURE OF TYPE MASTER – FEEDER COLELCTIVE INVESTMENT SCHEME

Section I
Scope and approval

Art. 67. (1) A feeder collective investment scheme is a collective investment scheme, which has obtained approval from the Commission to invest, by way of derogation from the provisions of Art. 4, para 1, Item 1, Art. 38, 45, 48 and Art. 49, para 2, Item 3, at least 85 per cent of its assets in units of another collective investment scheme or its investment subfund, hereinafter referred to as "Master collective investment scheme".

(2) A feeder collective investment scheme may hold up to 15 per cent of its assets in one or more of the following assets:

1. ancillary liquid assets in accordance with Art. 38, para 4;

2. financial derivative instruments, which may be used only for risk hedging purposes and which comply with the provisions of Art. 38, para 1, Item 7 and 8, Art. 42 and 43.

(3) In order to guarantee that the global exposure related to the derivative instruments, in which the collective investment scheme has invested its funds, does not exceed the aggregate net asset value of its portfolio according to Art. 43, the feeder collective investment scheme shall calculate its global exposure by combining its own direct risk exposure under para 2, Item 1 with the actual exposure to financial derivative instruments of the master collective investment scheme in proportion to the amount of its investment in the master collective investment scheme or the maximum global exposure of the master collective investment scheme to financial derivative instruments, provided for in its articles of association, or its rules, in proportion to the amount of its investment into the master collective investment scheme.

Art. 68. (1) A master collective investment scheme is a collective investment scheme or its investment subfund, which simultaneously:

1. has at least on feeder collective investment scheme among its unit-holders;

2. is not a feeder collective investment scheme;

3. does not hold units of a feeder collective investment scheme.

(2) In respect to a master collective investment scheme shall apply the following derogations:

1. if a master collective investment scheme has at least two feeder collective investment schemes, holding its units, the provisions of Art. 4, para 1, Item 1 and Art. 11, Item 1 regarding the raising of cash through public offering shall not apply, giving the master collective investment scheme the choice whether to raise capital from other investors;

2. if a master collective investment scheme does not raise capital from the public in another Member State, but has one or more feeder collective investment schemes established in another home Member State, Section II of Chapter Thirteen shall not apply.

Art. 69. (1) The Commission shall approve the investment of a feeder collective investment scheme into a master collective investment scheme established in the Republic of Bulgaria or in another Member State under the procedure of Art. 12. In the cases of conversion under Art. 79 of a collective investment scheme into feeder one, the Commission shall preliminarily approve the investment of the collective investment scheme in a master collective investment scheme established in the Republic of Bulgaria or in another Member State.

(2) The Commission shall inform the feeder collective investment scheme within 15 working days following the submission of the complete set of documents, whether or not its investment under para 1, sentence two, in the master collective investment scheme is approved.

(3) For the granting of approval under para 1, the feeder collective investment scheme shall provide to the Commission:

1. the rules or instruments of incorporation of the feeder and of the master collective investment scheme;

2. the prospectus and the key investor information document of the feeder and of the master collective investment scheme;

3. the agreement between the feeder and master collective investment scheme or the internal conduct of business rules under Art. 71, para 3;

4. where applicable, the information referred to in Art. 79, designated for the unit-holders;

5. an information-sharing agreement between the depositaries of the feeder and master collective investment scheme, in the cases when they are different, according to Art. 75;

6. an information-sharing agreement between the auditors of the feeder and of the master collective investment scheme, in the cases when they are different, according to Art. 77.

(4) The Commission shall issue an approval in the event that the feeder collective investment scheme, the depositary bank, its auditor, as well as the master collective investment scheme comply with the requirements of this Chapter, and where the master collective investment scheme is established in another Member State – when these entities comply with the requirements of Section VIII of Directive 2009/65/EC.

(5) Where the master collective investment scheme is established in another Member State, the feeder collective investment scheme shall provide to the Commission an attestation by the competent authority of the master collective investment scheme's home Member State, that the latter or its respective investment sub-fund, are a master collective investment scheme.

(6) The documents of para 5 shall be provided by the feeder collective investment scheme in the Bulgarian language.

Art. 70. On request of a feeder collective investment scheme established in another Member State, intending to invest in a master collective investment scheme established in the Republic of Bulgaria, the Commission shall prepare an attestation to the competent authority of the home Member State of the feeder collective investment scheme that the master collective investment scheme meets the conditions under Art. 68, para 1, Item 2 and 3.

Section II

Common provisions

Art. 71. (1) The master collective investment scheme shall provide the feeder collective investment scheme with all documents and the whole information necessary for the feeder collective investment scheme to meet the requirements laid down in this Law and its implementing instruments. The provision of information shall be made according an agreement between the feeder and the master collective investment scheme.

(2) The feeder collective investment scheme has no right to invest in excess of the limit under Art. 48, para 1 in units of a master collective investment scheme until the agreement under para 1 has become effective. The agreement shall be provided free of charge in the Bulgarian language to all unit-holders.

(3) In the cases when the master and feeder collective investment scheme are managed by the same management company, the agreement under para 1 may be replaced by internal conduct of business rules, through which compliance with the requirements of para 1 is ensured.

(4) The content of the agreement according to para 1, respectively the internal rules referred to in para 3 shall be laid down in an ordinance.

Art. 72. (1) With the purpose of preventing the possibility of arbitrage opportunities from arising and avoiding the applying of strategies with choice of market-timing in relation to the units, the feeder and master collective investment scheme shall take appropriate measures to coordinate the timing of calculation of the net asset value of the units held by them and its publishing.

(2) A feeder collective investment scheme is entitled, notwithstanding the provisions of Art. 21 and 22, to suspend the issue or redemption of its units within the same period of time, for which the master collective investment scheme suspends the issue or redemption of its units.

Art. 73. (1) The feeder collective investment scheme is liquidated in case of liquidation of the master collective investment scheme, unless the Commission approves the investment of at least 85 per cent of the assets of the feeder collective investment scheme in units of another master collective investment scheme, or amendment of the articles of association of the feeder collective investment scheme, or its rules, in order to enable it to convert into a collective investment scheme, other than feeder.

(2) A master collective investment scheme may be liquidated not earlier than three months after it has informed all its unit-holders of the decision for liquidation, and if the feeder collective investment scheme is established in another Member State, also the competent authorities of the feeder collective investment scheme' home Member State.

(3) Ancillary requirements to the procedure under para 1 shall be laid down in an ordinance.

Art. 74. (1) In case of conversion of a master collective scheme, the feeder collective investment scheme shall be liquidated, unless the Commission grants one of the following approvals to the feeder collective investment scheme:

1. to continue to be a feeder collective investment scheme of the master collective investment scheme or another collective investment scheme resulting from conversion of the master collective investment scheme;

2. to invest at least 85 per cent of its assets in units of another master collective investment scheme, not resulting from the conversion;

3. to amend its articles of association, or the rules, in order to be able to convert into a collective investment scheme, other than a feeder collective investment scheme.

(2) No conversion shall become effective, unless the master collective investment scheme has provided all of its unit-holders and the competent authorities of its feeder collective investment schemes' home Member States with the information indicated in Art. 151 or comparable with it. The information of sentence one shall be provided not later than 60 days before the date on which the conversion becomes effective.

(3) Unless the Commission has granted approval under para 1, Item 1, the master collective investment scheme must on request repurchase or redeem all units of the feeder collective investment scheme before the date on which the conversion becomes effective.

(4) Ancillary requirements to the procedure under para 1 shall be laid down in an ordinance

Section III

Depositary banks and auditors

Art. 75. (1) In cases when the feeder and the master collective investment schemes have different depositary banks, these depositary banks must enter into an information-sharing agreement, which is to ensure the fulfillment of their duties. The content of the agreement shall be laid down in an ordinance.

(2) The feeder collective investment scheme shall not invest in units of the master collective investment scheme until the agreement under para 1 has become effective.

(3) The depositary banks of the master and feeder collective investment scheme, complying with the provisions laid down in this Section, shall be considered not to be in breach of any rules that restrict the disclosure of information or relate to data protection, where such rules are provided for in a contract or another law. The compliance with the provisions of this Section shall not give rise to any liability on the part of the depositary bank or any person acting on its behalf.

(4) The feeder collective investment scheme, or its management company, shall be in charge of providing to the depositary bank any information about the master collective investment scheme, which is required for the full discharge of the duties of the depositary bank.

Art. 76. The depositary bank of the master collective investment scheme shall immediately inform the Commission, the feeder collective investment scheme, or respectively its management company and the depositary bank of the feeder collective investment scheme about any irregularities established by it with regard to the master collective investment scheme, which it deems to have a negative effect on the feeder collective investment scheme.

Art. 77. (1) In the cases when the feeder and the master collective investment scheme have different registered auditors, these auditors shall enter into an information-sharing agreement in order to ensure the fulfillment of their duties, including the arrangements taken to comply with the requirements of para 3 and 4. The content of the agreement shall be laid down in an ordinance.

(2) The feeder collective investment scheme shall not invest in units of the master collective investment scheme until the agreement under para 1 has become effective.

(3) In its audit report, the auditor of the feeder collective investment scheme shall take into account the audit report of the master collective investment scheme. Where the financial year of the feeder collective investment scheme ends at time different from the financial year of the master collective investment scheme, the auditor of the master collective investment scheme shall draw up a report as of the closing date of the feeder collective investment scheme.

(4) The auditor of the feeder collective investment scheme shall include in its report information on any irregularities established in the audit report of the master collective investment scheme and on their impact on the activity of the feeder collective investment scheme.

(5) Where the auditors of the master and of the feeder collective investment scheme comply with the requirements laid down in this Section, it shall be accepted that they are not in breach of any rules that restrict the disclosure of information, or rules that relate to data protection, where such rules are provided for in a contract or another law. In the event of compliance with this Section, the restrictions on disclosure of information provided for in another law, in a sub-statutory act or a contract shall not apply.

Section IV
Provision of information and marketing communications

Art. 78. (1) In addition to the information under Art. 54, the prospectus of the feeder collective investment scheme shall contain:

1. information that the collective investment scheme is a feeder of a particular master collective investment scheme and in its capacity of such permanently invests 85 per cent or more of its assets in units of that master collective investment scheme;

2. the investment objective and policy, including information on the risk profile and whether the performance of the feeder and the master collective investment scheme are identical and if not, to what extent and for which reason, including a description of the investments under Art. 67, para 2;

3. a brief description of the master collective investment scheme, its organizational structure, investment objective and policy, including the risk profile and information of the way in which its prospectus may be obtained;

4. a summary of the agreement between the feeder and the master collective investment scheme or the internal conduct of business rules pursuant to Art. 71, para 3;

5. the manner of obtaining additional information by the unit-holders on the master collective investment scheme and the agreement between the feeder and the master collective investment scheme, or the internal conduct of business rules pursuant to Art. 71, para 3;

6. a description of all remunerations or costs subject to reimbursement, payable by the feeder collective investment scheme in connection with its investment in the master collective investment scheme, as well as the aggregate charges of the feeder and of the master collective investment scheme;

7. a description of the applicable tax legislation towards the feeder collective investment scheme in connection with its investment in the master collective investment scheme.

(2) In addition to the content, provided for in Art. 60, para 2, the annual report of the feeder collective investment scheme shall also include a statement on the aggregate amount of the charges of the feeder and the master collective investment scheme. The annual and half-yearly reports of the feeder collective investment scheme shall indicate how the annual and the half-yearly report of the master collective investment scheme can be obtained.

(3) The feeder collective investment scheme shall submit to the Commission in addition to the information under Art. 56, para 1, Art. 58, para 2 and Art. 60, para 1, the prospectus and the key investor information document and any amendment thereto, the annual and half-yearly reports of the master collective investment scheme, when it is established in another Member State.

(4) A feeder collective investment scheme shall always disclose in any marketing communication that it permanently invests 85 per cent or more of its assets in units of the master collective investment scheme.

(5) A feeder collective investment scheme shall provide to investors, on request, free of charge a paper copy of the prospectus and the annual and half-yearly report of the master collective investment scheme.

Section V
Conversion of a collective investment scheme into a feeder collective investment scheme and change of master collective investment scheme

Art. 79. (1) Where a collective investment scheme intends to begin to pursue activities as a feeder collective investment scheme, as well as in case that a feeder collective investment scheme intends to change the master collective scheme, in which it has invested, it shall provide to its unit-holders:

1. information that the Commission has approved the investment of the feeder collective investment scheme in units of such master collective investment scheme;

2. the key investor information document under Art. 57 of the feeder and master collective investment scheme;

3. the date on which the feeder collective investment scheme starts to invest in the master collective investment scheme, or if it has already invested therein, the date when its investment will exceed the limit according to Art 48, para 1;

4. information that the unit-holders have the right to request within 30 days, considered as of the moment of the information provision, the redemption of the units held by them without any charges other than those due to the collective investment scheme for the redemption.

(2) The information of para 1 shall be provided at least 30 days before the date referred to in para 1, Item 3.

Art. 80. (1) Where the feeder collective investment scheme has sent a notification to the Commission according to Art. 136, the information under Art. 79 shall be provided in Bulgarian language. The feeder collective investment scheme shall be responsible for producing the translation, which must reflect faithfully and fully the content of the original.

(2) The feeder collective investment scheme has no right to invest into units of a master collective investment scheme in violation of Art. 48, para 1 before the period under Art. 79, para 2 has elapsed.

Section VI
Obligations and competent authorities

Art. 81. (1) The feeder collective investment scheme shall monitor effectively the activity of the master collective investment scheme. In fulfillment of that obligation, the feeder collective investment scheme may use information and documents received from the master investment scheme, its management company, depositary bank and auditor, unless there is reason to doubt their accuracy and authenticity.

(2) Where, in connection with an investment in units of the master collective investment scheme, a fee, commission or other monetary benefit is received by the feeder collective investment scheme, by its management company, or any other person acting on behalf of and for the account of the feeder collective investment scheme or its management company, the fee, commission or other monetary benefit shall be paid into the assets of the feeder collective investment scheme.

Art. 82. (1) Where the master collective investment scheme is established in the Republic of Bulgaria, it shall immediately inform the Commission of each feeder collective investment scheme established in another Member State, investing in its units.

(2) In the cases under para 1 the Commission shall immediately inform the competent authorities of the feeder collective investment scheme's home Member State.

Art. 83. (1) The master collective investment scheme shall not charge the feeder collective investment scheme fees for issue or redemption of their units.

(2) The master collective investment scheme shall ensure the timely access of the feeder collective investment scheme, or its management company, the Commission or the relevant competent authority when the feeder collective investment scheme is established in another home Member State, of the depositary bank and the auditor of the feeder collective investment scheme to all information that is required in accordance with the applicable legislation, the fund rules or the instruments of incorporation.

Art. 84. (1) Where the feeder collective investment scheme and the master collective investment scheme are established in the Republic of Bulgaria, the Commission shall immediately inform the feeder collective investment scheme, or its management company, of any decision, measure, finding of discrepancy or non-compliance with the requirements of this Chapter and of any information received under Art. 61, para 1 and 2 in relation to the master collective investment scheme, its management company, depositary bank or auditor.

(2) In the cases under para 1, when the feeder collective investment scheme is established in another Member State, the Commission shall notify the relevant authority.

Art. 85. Where the feeder collective investment scheme is established in the Republic of Bulgaria and the Commission receives a notification from the competent authorities of the master collective investment scheme's home Member State of any decision, measure or finding of discrepancy or non-compliance with the requirements in Art. 58 - 67 of Directive 2009/65/EC, or information reported pursuant to Art. 106, paragraph 1 of Directive 2009/65/EC with regard to the master collective investment scheme, its depositary bank, auditor or management company, the Commission shall immediately notify the feeder collective investment scheme of the received information.

Title Two
MANAGEMENT COMPANY

Chapter Nine
CONDITIONS FOR TAKING UP BUSINESS

Art. 86. (1) Management company is a joint stock company with a head office in the Republic of Bulgaria, that has been granted a license under the conditions and the procedure of this Law, whose business consists in management of the activity of collective investment schemes, including:

1. investment management;

2. administration of units, including legal services and accounting services in relation to asset management, requests for information of investors, assets valuation and calculation of the price of units, control over compliance with the legal requirements, maintenance of the book of unit-holders, in the cases of engaging in activities of management of a collective investment scheme established in another Member State, dividend distribution and other payments, issue, sale and redemption of units, execution of contracts, keeping records;

3. marketing services.

(2) A management company may also provide the following additional services:

1. management of a portfolio in accordance with a contract entered into with the client, including a portfolio of a collective investment scheme, where such portfolio includes financial instruments, at its own discretion without any special instructions by the client;

2. investment advice concerning financial instruments;

3. safekeeping and administration of units of collective investment schemes.

(3) In regard to a management company, providing services under para 2, shall apply respectively Art. 4, para 2, Art. 24, para 1 - 3, 7 and 8, Art. 27, para 4 - 7, Art. 28, 29, Art. 32, para 6, Art. 33 and 34 of the Markets in Financial Instruments Act.

(4) The license under para 1 may include right to pursue the services according to para 2. The license may not be issued only for provision of the services under para 2, as well as for provision of the services under para 2, Item 2 and 3, without the provisions of the services under para 2, Item 1 to have been authorized.

(5) The license granted to a management company shall be valid for all Member States.

(6) A management company may not engage in activities other than the activities for which it is authorized pursuant to para 1 and 2.

(7) A management company may not offer the units of a collective investment undertaking under Part Three in other Member States.

(8) A management company shall issue only dematerialized shares entitling to one vote.

Art. 87. When performing the activities under Art. 4, para 1, related to the public offering of units of a collective investment scheme, as well as to their redemption, the management company acts on behalf and for the account of the managed collective investment scheme.

Art. 88. The Commission may issue a license to pursue the business of a management company on the territory of the Republic of Bulgaria through a branch to a legal entity from a third country, provided that the entity is entitled under its national legislation to carry out such activity and the authority, supervising the capital market in the country where

the entity is registered, exercises supervision over it on a consolidated basis. The entity from a third country shall have the rights and obligations of a local management company, unless otherwise provided for by law.

Art. 89. In cases when the license under Art. 86, para 1 covers the right to perform the services pursuant to Art. 86, para 2, Item 1 and the management company holds cash and/ or financial instruments of such clients, and for that reason liabilities of the company may arise towards them, the management company shall make cash contributions to the Investor Compensation Fund under Art. 77m, para 2 of the Law on Public Offering of Securities. The provisions of Chapter Five, Division IV of the Law on Public Offering of Securities shall apply accordingly.

Art. 90. (1) The management company must have an initial capital of at least the BGN equivalence of EUR 125 000.

(2) A management company must at any time maintain own funds, exceeding or equal to the amount under para 1 and 3.

(3) If the management company manages the activities of collective investment schemes and other collective investment undertakings, whose assets individually or in aggregate exceed the BG equivalence of EUR 250 000 000, the management company must increase the amount of its own funds by not less than 0,02 per cent of the sum, being the difference between their book asset value and the BGN equivalence of EUR 250 000 000. Sentence one shall not apply when the capital of the management company reaches the BGN equivalence of EUR 10 000 000.

(4) In the calculation of the aggregate asset amount of the assets of the collective investment schemes and other collective investment undertakings under para 3 shall not be included the assets, which the management company manages by delegation.

(5) At least 25 per cent of the capital under para 1 should be available upon filing the application for granting license to pursue the business of a management company, and the rest – within a 14-days period of receiving a written notification by the Commission that it will issue a license after the availability of the full amount of capital is proved.

(6) Irrespective of the requirement of para 2, the own funds of the management company must at no time be less than a quarter of its total fixed costs for the preceding financial year.

(7) In case of a substantial change in the volume of the management company's activity during the current year, compared to the previous year, the Deputy Chairperson may correct the amount required under para 1.

(8) In respect to a management company, which has not carried out activity in the whole previous financial year, considered from the day of obtaining a license, the amount of the own funds shall be determined on the basis of the forecast total fixed costs laid down in the programme of activity, unless the Deputy Chairperson has required adjustment of costs in the programme of activity.

(9) The management company shall determine the total fixed costs under para 6 on the basis of the annual financial statement, certified by a registered auditor.

(10) A management company shall meet capital requirements and maintain minimum liquid funds, as laid down in an ordinance.

Art. 91. Upon violation of the requirements for capital adequacy and liquidity, as laid down in an ordinance, the management company shall notify the Deputy Chairperson within a 7-day period of committing the violation, indicating the reasons for the violation and proposing specific measures, as a result of which the violation is to be eliminated within one month after its commitment.

Art. 92. (1) The management company shall submit at the Commission an annual report within a 90-day term after the end of the financial year, with content as specified in an ordinance.

(2) The management company shall submit at the Commission by the 10th day of the month, following the quarter, a balance sheet and income statement as of the last date of each quarter, as well as a quarterly report on its capital adequacy and liquidity with content, as laid down in an ordinance.

(3) In case of any established deficiencies or other inconsistencies with the requirements of the law, including with the International Financial Reporting Standards (IFRS), admitted in the reports on capital adequacy and liquidity, as well as in the financial statements, registers and other accounting documents, the Deputy Chairperson shall forward a notification and set a term, within which the management company must remove them. Article 196, para 3 shall apply accordingly.

Art. 93. (1) A persons who has been elected a member of a management company's management body must:

1. have a professional qualification and experience required to manage the business of the management company;

2. not have been sentenced for an intentional crime prosecuted on indictment, unless rehabilitated;

3. not have been a member of a management or supervisory body, or unlimited liability partner in a company, for which a bankruptcy procedure has been initiated, or in a company wound-up due to bankruptcy, if unsatisfied creditors have remained;

4. not have been declared bankrupt or be involved in a pending bankruptcy proceedings;

5. not be the spouse or relative in the direct or collateral line up to the third degree inclusive, or by affinity up to the third degree to another member of the company's management or supervisory body;

6. not have been deprived of the right to occupy positions involving financial responsibilities.

(2) The persons who effectively conduct the business of a management company must be of good repute and be experienced in relation to the type of collective investment schemes, managed by the management company, and meet the requirements of para 1. The management company shall be managed jointly by at least two persons, meeting the requirements of sentence one.

(3) A person elected as a member of a supervisory body of a management company must meet the requirements of para 1, Item 2 - 6.

(4) The requirements of para 1, 2 and 3 shall also apply respectively to the natural persons who represent legal persons – members of the management and supervisory bodies of a management company.

(5) The requirements of para 1 shall also apply to any other persons who may, independently or jointly with another person, enter into transactions for the account of the management company.

(6) The circumstances according to para 1 shall be certified:

1. under Item 1 – by a document for professional qualification;
2. under Item 2 – by a certificate of conviction, or equivalent document;
3. under Item 3 - 6 – by a written statement.

Art. 94. (1) The management company shall notify the Commission within three business days of the election of a new member of the company's management or supervisory body or the authorization of another person, who is to effectively manage the company or

enter, independently or jointly with another person, into transactions on the company's behalf, and shall enclose the data and other required under Art. 93 documents about the person.

(2) The persons under Art. 93 shall inform the Commission of any change in the declared by them circumstances within three business days of the change.

(3) If a person under para 1 or 2 does not meet the requirements of Art. 93, the Deputy Chairperson may obligate the management company according to the provisions of Art. 195, to dismiss such person from office or to elect another person as a member of the relevant management or supervisory body of the company.

Chapter Ten

ISSUANCE AND WITHDRAWAL OF A LICENSE

Art. 95. (1) The license to pursue business of a management company shall be issued by the Commission.

(2) For the purposes of the issuing of a license under para 1, an application in a standard form approved by the Deputy Chairperson shall be filed, to which shall be enclosed:

1. the articles of association and the other instruments of incorporation;

2. particulars about the subscribed and paid-in capital;

3. particulars and other required documents about the persons under Art. 93, respectively about the natural persons who represent legal entities, members of the management and supervisory bodies of the applicant, or other persons authorized to manage and represent the applicant, as well as information about their professional qualification and experience;

4. the general conditions applicable to management contracts with the investment companies and other investors;

5. programme of activity setting out, at least, description of the organizational structure of the management company;

6. the rules of personal transactions in financial instruments of the members of the management and supervisory bodies of the management company, of the investment adviser working under a contract for the management company, the management company's employees and related persons;

7. information about the persons who possess, directly or indirectly, a qualifying holding in the applicant company or may control it, as well as about the number of the votes held by them;

8. a written statement about the actual owners and the origin of the funds, with which contributions against the subscribed shares were made, including whether these are loan funds, and about the taxes paid by those persons over the preceding 5 years, in a standard form approved by the Deputy Chairperson;

9. data on the persons with whom the management company is a related person;

10. other documents and information, as specified in an ordinance.

(3) The Commission shall pronounce on the application after consulting with the competent authorities of the relevant Member States, if the applicant:

1. is a subsidiary of another management company, an investment intermediary, a credit institution or an insurance company, that has obtained authorization to pursue business from the competent authorities of another Member State;

2. is a subsidiary of the parent undertaking of another management company, an investment intermediary, a credit institution or an insurance company, that has obtained authorization to pursue business from the competent authorities of another Member State;

3. is controlled by the same natural or legal persons as control another management company, an investment company, a credit institution or an insurance company that has obtained authorization to pursue business from the competent authorities of another Member State.

(4) The Commission shall pronounce a decision in accordance with Art. 12, para 3 - 7.

(5) Upon the issue of a license, the management company is entered in the register kept by the Commission under Art. 30, para 1 of the Financial Supervision Commission Act.

Art. 96. (1) In the cases where the management company wishes to perform services under Art. 86, para 2, which are not covered by its license, it has to file with the Commission an application in a standard form approved by the Deputy Chairperson, for extension of the scope of its license, to which shall enclose the documents referred to in Art. 95, para 2, Item 1, 2, 4 and 5, as well as other information and documents, as specified in an ordinance.

(2) The Commission may refuse extension of the scope of the issued license, if it decides that the submitted by the applicant documents do not meet the provisions of this Law and its implementing instruments.

(3) The Commission shall pronounce a decision in accordance with Art. 12, para 3 - 7.

Art. 97. (1) The Commission shall refuse to issue a license where:

1. the capital of the applicant does not meet the requirements of Art. 90, para 1;

2. any of the persons under Art. 93 cannot occupy the position due to statutory prohibition or for not meeting the requirements of this Law;

3. a person who holds, directly or indirectly, a qualifying holding or may control the applicant with its activities or its influence on decision-making, may prejudice the safety of the company and its operations;

4. the general conditions under Art. 95, para 2, Item 4 do not guarantee to a sufficient extent the interests of the investment company and the other investors

5. the applicant has submitted false data or documents with wrong content;

6. the persons who hold, directly or indirectly, a qualifying holding in the applicant company, have made contributions through loan funds;

7. the applicant is a related person with one or more natural or legal persons and that relatedness could create obstacles for the effective exercise of the supervisory functions of the Commission or the Deputy Chairperson;

8. in its judgment, the activity which the applicant intends to pursue, does not guarantee the reliability and financial stability it needs;

9. in its judgment, the amount of the assets of the persons, possessing a qualifying holding in the management company and/ or in the activities carried out by them, in its scale and financial results, does not correspond to that declared for the purpose of acquiring a shareholding in the applicant, and arouses doubt as to the reliability and fitness of those people, in case of need, to render capital support to the applicant;

10. the origin of the funds with which the persons possessing a qualifying holding in the management company have made contributions is not clear and legitimate;

11. obstacles exist for the effective exercise of the supervisory functions of the Commission or the Deputy Chairperson, arising from or related to the application of a statutory or administrative act of a third country, regulating the activities of one or more persons with whom the applicant is related person;

12. the applicant does not meet the other requirements, laid down in the Law or its implementing instruments.

(2) In the cases under para 1, Item 1, 2, 4, 6 and 12 the Commission may definitively refuse to issue a license only if the applicant has failed to remove the inconsistencies and to submit the required documents within the time-limit set by the Commission, which may not be shorter than one month.

(3) Besides in the cases under para 1, the Commission may refuse to issue a license for pursuing the business of a management company on the territory on the Republic of Bulgaria through a branch to a legal entity from a third country, if the Commission decides that the supervision exercised over the management company on a consolidated basis by the relevant competent authority in the country where its registered office is located, does not conform to the requirements provided in this Law.

(4) The Commission may refuse to issue a license if the actual owners of a shareholder with a qualifying holding cannot be identified.

(5) The Commission's refusal to issue a license shall be reasoned in writing.

(6) In the cases of refusal, the applicant may file a new application for the issue of a license not earlier than six months after the coming into effect of the decision of refusal.

Art. 98. (1) No one shall have right to pursue the business of a management company without having preliminarily been granted a license by the Commission.

(2) A person who does not possess a license to pursue the business of a management company in accordance with the requirements of this Law, may not use in its business name, advertising or other activities words in Bulgarian or in a foreign language denoting the carrying out of acts relating to management of a collective investment scheme.

Art. 99. The Registry Agency shall enter in the trade register the company with subject of activity – the activity under Art. 86, after it is provided with the license issued by the Commission.

Art. 100. (1) The Commission shall withdraw the issued license if:

1. The management company does not start to pursue the business under Art. 86, para 1 within 12 months of the license issuing, expressly renounces the issued license or has ceased the activity according to Art. 86, para 1 more than 6 months;

2. the management company has made false statements which have served as a ground to issue the license;

3. the management company no longer fulfils the conditions under which the license was issued;

4. the management company ceases to comply with the requirements for capital adequacy or liquidity, as laid down in an ordinance, and fails to propose within a 7-days period of committing the infringement, measures for bringing it in line with those requirements or fails to remedy the infringement within the term of Art. 91;

5. the financial situation of the management company is lastingly worsened and it cannot discharge its duties;

6. the management company and/ or the persons under Art. 93 have not complied with the imposed coercive administrative measure under Art. 195, para 1 or have committed or suffered the commitment of violation of Art. 35, para 1 of the Markets in Financial Instruments Act and Art. 11 of the Law on Measures Against Market Abuse with Financial Instrument or another gross violation, or systematic infringements of this Law, the Law on Public Offering of Securities, the Markets in Financial Instruments Act, the Law on Measures Against Market Abuse with Financial Instruments and their implementing instruments.

(2) Prior to withdrawal of the license of a management company established in the Republic of Bulgaria, which manages a collective investment scheme established in another home Member State, the Commission shall consult with the competent authorities of that Member State.

(3) The Commission shall notify in writing the company within a 7-day period of taking the decision for withdrawal of the license.

(4) The management company may alter its subject of activity provided only that it explicitly renounces the license issued to it, and that there is no ground for compulsory withdrawal of the license.

(5) After the decision to withdraw the license has come into effect, the Commission shall forthwith send it to Registry Agency for entry into the trade register and for appointment of a liquidator, or to the court – for instituting bankruptcy proceedings, and shall take the necessary measures to inform the public.

Art. 101. (1) A management company shall have no right to pursue activities under Art. 86 after withdrawal of the license issued to it, as well as after a court decision for instituting bankruptcy proceedings. In regard to the management company shall apply respectively Art. 23 of the Markets in Financial Instruments Act.

(2) A management company, which has provided the services under Art. 86, para 2, Item 1 and 2, within a 14-day period of coming to know the decision of the Commission for withdrawal of the license, shall prepare and submit to the Commission a plan for settlement of its relations with clients. The liquidator or the person representing the company shall oversee the fulfillment of the plan for settlement of the relations with the management company's clients and shall provide to the Deputy Chairperson documents, proving the settlement of those relations.

(3) The deletion of the company from the trade register is admissible only after settlement of the relations of the management company with its clients, of which the Deputy Chairperson shall inform the Registry Agency.

Art. 102. (1) A management company may be dissolved only with approval of the Commission.

(2) A management company may be transformed only with approval by the Commission, provided that all involved in the transformation companies are management.

(3) The conditions and procedure for the issue of the authorization for dissolution and transformation shall be laid down in an ordinance.

Chapter Eleven

REQUIREMENTS TO THE ACTIVITIES OF A MANAGEMENT COMPANY

Art. 103. (1) A management company shall pursue the investment policy with a view to achieving the investment objectives of the managed collective investment scheme, as well as observe the investment limits, provided for in this Law, its implementing instruments, the articles of association of the investment company, respectively the rules of the collective investment scheme.

(2) A management company shall comply with the rules of portfolio valuation and determination of the net asset value of the collective investment scheme, where the performance of these actions have been assigned to it.

Art. 104. (1) Management companies, authorized to manage a collective investment scheme shall at all times with regard to the activity of management of such scheme:

1. maintain sound administrative and accounting organization and technical equipment allowing to ensure autonomous management of the collective investment schemes' portfolios;

2. have control and safeguard arrangements in the field of electronic data processing, and adequate internal control mechanisms, including, in particular, rules for personal transactions by the management and supervisory bodies of the management company, by the employees of the management company and related persons, as well as rules of investing the own funds of the management company;

3. prepare rules of safekeeping of the information and record keeping, which are to ensure reconstruction of each transaction, executed for the account of the managed by them collective investment schemes, at least according the history of the transaction, its value, the parties to it, its nature, the time and place of conclusion, as well as whether it is concluded in compliance with the articles of association, respectively the rules of the collective investment scheme and the acting at the time of the transaction's conclusion statutory requirements;

4. guarantee that the assets of the managed collective investment schemes are invested in accordance with the articles of association, respectively the instruments of incorporation of those schemes and with the provisions of this Law and its implementing instruments;

5. are organized and structured in such a way as to minimize the risk of prejudicing the interests of the collective investment schemes, which they manage, or of the clients' interests by conflicts of interest between the management company and its clients, between two of its clients, between one of the clients and a collective investment scheme, managed by the company, or between two managed by it collective investment schemes.

(2) The management companies, which have a license to provide the services under Art. 86, para 2, Item 1, may not invest all or a part of the client's portfolio in units of collective investment schemes they manage, unless they receive prior approval from the client.

(3) Additional requirements in relation to the fulfillment of the provisions of para 1 and 2 shall be specified in an ordinance.

Art. 105. (1) A management company shall:

1. act loyally and fairly in the best interest of the collective investment schemes it manages and the integrity of the market;

2. act with due skills, care and diligence, in the best interest of the collective investment scheme it manages and the integrity of the market;

3. has and employ effectively the resources and procedures that are necessary for the proper performance of their activities;

4. avoid conflict of interest and, when they cannot be avoided, ensure that the collective investment schemes it manages are treated fairly;

5. comply with all regulatory requirements in the performance of its activities, in the best interest of the investors and the integrity of the market.

(2) The additional requirements in relation to the fulfillment of the duties under para 1, including the actions that the management company must undertake to identify, prevent, manage and/ or disclose conflicts of interest, as well as to establish appropriate criteria for determining the types of conflicts of interest, whose existence may harm the interests of the collective investment schemes it manages, shall be laid down in an ordinance.

Art. 106. (1) A management company may conclude a contract, whereby to delegate to a third party functions and actions for the sale and redemption of units of collective investment schemes it manages, while complying with the following requirements:

1. the management company must inform the Commission latest by the end of the business day following the conclusion of a contract with a third party, about the conclusion and the substantial conditions of the contract;

2. the conclusion of a contract with a third party must not impede the effective exercising of the supervisory functions of the Commission or the Deputy Chairperson, as well as prevent the management of the collective investment scheme in the best interests of investors;

3. the management company shall not enter into a contract with a third party, whose interests may come into a conflict with the interests of the management company or of the collective investment scheme, the activities of which it manages;

4. the contract with the third party must contain provisions, allowing the persons, who manage the company, to exercise at any time effective supervision over the activity of the third party in connection with the concluded contract, including to receive periodically and/ or on request information from that party;

5. the contract with the third party must contain provisions enabling the persons who manage the company to give at any time further instructions to the counterparty to the contract and to terminate it unilaterally without prior notice when this is in the investor interest;

6. the third party must have the required technical and organizational capabilities and qualified officials, in order to perform the delegated functions and actions;

7. the possibility of delegating functions and actions for the sale and redemption of units of the collective investment scheme must be expressly envisaged in its prospectus.

(2) The Commission shall provide without delay the information under para 1, Item 1 to the competent authorities of the home Member State of the collective investment scheme, for whose units sale and redemption functions and actions have been delegated.

(3) The delegation of functions and actions under para 1 shall not relieve the management company, respectively the depositary bank from the responsibilities under the management contract, or the contract for depositary services.

(4) Additional requirements in relation to the delegation of functions according to para 1 shall be laid down in an ordinance.

Art. 107. In regard to the management company shall apply respectively Art. 9, 11a, 26 -26e, Art. 27, para 2, Art. 35, 39, 40, 42 and Art. 111, para 4 and 7 of the Markets in Financial Instruments Act.

Art. 108. Other requirements towards the activities of the management companies, including to the general conditions of Art. 95, para 2, Item 4, to the rules of Art. 95, para 2, Item 6 and to the natural persons working under a contract for the management company, as well as for the capital adequacy and liquidity shall be laid down in an ordinance.

Title Three
PURSUING BUSINESS BY A MANAGEMENT COMPANY AND OFFERING OF UNITS OF A COLLECTIVE INVESTMENT SCHEME WITHIN THE EUROPEAN UNION

Chapter Twelve
PURSUING BUSINESS BY A MANAGEMENT COMPANY ESTABLISHED IN THE REPUBLIC OF BULGARIA WITHIN THE TERRITORY OF ANOTHER MEMBER STATE. PURSUING BUSINESS IN THE REPUBLIC OF BULGARIA BY A MANAGEMENT COMPANY ESTABLISHED IN ANOTHER HOME MEMBER STATE

Section I
Pursuing business by a management company established in the Republic of Bulgaria on the territory of another Member State

Art. 109. (1) A management company which intends to establish a branch in a host Member State, must preliminarily notify the Commission of it. All branches established by the management company in one host Member State shall be considered to be one branch.

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

1. indication of the host Member State, in which the management company plans to establish a branch;

2. a programme of operations, including information about the type and volume of the activities and the services, which the management company will perform in the host Member State, as well as the organizational structure of the branch, including the risk management rules of the management company, and a description of the procedures and arrangements put in place to deal properly with investor complaints and for removal of the restrictions on investors exercising their rights by the host Member State

3. the address in the host Member State at which documents may be obtained;

4. the names of the persons responsible for the management of the branch.

(3) The Commission shall provide to the relevant competent authority of the host Member State the information under para 2 within one month of receiving it, and where additional information and documents have been requested – within one month of their receiving, as well as details of the acting in the country investor compensation system, in which the management company participates. The Commission shall immediately inform the management company of the provision of the information under sentence one.

(4) The Commission may refuse within the term under para 3 to provide the information under para 2 to the relevant competent authority of the host Member State by a reasoned decision, if the administrative structure or the financial situation of the management company do not guarantee the investor interests. The management company is notified in writing of the decision made within a three-day term. The decision of refusal is subject to appeal before the Supreme Administrative Court.

(5) The Commission shall inform the European Commission and the European Securities and Markets Authority, established by Regulation (EU) № 1095/2010 of the European Parliament and of the Council of 24 November 2010, establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision № 716/2009/EC and repealing Commission Decision 2009/77/EC (OJ, L 331/84 of 15 December 2010), about the number and nature of the cases, in which it pronounced a refusal under para 4.

(6) Where a management company wishes to pursue the activity of collective portfolio management of a collective investment scheme in the host Member State, the Commission shall enclose with the documentation sent to the competent authorities of the

management company's host Member State an attestation that the management company has been authorized pursuant to the provisions of this Law, a description of the scope of the management company's authorization and details of any restrictions on the types of collective investment schemes, which the management company is authorized to manage.

(7) A management company may establish a branch and start business on the territory of the host Member State after receiving a communication from the relevant competent authority of the host Member State, or on expiry of two months after the notification according to para 3, if it has not received within that term any communication from the relevant competent authority of the host Member State.

(8) The management company that has set up a branch on the territory of the host Member State shall give written notice to the Commission, as well as to the relevant competent authority of the host Member State of any change of the particulars and documents under para 2 at least one month before implementing the change. Paragraphs 4 and 7 shall apply accordingly.

(9) The Commission shall update the information contained in the attestation under para 6 and inform the competent authorities of the management company's host Member State of any change in the scope of the management company's authorization or in the details of any restriction on the types of collective investment schemes, which the management company is authorized to manage.

(10) On the territory of the host Member State, the management company shall comply with the applicable rules of that Member State, corresponding to the rules of Art. 105.

Art. 110. (1) A management company, which intends to pursue business in a host Member State under the freedom to provide services, without opening a branch on its territory must preliminarily inform the Commission of it.

(2) The notification under para 1 shall contain:

1. indication of the host Member State, in which the management company plans to establish a branch;

2. a programme of operations, including information about the type and volume of the activities and the services, which the management company will perform in the host Member State, the risk management rules of the management company, as well as a description of the procedures and arrangements put in place to deal properly with investor complaints and for removal of the restrictions on investors exercising their rights by the host Member State

(3) Where a management company wishes to pursue the activity of collective portfolio management of a collective investment company on the territory of the host Member State, the Commission shall enclose with the documents under para 2 an attestation that the management company has been authorized pursuant to the provisions of this Law, a description of the scope of the management company's authorization and details of any restrictions on the types of collective investment schemes, which the management company is authorized to manage.

(4) The Commission shall provide the information under para 2 to the relevant competent authority of the host Member State within one month of receiving it, as well as details of the acting in the country investor compensation system, in which the management company participates. The Commission shall immediately inform the management company of the provision of the information under sentence one.

(5) The management company may start business on the territory of the host Member State, upon being informed of the provision of the information under para 4 by the Commission.

(6) In the event that the management company delegates the sale and redemption of units of the managed by it collective investment scheme to a third party on the territory of the host Member State, it shall notify the Commission of it beforehand.

(7) The management company shall comply with the rules under Art. 105.

(8) The management company shall give written notice to the Commission, as well as to the relevant competent authority of the host Member State of any amendment in the programme under para 2, Item 2 at least one month before implementing the change.

(9) The Commission shall update the information contained in the attestation under para 3 and inform the competent authorities of the management company's host Member State of any change in the scope of the management company's authorization or in the details of any restriction on the types of collective investment schemes, which the management company is authorized to manage.

Art. 111. Where a management company wishes to market, without establishing a branch, the units of a collective investment scheme it manages in a Member State, other than the collective investment scheme's home Member State, without pursuing any other activities or services, Chapter Thirteen shall apply.

Section II
Pursuing business in the Republic of Bulgaria by a Management Company established in another Member State

Art. 112. A management company established in another Member State, that has obtained a license to pursue activity as a management company under Directive 2009/65/EC from the relevant competent authority of that State, may pursue the activity for which it has been granted a license on the territory of the Republic of Bulgaria, either by a branch or under the freedom to provide services. All branches established by the management company in the Republic of Bulgaria shall be considered to be one branch.

Art. 113. (1) Within two months of receiving the information with the content of Art. 109, para 2 and the attestation with the content of Art. 109, para 6 about a management company from another Member State, which intends to set up a branch on the territory of the Republic of Bulgaria, the Commission shall undertake actions to prepare for the exercising of supervision over the management company within its competence.

(2) The management company from another Member State may establish a branch and start business on the territory of the Republic of Bulgaria on receipt of a communication by the Commission, or on the expiry of the period provided for in para 1, if it does not receive any such communication.

(3) The management company from another Member State that has established a branch and carries out activity in accordance with para 2, shall notify the Commission of any change in the particulars and documents under Art. 109, para 2 at least one month before implementing the change.

(4) The Commission shall consider the information contained in the attestation submitted by the relevant competent authority to be actual, until it is informed by the relevant competent authority of change in the particulars stated in the attestation.

(5) The management company from another Member State that pursues business through a branch on the territory of the Republic of Bulgaria shall comply with the rules under Art. 105.

Art. 114. (1) A management company established in another home Member State, which proposes to pursue business in the Republic of Bulgaria under the freedom to provide services, without opening a branch on its territory, may start business after the Commission receives information from the relevant competent authority about the programme of operations of the management company in the country.

(2) The information referred to in para 1 must also contain details of any compensation scheme, designated to protect investors, in which the management company participates.

(3) Where a management company from another Member State wishes to pursue activity of portfolio management, the relevant competent authority of the Member State shall enclose with the programme of operations, an attestation that the management company has been authorized pursuant to Directive 2009/65/EO, a description of the scope of the authorization and details of any restrictions on the types of collective investment schemes that the management company is authorized to manage.

(4) The management company from another Member State shall notify the Commission of any change in the particulars and documents under para 1 at least one month before implementing the change.

(5) The Commission shall consider the information contained in the attestation submitted by the relevant competent authority to be actual, until it is informed by the relevant competent authority of change in the particulars stated in the attestation, including of any change in the scope of the management company's authorization or in the details of any restriction on the types of collective investment schemes that the management company is authorized to manage.

(6) The management company from another Member State that pursues business on the territory of the Republic of Bulgaria under the freedom to provide services shall comply with the rules under Art. 105.

Section III
Applicable law in pursuing business on the territory of another Member State by the establishment of a branch or under the freedom to provide services by a management company established in the Republic of Bulgaria

Art. 115. The Commission shall exercise supervision over the management companies, to which a license has been issued, regardless of whether they pursue activity in another Member State through a branch or under the freedom to provide services, without prejudice to the envisaged in Directive 2009/65/EC provisions, which confer responsibility to the competent authorities of a management company's host Member State.

Art. 116. (1) A management company established in the Republic of Bulgaria, which pursues the activity of portfolio management in another Member State by the establishment of a branch or under the freedom to provide services, shall comply with the provisions of this Law which relate to the organization of the management company, including delegation arrangements, risk-management procedures, prudential rules and supervision rules, the requirements under Art. 104 and the requirements for the management company's disclosure of information.

(2) The Commission shall supervise over compliance with the rules of para 1.

Art. 117. (1) The management company shall comply with the rules of the collective investment scheme's home Member State in relation to the constitution and functioning of the collective investment scheme, and in particular the rules applicable to:

1. the setting up and authorization of the collective investment scheme;
2. the issuance and redemption of units;
3. investment policy and limits, including calculation of total exposure and leverage;
4. restrictions on borrowing and lending and uncovered sales;

5. the valuation of assets and the accounting of the collective investment scheme;

6. the calculation of the issue and redemption price, removal of errors made in the calculation of the net asset value and related investor compensation;

7. the distribution or reinvestment of the income;

8. the disclosure requirements for the collective investment scheme, including the prospectus, key investor information and financial statements;

9. the marketing regime of the units of the collective investment scheme;

10. relationship with unit-holders;

11. the transformation of the collective investment scheme;

12. the liquidation of the collective investment scheme;

13. the content of the unit-holders register, where applicable;

14. the licensing and supervision fees regarding the collective investment schemes, and

15. the exercise of unit-holders' voting rights and other unit-holders' rights in relation to Item 1 - 13.

(2) The management company shall comply with the obligations set out in the rules or in the articles of association and in the prospectus of the collective investment scheme, or in its instruments of incorporation, and the obligations set out in the prospectus, which are consistent with the applicable law of the home Member State of the collective investment scheme.

(3) The management company shall take the necessary decisions and be responsible for the adoption and implementation of all arrangements and organizational decisions, which are required to ensure compliance with the rules relating to the constitution and functioning of the collective investment scheme and with the obligations set out in its rules or in the articles of association and in the prospectus, or in the instruments of incorporation of the company, as well as with the obligations specified in the prospectus.

(4) The Commission shall be responsible for exercising supervision over the adequacy of the arrangements and organization of the management company, so that they be in a position to comply with the obligations and the rules, related to the constitution and functioning of all collective investment schemes it manages.

Section IV

Applicable law in pursuing business in the Republic of Bulgaria by establishment of a branch or under the freedom to provide services by a management company established in another Member State

Art. 118. A management company established in another Member State, which pursues the activity of portfolio management within the territory of the Republic of Bulgaria by establishing a branch or under the freedom to provide services shall comply with the rules of the home Member State relating to the organization of the management company, including delegation arrangements, risk-management procedures, prudential rules and supervision rules, the requirements under Art. 104 and the management company's reporting requirements.

Art. 119. (1) The management company shall comply with the provisions of Art. 117, para 1 concerning the constitution and functioning of the collective investment scheme.

(2) The management company shall comply with the obligations set out in the rules or in the articles of association and in the prospectus of the collective investment scheme, or in its instruments of incorporation, and the obligations set out in the prospectus, which are consistent with the provisions of this Law.

(3) The Commission shall exercise supervision over compliance with the requirements of para 1 and 2.

(4) The management company shall take the necessary decisions and bear responsibility for the adoption and implementation of all arrangements and organizational decisions, which are required to ensure compliance with the rules relating to the constitution and functioning of the collective investment scheme and with the obligations set out in its rules or in the articles of association or in the instruments of incorporation of the company, as well as with the obligations laid down in the prospectus.

Section V
Management of a collective investment scheme established in the Republic of Bulgaria by a management company established in another Member State

Art. 120. (1) A management company which has been authorized to pursue activity on the territory of the Republic of Bulgaria in accordance with Chapter Ten and which wishes to manage a collective investment scheme established in the Republic of Bulgaria, shall file with the Commission an application in a standard form approved by the Deputy Chairperson, to which shall be enclosed the following documents:

1. a contract with the depositary bank having a head office in the Republic of Bulgaria or a branch in the Republic of Bulgaria;

2. information on the delegation arrangement with regard to the functions of investment management and administration under Art. 86, para 1;

3. attestation by the competent authorities of the management company's home Member State in accordance with Art. 113, para 1 and Art. 114, para 3.

(2) If the management company already manages another collective investment scheme of the same type in the Republic of Bulgaria, it shall submit a reference to the documents already filed under para 1, relevant to the new collective investment scheme.

(3) With the purpose of ensuring compliance with the rules applicable in regard to the management company, carrying out the activity under para 1, the compliance with which is under the Commission's responsibility, the Commission may ask the competent authorities of the management company's home Member State to provide it, within 10 working days of forwarding the request, with clarification or information regarding the documents referred to in para 1 and the attestation referred to in Art. 1, Item 3 as to whether the type of a collective investment scheme for which authorization is requested falls within the scope of the management company's authorization.

(4) The Commissions shall pronounce a decision according the provisions of Art. 12, para 3 - 5.

(5) The management company shall notify the Commission of any subsequent material modification in the documents of para 1.

Art. 121. (1) The Commission may refuse the application of the management company, if it:

1. does not comply with the applicable rules under Art. 119;

2. is not authorized by the competent authorities of its home Member State to manage the type of a collective investment scheme for which authorization is requested;

3. has not provided the documents according to Art. 120, para 1.

(2) Before refusing an application, the Commission shall consult the competent authorities of the management company's home Member State.

Section VI
Management of a collective investment scheme established in another Member State by a management company established in the Republic of Bulgaria

Art. 122. (1) The management company shall take measures in accordance with this Law and its implementing instruments to ensure possibilities for effecting payments in favor of the holders of units, their redemption and provision of information to investors.

(2) The management company must have in place appropriate procedures and measures to ensure proper dealing of investor complaints, and that there are no restrictions on investors to exercise their rights. Those measures shall allow investors to file complaints in the official language or one of the official languages of their Member State.

(3) The management company shall also establish appropriate procedures and arrangements to make information available at the request of the public and the Commission.

(2) **Art. 123.** The Commission, within 10 working days of receiving request from a Member State's competent authority, with which a management company established in the Republic of Bulgaria has filed an application to manage a collective investment scheme established in that State, shall provide to the competent authority clarification or information regarding the documents enclosed to the application and the attestation prepared by the Commission under Art.109, para. 6 as to whether the type of a collective investment scheme which the company wishes to manage falls within the scope of the types of collective investment schemes which the management company is authorized to manage pursuant to the license issued by the Commission.

Section VII
Supervisory activity in the case of a management company which pursues business on a cross border basis by establishing a branch or under the freedom to provide services

Art. 124. (1) The Commission may require, for strategic purposes, any management company established in another Member State, carrying out activity through a branch, to provide periodically information on the activities pursued in the Republic of Bulgaria.

(2) The Commission may require from the management company established in another Member State, pursuing business in the territory of the Republic of Bulgaria through the establishment of a branch or under the freedom to provide services, to provide to it the information necessary for monitoring compliance with the applicable rules, over which the Commission exercises supervision.

(3) A management company established in another Member State which manages a collective investment scheme with a home Member State - the Republic of Bulgaria, shall ensure that the procedures and arrangements, set out in Art. 122, enable the Commission to obtain the information under para 2 directly from the management company.

(4) Where the Commission ascertains that a management company established in another Member State that pursues business through a branch or under the freedom to provide services on the territory of the Republic of Bulgaria is in breach of some of the rules, the compliance with which is under the Commission's responsibility, it shall require the relevant management company to put an end to that breach and shall inform the competent authorities of the management company's home Member State.

(5) Where the management company under para 4 refuses to provide the Commission with the required information, or fails to take the necessary actions to put an end

of the established breach, the Commission shall inform of that the competent authorities of the management company's home Member State.

(6) If, despite the measures taken by the competent authorities for provision of the requested information, or for putting an end to the breach, about which the Commission has been notified in due time, or because such measures prove to be inadequate or are not available in the relevant Member State, the management company continues to refuse to provide the information requested by the Commission according to para 2, or to infringe this Law and its implementing instruments, the Commission, after informing the competent authorities of the management company's home Member State, may apply appropriate measures to prevent or penalize further irregularities and, insofar as necessary, to prevent that management company from realizing any further operations on the territory of the Republic of Bulgaria.

(7) Where the service provided on the territory of the Republic of Bulgaria is the management of a collective investment scheme, the Commission may require the management company to cease the management of that collective investment scheme.

(8) Before applying the procedure envisaged in para 5 and 6, the Commission may, in emergencies, impose any precautionary measure necessary to protect the interest of investors and the other persons for whom services are provided, informing of it the European Commission, the European Securities and Markets Authority and the competent authorities of the other Member States concerned in shortest possible time. At request of the European Commission, the Commission shall abolish or amend the measure.

Art. 125. On request, the Commission shall consult the competent authorities of the management company's home Member State before withdrawing the authorization or the license of the management company and shall take appropriate measures to safeguard investor interests. These measures may include decisions which are to prevent the execution of any further transactions by the management company on the territory of the Republic of Bulgaria.

Art. 126. (1) When a management company established in the Republic of Bulgaria is in breach of the rules, the compliance with which is under the responsibility of the competent authorities of the host Member State, and despite the request made by those authorities does not put an end to the breach, after being inform of that by the competent authorities of the host Member State, the Commission shall take within shortest possible time all appropriate measures to ensure that the management company concerned provides the information requested by the host Member State, or put an end to the breach. The Commission shall inform the competent authority of the host Member State of the measures taken.

(2) The Commission, with the assistance of the relevant state bodies, shall ensure that within the territory of the Republic of Bulgaria it is possible to serve on the management companies the acts for measures undertaken against them by the competent authorities of the host Member State.

Art. 127. The Commission shall communicate to the European Commission the number and nature of the cases, in which it has refused authorization pursuant to Art. 109, para 4, denied an application under Art. 121, para 1 or has taken measures pursuant to Art. 124, para 6 and 7.

Chapter Thirteen

MARKETING OF UNITS OF A COLLECTIVE INVESTMENT SCHEME ESTABLISHED IN ANOTHER MEMBER STATE ON THE TERRITORY OF THE REPUBLIC OF BULGARIA. MARKETING OF UNITS OF A COLLECTIVE INVESTMENT SCHEME ESTABLISHED IN THE REPUBLIC OF BULGARIA ON THE TERRITORY OF ANOTHER MEMBER STATE

Section I.
Marketing of units of a collective investment scheme established in another Member State on the territory of the Republic of Bulgaria

Art. 128. (1) A collective investment scheme established in another Member State may market its units on the territory of the Republic of Bulgaria after the competent authority of that Member State notifies the Commission thereof.

(2) The notification shall be made by transmission of the prepared by the collective investment scheme notification letter, accompanied with an attestation issued by the competent authority of the collective investment scheme's home Member State, certifying that the scheme fulfills the requirements, laid down in Directive 2009/65/EC.

(3) The notification letter shall include information on arrangements made for marketing the units of the collective investment scheme into the territory of the Republic of Bulgaria, including, where relevant, arrangements for marketing of the respective share classes, and in the cases under Art. 111 – also information that the units are marketed by the company managing the scheme, and enclosed thereto shall be:

1. the instruments of incorporation of the collective investment scheme, the prospectus, the latest annual and half-yearly report in the Bulgarian or English language, translated in accordance with Art. 131, para. 2;

2. the key investor information document in the Bulgarian language, translated in accordance with Art. 131, para 2.

(4) The Commission may not require any additional documents, certificates or information, other than those indicated in para 2 and 3.

(5) The notification letter and the attestation are provided in the English language, unless there is agreement between the Republic of Bulgaria and the collective investment scheme's home Member State these documents to be provided in the official languages of both States.

(6) The rules of marketing within the territory of the Republic of Bulgaria of units of a collective investment scheme established in another Member State, laid down in this Section, shall also apply in the marketing of units of individual investment subfunds of a collective investment scheme.

Art. 129. The Commission shall ensure an access in English language through its official website to updated information on the laws, regulations and administrative provisions, which are outside the field governed by Directive 2009/65/EC, applicable to marketing in the territory of the Republic of Bulgaria of the units of a collective investment scheme established in another Member State.

Art. 130. A collective investment scheme established in another Member State, which markets its units within the territory of the Republic of Bulgaria, shall take the necessary measures to ensure the carrying out of redemption, payments in favor of unit-holders and making available information in pursuance of the laws, regulations and administrative provisions in the Republic of Bulgaria.

Art. 131. (1) A collective investment scheme established in another Member State shall provide to investors in the Republic of Bulgaria all the information and documents that are accessible for the investors in its home Member State, in a way in which they are submitted pursuant to this Law and its implementing instruments.

(2) The key investor information document shall be provided to investors in the Republic of Bulgaria in the Bulgarian language, and any other information may be provided at the choice of the collective investment scheme in Bulgarian or English language. The translation of the key investor information document and of any other information must reflect accurately and completely the content of the original.

(3) The requirements for provision of the information and documents according this Article shall also be applicable to any subsequent change and updating therein.

Art. 132. (1) A collective investment scheme established in another Member State shall publish in an appropriate way information on the issue price and redemption price of its units within the territory of the Republic of Bulgaria with frequency, specified in the laws, regulations and administrative provisions in the home Member State.

(2) The collective investment scheme shall notify the Commission of the frequency and the way in which it publishes the information under para 1.

Art. 133. A collective investment scheme established in another Home Member State in pursuing activities within the territory of the Republic of Bulgaria may use the same reference to the legal form ("investment company" or "contractual (mutual) fund"), as it uses in its home Member State.

Art. 134. (1) The supervision over compliance with the requirements of Art. 130 - 132, as well as with the laws, regulations and administrative provisions, falling outside of the field governed by Directive 2009/65/EC and applicable to the activities of a collective investment scheme established in another Member State, within the territory of the Republic of Bulgaria, shall be exercised by the Commission.

(2) Where there are sufficient available data, evidencing violation of the obligations of a collective investment scheme established in another Member State, arising from the provisions of Directive 2009/65/EC, the supervision over which is not within the Commission's competence, the Commission shall notify of it the competent authority of the scheme's home Member State.

(3) In the event that the measures taken by the competent authority of the home Member State are inadequate, inappropriate or untimely, due to which any subsequent marketing of units of the collective investment scheme jeopardizes or damages the investor interests in the Republic of Bulgaria, the Commission may undertake one of the following actions:

1. after notifying the competent authority of the collective investment scheme's home Member State, to apply appropriate measures for protection of the investor interests, including to cease the marketing of the scheme's units within the territory of the Republic of Bulgaria; the Commission shall immediately inform the European Commission of the imposed measures;

2. to refer the case to the European Securities and Markets Authority.

Art. 135. In case when the competent authority of the home Member State of a collective investment scheme pursuing business within the territory of the Republic of Bulgaria notifies the Commission about a decision taken to withdraw authorization or impose measures for ceasing the issuance or the repurchase or redemption of the units of the collective investment scheme which is managed by a management company established in the Republic of Bulgaria, the Commission may apply the measures according to Art. 195 and

impose an administrative sanction pursuant to Art. 204 in regard to the management company for infringement of the provisions of this Law and its implementing instruments in relation to the management company's activities.

Section II
Marketing of units of a collective investment scheme established in the Republic of Bulgaria within the territory of another Member State

Art. 136. (1) A collective investment scheme for which the Republic of Bulgaria is a home Member State and which proposes to market its units in the territory of another Member State, shall preliminarily send a notification letter to the Commission, which shall contain information on the arrangements made for marketing the units in the host Member State, including, where relevant, the measures for marketing of the respective share classes, and in the cases of Art. 111 – also indication that the units are marketed by the company that manages the scheme.

(2) With the notification letter shall be enclosed:

1. the articles of association, or the rules of the collective investment scheme, the prospectus, the latest annual and half-yearly report, translated in accordance with Art. 137, para 3;

2. the key investor information document translated in accordance with Art. 137, para 3.

(3) If the submitted data and documents are incomplete or irregular, the Commission shall send a communication of that to the collective investment scheme.

(4) Within 10 working days of receipt of the notifications letter and the enclosed with it documents, the Commission shall transmit them to the competent authority of the Member State in which the collective investment scheme proposes to market its units. The Commission shall enclose with them an attestation that the collective investment scheme fulfils the requirements, laid down in Directive 2009/65/EC.

(5) The notification letter and the attestation are prepared in the English language, unless there is agreement between the Republic of Bulgaria and the host Member State these documents to be prepared in the official languages of both States.

(6) The Commission shall immediately notify the collective investment scheme about the transmission of the documents under para 4. The collective investment scheme may begin to market its units in the host Member State as from the date of receiving the notification.

(7) In case of updating of the documents pursuant to para 2 and the translations thereof, the collective investment scheme shall immediately notify the competent authority of the host Member State according the procedure envisaged by the Law and shall inform it where those documents can be obtained electronically.

(8) In the event of a change in the information from the notification letter under para 1, the collective investment scheme shall give written notice of it to the competent authority of the host Member State before implementing the change.

Art. 137. (1) A collective investment scheme for which the Republic of Bulgaria is a home Member State and which markets its units in the territory of another Member State, shall provide to the investors within the territory of that State all the information and documents, which it provides to the investors in the Republic of Bulgaria pursuant to Chapter Seven.

(2) The information and documents according to para 1 shall be provided to investors in a way, specified in the laws, regulations and administrative provisions of the host Member State.

(3) The key investor information document is provided in the official language or one of the official languages of the host Member State, or in a language approved by the competent authorities of that State. Any information, other than the key investor information document, may be provided at the collective investment scheme's choice in one of the manners indicated in sentence one, or in the English language. The translation must reflect accurately and completely the content of the original document.

(4) The requirements for submission of the information and documents under this Article shall be applicable to any amendment and updating therein.

Art. 138. A collective investment scheme for which the Republic of Bulgaria is a home Member State and which markets its units within the territory of another Member State, shall publish in that Member State the issue price and the redemption price of its units with frequency, as specified in this Law and its implementing instruments.

Art. 139. The supervision over the activity of a collective investment scheme for which the Republic of Bulgaria is a home Member State and which markets its units within the territory of another Member State shall be exercised by the Commission in accordance with the provisions set out in Art. 116 and 117, except for the supervision over compliance with the corresponding to Art. 130 - 132 requirements in the host Member State legislation, as well as with the laws, regulations and administrative provisions in the host Member State, which fall outside of the field governed by Directive 2009/65/EC, that shall be exercised by the supervisory authority of the host Member State.

Art. 140. (1) Upon taking a decision for withdrawal of the license, or the authorization to pursue business as a collective investment scheme, for the application of a coercive administrative measure of ceasing the units redemption or some other coercive administrative measure, or for the imposition of an administrative penalty, the Commission shall communicate its decision without any delay to the competent authorities of the host Member State, and in the cases when its management company is established in another Member State – to the competent authorities of that State, as well.

(2) In the case of para 1, the Commission may apply coercive administrative measures or impose an administrative penalty on the management company only if the company infringes provisions, the compliance with which is under the supervision of the Commission, and not of the management company's home Member State competent authority.

Chapter Fourteen
TRANSFORMATION AND DISSOLUTION

Section I
Types of transformation

Art. 141. (1) A collective investment scheme for which the Republic of Bulgaria is a home Member State may transform itself only through merger and acquisition subject to authorization by the Commission, when all other participating in the transformation collective investment schemes are established in the Republic of Bulgaria.

(2) A collective investment scheme for which the Republic of Bulgaria is a home Member State may transform only by merger and acquisition after authorization given by the Commission, when the collective investment scheme is transforming and the transformation involves collective investment schemes established in other Member States.

(3) Transformation through merger and acquisition of collective investment schemes according the provisions of para 2 shall also exist in merger and acquisition of separate investment subfunds of one or several collective investment schemes.

(4) A collective investment scheme for which the Republic of Bulgaria is a home Member State may participate in the transformation under Art. 142, para 3, when it is not transforming and such form of transformation is allowed according the legislation of the home Member State of the transforming collective investment schemes and authorization for their transformation has been obtained from the competent authority of that Member State.

(5) An investment company for which the Republic of Bulgaria is a home Member State may also transform by change in its legal form into a contractual fund after an authorization by the Commission under conditions and procedure as laid down in an ordinance.

Art. 142. (1) In transformation by acquisition, one or more collective investment schemes or respective investment subfunds thereof (transforming collective investment schemes) are dissolved without going into liquidation and transfer all of their assets and liabilities to another existing collective investment scheme and its respective subfunds (receiving collective investment scheme) in exchange for provision of units of the receiving collective investment scheme to the unit-holders of the transforming collective investment schemes, and if applicable – a cash payment in amount not exceeding 10 per cent of the value of the units thus provided, determined on the basis of the net asset value

(2) In transformation by merger, two or more collective investment schemes or the respective subfunds thereof (transforming collective investment schemes) are dissolved without going into liquidation and transfer all of their assets and liabilities to another formed by them collective investment scheme and to the relevant subfunds thereof (newly constituted collective investment scheme) in exchange for provision of units of the newly formed collective investment scheme to the unit-holders of the merging collective investment schemes, and if applicable – a cash payment in amount not exceeding 10 per cent of the value of the units thus provided, determined on the basis of the net asset value.

(3) In the cases pursuant to Art. 141, para 4, one or more collective investment schemes or the respective subfunds thereof (transforming collective investment schemes) continue to exist until all liabilities have been discharged and transfer their net assets to another investment subfund of the same collective investment scheme, to existing collective investment scheme or to another formed by them collective investment scheme (receiving or newly formed collective investment scheme).

Art. 143. (1) The decision for transformation of an investment company shall be made by the general meeting of the company.

(2) The articles of association of the investment company may not envisage higher majority for taking a decision for transformation of the company from that established under Art. 230 of the Commercial Law.

(3) The decision for transformation of a contractual fund shall be taken by the management body of the company managing the fund.

Art. 144. (1) For the issuance of an authorization by the Commission pursuant to Art. 141, para 1, an application shall be filed in a standard form approved by the Deputy Chairperson.

(2) The Commission shall pronounce a decision on the application within 20 business days of its receiving, and where additional information and documents have been required – within 10 business days of their receiving.

(3) On the basis of the submitted documents the Commission shall establish to what extent the requirements for the issuance of the requested authorization have been

complied with. If the presented information and documents are incomplete or irregular, or further information is needed or evidence for the data correctness, the Commission shall send a notification and set a term for removal of the established deficiencies and irregularities, or for submission of additional information and documents.

(4) If the notification under para 3 is not accepted at the indicated by the applicant address for correspondence, the term for their submission shall start running from the notification's posting at a specially designated for the purpose place in the Commission's building. This circumstance shall be verified by a protocol drawn up by officials appointed by order of the Commission's Chairman.

(5) The Commission shall refuse to issue an authorization if the provisions of the law and its implementing instruments have not been complied with or investor interests have not been protected. The applicant is notified in writing of the decision made within a three-day term.

(6) The documents which shall be enclosed to the application, the conditions and procedure for transformation according to para 1 shall be laid down in an ordinance.

Section II
Issuing an authorization for transformation of a collective investment scheme established in the Republic of Bulgaria when the transformation involves collective investment scheme established in other Member States

Art. 145. (1) For the issuance of an authorization under Art. 141, para 2, the transforming collective investment scheme for which the Republic of Bulgaria is a home Member State shall file with the Commission an application in a standard form approved by the Deputy Chairperson, enclosing therewith:

1. a plan of the proposed transformation approved by the transforming collective investment scheme, and in the cases of transformation by acquisition – also by the receiving collective investment scheme;

2. up-to-date prospectuses and key investor information document of the receiving or newly-constituted scheme established in another Member State;

3. a statement by each of the depositaries of the transforming and the receiving collective investment scheme that they have verified compliance of the particulars set out in para 2, Item 1 , 6 and 7 with the requirements of the applicable legislation and the rules of the contractual fund (unit trust) or with the instruments of incorporation of the investment company;

4. the information on the transformation which the transforming collective investment scheme and the receiving, respectively newly-constituted collective investment scheme will provide to their respective unit-holders.

(2) The plan of transformation pursuant to para 1, Item 1 shall contain at least the following information:

1. an identification of the type of transformation and of the collective investment schemes involved therein;

2. the background to and rationale of the proposed transformation;

3. the expected impact of the proposed transformation on the unit-holders of the transforming collective investment schemes, and in the cases of transformation by acquisition - also of the receiving collective investment scheme;

4. the criteria adopted for valuation of the assets and, where applicable – also of the liabilities on the date for calculating the exchange ratio, indicated in Art. 154;

5. the calculation method for the exchange ratio;

6. the planned effective date of the transformation;

7. the rules under which the transfer of assets and exchange of units shall be made;

8. in the cases of transformation by merger – the rules or instruments of incorporation of the newly constituted collective investment scheme.

(3) The collective investment schemes involved in the transformation may also include further information in the contents of the plan of transformation.

(4) The documents and information under para 1 shall be provided in the Bulgarian language and in the official language or one of the official languages of the home Member State of the receiving or newly-constituted collective investment scheme, or in a language approved by their competent authorities.

(5) When the Commission decides that the documents and the information provided according the provisions of para 1 are incomplete, it shall forward a notification to the applicant and set a term for removal of the established deficiencies and irregularities, or for submission of additional information and documents within 10 business days of receiving the application. Article 144, para 4 shall apply accordingly.

Art. 146. (1) When the Commission decides that the documents and information pursuant to Art. 145 have been submitted complete or after their supplementing pursuant to Art. 145, para 5, the Commission shall immediately transmit a copy of them to the competent authorities of the home Member States of the receiving or newly-constituted collective investment scheme.

(2) When reviewing the documents and the information under Art. 145, the Commission shall consider the potential impact of the transformation on unit-holders of the transforming collective investment scheme, to assess whether appropriate information is provided to them.

(3) If the Commission considers it necessary, it may require in writing more clear provision of the information to the unit-holders of the transforming collective investment schemes.

(4) In case when the Commission is notified by the competent authorities of the home Member States of the receiving or the newly-constituted collective investment scheme that in their judgment the information which will be provided to the unit-holders of that scheme, is not appropriate and its modification is required, the Commission shall pronounce a decision after receiving notification from those competent authorities as to whether they are satisfied with the modified information.

Art. 147. (1) The Commission shall issue an authorization for completion of the transformation if:

1. the proposed transformation complies with the requirements of Art. 145, 146, 149 and 150;

2. the receiving or the newly-constituted collective investment scheme has given notification to market its units in all Member States where the transforming companies have given notification or are authorized to market their units in accordance with Art. 136;

3. the Commission and the competent authorities of the home Member State of the receiving or the newly-constituted collective investment scheme consider that appropriate information on the transformation is provided to the unit-holders, or no information has been received in the Commission according to Art. 146, para 4, that the competent authorities of the home Member State of the receiving or newly-constituted collective scheme consider the information on the transformation which will be provided to the unit-holders to be inappropriate.

(2) The Commission shall inform the transforming collective investment scheme within 20 working days of receiving the complete set of documents in accordance with Art. 145 about its decision to authorize or not to authorize the transformation completion.

(3) The Commission shall inform of its decision the competent authorities of the home Member State of the receiving or the newly-formed collective investment scheme.

Art. 148. (1) Where in the cases of transformation, in which a receiving or a newly-constituted collective investment scheme is a scheme for which the Republic of Bulgaria is a home Member State, the Commission shall receive from the competent authorities of the home Member State of the transforming scheme a copy of the information, conforming to that under Art. 145, para 1, in the review of that information the Commission shall consider the potential impact of the transformation on unit-holders in the collective investment scheme for which the Republic of Bulgaria is a home Member State, to assess whether appropriate information on the transformation is being provided to unit-holders.

(2) If considering it necessary, within 15 days of receiving a copy of the information, conforming to that under Art. 145, para 1, the Commission may require, in writing, from the collective investment scheme for which the Republic of Bulgaria is a home Member State, to modify the information to be provided to unit-holders.

(3) In the cases under para 2, the Commission shall inform of it the competent authorities of the transforming scheme's home Member State, and within 20 business days of receiving the provided to it copy of the documents and information conforming to those under Art. 145, para 1, the Commission shall notify them whether it is satisfied with the modified information, designated for the unit-holders of the receiving or newly-constituted collective investment scheme.

Section III
Control over the transformation by the depositary bank and an independent auditor, informing unit-holders and other their rights related to the transformation

Art. 149. The depositary bank of a collective investment scheme which is involved in transformation, shall verify the conformity of the particulars from the contents of the transformation plan according to Art. 145, para 2, Item 1, 6 and 7 with the requirements of the law, of the rules or the articles of association and the other instruments of incorporation of that collective investment scheme.

Art. 150. (1) The transforming collective investment scheme for which the Republic of Bulgaria is a home Member State, shall submit to the Commission along with the documents under Art. 145, para 1 a report prepared by an independent auditor, stating the result of the audit of:

1. the criteria adopted for valuation of assets and, where applicable – also of the liabilities, on the date of calculating the exchange ratio, as referred to in Art. 154;
2. the cash payment per unit, where such is envisaged;
3. the calculation method of the exchange ratio as well as the actual exchange ratio determined at the date of calculating the exchange ratio according to Art. 154.

(2) A copy of the report of the independent auditor shall be made available free of charge, on request, to the unit-holders both of the transforming collective investment scheme, and the other involved in the transformation schemes and to the supervisory authorities.

(3) For the purposes of the audit under para 1 and independent auditor may also be the independent auditor that certified the financial statements of the transforming or of the receiving collective investment scheme.

Art. 151. (1) The involved in the transformation collective investment schemes for which the Republic of Bulgaria is a home Member State shall provide appropriate and accurate information to the unit-holders, such as to enable them to make an informed

judgment of the impact of the transformation on their investments and to exercise their rights pursuant to Art. 152, containing:

1. the background to and the rationale for the proposed transformation;

2. the possible impact of the transformation on unit-holders, including but not limited to any material differences in respect to the investment policy and strategy, costs, expected result, periodic reporting, possible dilution in performance and, where relevant, a prominent warning to investors that their tax treatment may be changed following the merger;

3. any specific rights of unit-holders in relation to the proposed transformation, including but not limited to the right to obtain additional information, the right to obtain a copy of the report of the independent auditor on request, the right to request redemption or, where applicable, the conversion of the units held by them without charge in accordance with Art. 152 and the deadline for exercising that right;

4. procedural issues and the planned effective date of the transformation;

5. a copy of the key investor information document of the receiving, or respectively the newly-constituted collective investment scheme.

(2) The information under para 1 shall be provided to the unit-holders after the issuing of an authorization to complete the transformation by the Commission in the cases under Art. 141, para 1 and 2 or after the issuance of an authorization by the relevant competent authority from another Member State in the cases under Art. 148.

(3) The submission of the information under para 1 shall be made latest 30 days before the deadline of filing a request for redemption or, if applicable, for transformation without any charges according to Art. 152.

(4) When the involved in a transformation collective investment scheme for which the Republic of Bulgaria is a home Member State, has given notification according to Art. 136, it shall provide the information of para 1 in the official language or one of the official languages of the receiving Member State, or in a language approved by its competent authorities. The translation of the information pursuant to para 1 into the language according to sentence one must reflect accurately and fully the content of the original and the responsibility for its producing lies with the collective investment scheme.

(5) Additional requirements to the content, form and method of provision of the information under para 1 shall be laid down in an ordinance.

Art. 152. (1) The unit-holders in involved in transformation collective investment scheme for which the Republic of Bulgaria is a home Member State have the right to request redemption of their units or, where possible, to convert their units into units in another collective investment scheme with similar investment purposes, managed by the same management company or by any other company with which the management company is linked by common management or control, or by a substantial direct or indirect holding, without owing for that any charged other than those, related only to meeting disinvestment costs, with the purpose of releasing funds to satisfy the requests for redemption or conversion of units.

(2) The right of the unit-holder under para 1 shall become effective from the moment they have been informed of the transformation pursuant to Art. 151, and shall cease to exist 5 working days before the date of calculating the exchange ratio under Art. 154.

(3) The Commission may require from the collective investment scheme to allow on its request the temporary suspension of the sale, or the redemption of units in the cases when such suspension is in the interest of unit-holders.

Art. 153. Any legal, advisory or administrative costs arisen in connection with the preparation and the completion of the transformation shall not be charged to the involved in the transformation collective investment schemes and to the their unit-holders.

Section IV
Entry into effect of transformation

Art. 154. (1) For transformation which does not involve collective investment schemes established in other Member States as well as for transformation which involves also collective investment schemes from other Member States and the receiving or the newly-constituted collective investment scheme is established in the Republic of Bulgaria, the date on which the transformation takes effect shall be the date of entry of the transformation into the Trade Register, when the company established in the Republic of Bulgaria involved in the transformation is an investment company, respectively the date of entry in the Register under Art. 30, para 1 of the Financial Supervision Act when all involved in the transformation collective investment schemes established in the Republic of Bulgaria are contractual funds, or some other, indicated in the plan of transformation effective date of the transformation. The date of calculating the exchange ratio may not be earlier than 5 working days before the effective date of transformation, and the date for determining the net asset value in the cases when unit-holders are entitled to a cash payment, shall be the effective date of transformation.

(2) For transformation, where the merging collective investment scheme is established in the Republic of Bulgaria, and the receiving collective investment scheme is established in another Member State, the date on which the transformation takes effect, the date for calculating the exchange ratio as well as the date for determining the net asset value in the cases when unit-holders are entitled to a cash payment, shall be determined according the legislation of the home Member State of the receiving collective investment scheme.

(3) For transformation pursuant to para 1, the entry into effect of the transformation shall be made public by the receiving collective investment scheme by a procedure laid down in an ordinance, and shall be notified to the Commission and the relevant competent authorities of the home Member States of the other involved in the transformation collective investment schemes.

(4) After a transformation has taken effect pursuant to para 1, it may not be declared null and void.

Art. 155. (1) The transformation of collective investment schemes through acquisition shall have the following consequences:

1. all the assets and liabilities of the transforming collective investment scheme are transferred to the receiving collective investment scheme;

2. the unit-holders of the transforming collective investment scheme become unit-holders of the receiving collective investment scheme, and for the achievement of an equivalent exchange ratio, they are entitled to cash payments in amount not exceeding 10 per cent of the net asset value of their units in the transforming collective investment scheme;

3. the transforming collective investment scheme ceases to exist on the entry into effect of the transformation.

(2) The transformation of collective investment schemes through merger shall have the following consequences:

1. all assets and liabilities of the transforming collective investment schemes are transferred to the newly constituted collective investment scheme;

2. the unit-holders of the transforming collective investment schemes become unit-holders of the newly constituted collective investment scheme, and for the achievement of an equivalent exchange ratio, they are entitled to cash payments in amount not exceeding 10 per cent of the net asset value of their units in the transforming collective investment scheme;

3. the merging collective investment schemes cease to exist on the entry into effect of the transformation.

(3) The transformation of collective investment schemes under Art. 142, para 3 shall have the following consequences:

1. the net assets of the transforming collective investment scheme are transferred to the receiving collective investment scheme;

2. the unit-holders of the transforming collective investment scheme become unit-holders of the receiving collective investment scheme;

3. the transforming collective investment scheme continues to exist until its liabilities have been discharged.

Art. 156. The management company of the receiving collective investment scheme shall inform immediately the depositary bank of the receiving collective investment scheme about the completion of transfer of assets and, where applicable, of liabilities.

Section V
Dissolution of a collective investment scheme

Art. 157. (1) Besides under the provisions of the Commercial Law, an investment company shall be dissolved compulsorily:

1. upon withdrawal of the license;

2. when within a three-month period after withdrawal of the license, dissolution or declaring bankrupt of the company managing it, the investment company has not designated a new management company or has not transformed itself by merger or acquisition.

(2) Besides under the provisions of Art. 363, letters "a" and "b" of the Obligations and Contracts Act, a contractual fund shall be dissolved compulsorily:

1. upon withdrawal of the authorization of the management company for organization and management of a contractual fund;

2. when within a three-month period after withdrawal of the license, dissolution or declaring bankrupt of the company managing it, the contractual fund has not designated a new management company or has not transformed itself by merger or acquisition.

(3) After the coming into effect of the decision for withdrawal of the license of an investment company, the Commission forwards it to the Registry Agency for entry into the Trade Register and for the appointment of a liquidator.

(4) The Deputy Chairperson may order the conducting of inspections and apply coercive administrative measures until deletion of the investment company from the Trade Register and until the final settlement of relations with the unit-holders.

(5) The conditions and procedure for dissolution of an investment company and a contractual fund shall be laid down in an ordinance.

Title Four
PROVISION OF INFORMATION TO THE EUROPEAN COMMISSION IN RELATION TO THE ACTIVITIES OF MANAGEMENT COMPANIES IN THIRD COUNTRIES. COOPERATION WITH THE COMPETENT AUTHORITIES OF THE MEMBER STATES

Art. 158. (1) The Commission shall inform the European Commission of any substantial difficulties that have arisen for the management companies for which the Republic of Bulgaria is a home Member State, in their establishment or in performance of services and activities in a third country.

(2) On request of the European Commission, the Commission shall limit or suspend for a period up to three months the issuing of authorizations to pursue activities within the territory of the Republic of Bulgaria by management companies from a third country as well as the procedures in relation to the acquisition of direct or indirect holdings by a parent undertaking which is regulated by the legislation of such third country. By decision of the Council of the European Union this period may be extended.

(3) Paragraph 2 is not applied in regard to a subsidiary of a management company that has been granted authorization to pursue business within the European Union, or a subsidiary of such subsidiary.

(4) On request of the European Commission, in the cases when a third country does not ensure to a management company from a Member State the pursuing of activities in market conditions equal to those which the law of the European Union guarantees to the management companies of that third country, or when a third country does not provide a regime of national treatment for the pursuance of business within its territory by management companies from a Member State, the Commission shall inform it of any:

1. filed application for the issue of a license to a management company which appears to be a direct or indirect subsidiary of a parent undertaking regulated by the legislation of the third country;

2. notification by a parent undertaking, which is regulated by the legislation of that third country and proposes to acquire a holding in a management company for which the Republic of Bulgaria is a home Member State, as a result of which the management company will become a subsidiary of the parent undertaking.

(5) The notification under para 4 shall be discontinued after an agreement is reached between the European Union and the third country for the provision by the third country of conditions for carrying out of activities by management companies from the European Union, equivalent to the conditions which the law of the European union guarantees to the management companies from that third country, for provision of regime of national treatment or after the expiration of the term pursuant to para 2.

Art. 159. (1) The Commission shall cooperate with the competent authorities of the other Member States in the exercise of its supervisory powers under this Law and its implementing instruments and whenever necessary shall render assistance to those authorities in the exercising of their supervisory powers.

(2) In realization of the cooperation under para 1, the Commission shall use the powers provided to it by law, and in the cases when the action subject of investigation by the competent authorities of other Member States does not constitute an infringement of the legislation in the Republic of Bulgaria.

Art. 160. The Commission shall immediately provide information to the competent authority from another Member State, when such information is required for the discharging of its duties under Directive 2009/65/EC.

Art. 161. (1) In the cases when the Commission has good reason to suspect that an entity over the activity of which the Commission does not exercise supervisory powers, is committing or has committed on the territory of another Member State an infringement of the provisions of Directive 2009/65/EC, it shall inform so the competent supervisory authority of the relevant Member State.

(2) Where the Commission has been notified by a competent authority of a Member State, that an entity over the activity of which that authority does not exercise supervisory powers, is committing or has committed into the territory of the Republic of Bulgaria an infringement of the provisions of Directive 2009/65/EC, the Commission shall

take appropriate actions and shall inform the competent authority of the Member State of the outcome of them.

Art. 162. (1) In the exercise of its supervisory activity, including in the conducting of an on-the-spot verification or investigation on the territory of a Member State, the Commission may request the cooperation of the relevant competent authority in that State.

(2) Where the Commission requests from the competent authority of a Member State the carrying out of an on-the-spot verification or investigation on the territory of that State and the competent authority decides to conduct the verification or the investigation itself, the Commission may request that its own experts accompany the experts of the competent authority carrying out the verification or investigation.

Art. 163. (1) When a request is made by a competent authority of a Member State for carrying out an on-the-spot verification or investigation on the territory of the Republic of Bulgaria, the Commission within its powers shall:

1. conduct the verification or investigation itself;

2. allow the competent authority of the other Member State to carry out the verification or investigation;

3. allow auditors or experts to carry out the verification or investigation.

(2) In the cases under para 1, Item 1, on request by the competent authority of the other Member State, officials of that competent authority accompany the Commission officials in the carrying out of the verification or investigation. The control, however, over the conducting of the verification or investigation shall be exercised by the competent authorities in the Republic of Bulgaria.

(3) In the cases under para 1, Item 2 the Commission may request that its own officials accompany the officials of the other Member State's competent authority in carrying out of the verification or investigation.

Art. 164. (1) The Commission may refuse to provide the information pursuant to Art. 160 or the cooperation in carrying out an on-the-spot verification or investigation pursuant to Art. 163, where:

1. the carrying out of an on-the-spot verification or investigation and the provision of information might adversely affect the sovereignty, security or public order in the Republic of Bulgaria;

2. judicial proceedings have already been initiated before the judiciary in the Republic of Bulgaria in respect of the same persons in relation to which cooperation has been requested;

3. there is an effectuated court judgment in the Republic of Bulgaria in respect of the same actions and persons, in relation to which cooperation has been requested.

(2) In the cases of para 1 the Commission shall notify the authority requesting cooperation and shall provide it with detailed information about the reasons for the denial.

Art. 165. The Commission may send a warning to the European Securities and Markets Authority about the cases when a request of the Commission to exchange information according to Art. 166 - 169, to carry out an investigation or on-the-spot verification according to Art. 170 or a request its officials to accompany the officials of the competent authority of other Member State in carrying out an investigation or on-the-spot verification has been rejected or has not been acted upon within a reasonable time.

Art. 166. (1) Where a management company established in the Republic of Bulgaria pursues activities through a branch or under the freedom to provide services on the territory of one or more Member States, the Commission shall collaborate with the competent

authorities of those States. The Commission shall collaborate including also with the purpose to ensure the collection by the competent authorities of the information referred to in Art. 124, para 2 and 3.

(2) Where a management company established in another Member State pursues activity under the freedom to provide services or through a branch on the territory of the Republic of Bulgaria and on the territory of one or more Member States, the Commission shall collaborate with the competent authorities in those States.

(3) In the cases under para 1 and 2 the Commission may request from the competent authorities of the Member States, and shall supply to them on request by them, all the information concerning the management and ownership structure of the management company that is likely to facilitate the exercising of its supervisory powers.

Art. 167. Where a management company established in another Member States pursues activity on the territory of the Republic of Bulgaria, the Commission shall inform the competent authorities of that State of the applied by the Commission in regard to the company, in the cases pursuant to Art. 124, para 2 and 3, coercive administrative measures or imposed administrative penalties.

Art. 168. When a management company established in the Republic of Bulgaria manages a collective investment scheme established in other Member State, the Commission shall without delay notify the competent authorities of that Member State of any infringement of the provisions of this Law and its implementing instruments or if any other problems which it has established in the management company's activity and which may affect the ability of the company to perform its duties in the management of the scheme.

Art. 169. Where the Republic of Bulgaria is a home Member State of a collective investment scheme managed by a management company established in another Member State, the Commission shall immediately inform the competent authority of that State of the problems it has identified in the scheme's operation and which may affect the ability of the management company to perform its duties.

Art. 170. Where the Republic of Bulgaria is a host Member State for a management company which pursues business within its territory through a branch, the Commission, after being informed by the competent authority of that Member State shall cooperate with such authority in the cases when it, itself or through intermediaries, carries out on-the-spot verification of the information indicated in Art. 166 - 169.

Part Three
OTHER COLLECTIVE INVESTMENT UNDERTAKINGS

Title One
INVESTMENT COMPANY OF CLOSED-END TYPE

Chapter Fifteen
GENERAL ROVISIONS

Art. 171. (1) An investment company of closed-end type is a collective investment undertaking, organized as a joint-stock company, with subject of activity investing in securities and other liquid financial assets of cash raised through public offering of shares,

which operates on the principle of risk spreading and whose shares are not subject to redemption, except under the conditions and the procedure of the Commercial Law.

(2) The closed-end investment company has no right to engage in other business activities, except where it is needed for performance of the activity under para 1 hereof.

(3) A closed-end investment company shall only be formed at a constitutive meeting.

(4) A closed-end company may only issue dematerialized shares entitling to one vote. The company may not issue bonds and other debt securities.

Art. 172. In addition to the particulars required under the Commercial Law, the articles of association of a closed-end investment company must contain:

1. the main objectives and restrictions of the investment activity as well as the investment policy of the investment company;
2. the share of investments by types of assets;
3. the remunerations and methods for calculation of the remuneration of the management company, respectively the members of the management and supervisory body;
4. the distribution of the rights and duties between the management body of the company and the management company;
5. the conditions for replacement of the depositary bank and the rules safeguarding the interests of shareholders in case of such replacement;
6. the conditions of replacement of the management company and the rules of safeguarding the interests of shareholders in case of such replacement;
7. the procedure and way of dividend distribution.

Art. 173. Any change in the articles of association, in the rules of risk management, the rules of portfolio valuation and in the contract for depositary services, replacement of the depositary bank and of the management company, as well as replacement of an investment advisor with a management company and vice versa shall be allowed after approval by the Deputy Chairperson. In such cases shall apply the provisions of Art. 18, para 2 - 7.

Art. 174. (1) The subscribed capital of an investment company of closed-end type shall not be less than BGN 500 000. In regard to the capital of a closed-end investment company shall also apply the provisions of Art. 7, para 2 and 3 hereof.

(2) A closed-end investment company shall at any time possess own funds to amount not less than BGN 500 000, whose structure and ratio to the balance sheet assets and liabilities of the company shall be laid down in an ordinance.

Art. 175. (1) The activity under Art. 171, para 1 of a closed-end investment company shall be managed by a management company according a concluded contract or by its management body.

(2) If the activity under Art. 171, para 1 of the closed-end investment company is managed by its management body, the company shall conclude a contract with a person according to Art. 12 of the Markets in Financial Instruments Act, who has the right to pursue investment advice.

Art. 176. (1) Where the activity pursuant to Art. 171, para 1 of the closed-end investment company is managed by its management body, the members of the management or supervisory body of the company shall meet the requirements of Art. 93 hereof.

(2) Where the activity under Art. 171, para 1 of a closed-end investment company is managed by a management company, any person who has been elected a member of the management or supervisory body of the company, must not have been:

1. sentenced for crimes against property, against the economy or against the financial, tax and the social security system, perpetrated in the Republic of Bulgaria or abroad, unless rehabilitated;

2. a member of a management or supervisory body, or unlimited liability partner in a company, for which a bankruptcy procedure has been initiated, or company would-up due to bankruptcy, where there are unsatisfied creditors left;

3. declared bankrupt or involved in pending bankruptcy proceedings;

4. not be the spouse or relative in the direct or collateral line up to the third degree inclusive, or by affinity up to the third degree to another member of the company's management or control body;

5. deprived of the right to occupy positions involving financial responsibilities.

(3) The requirements under para 1 shall also apply to the natural persons representing legal persons – members of the management or supervisory body of the investment company.

(4) The requirements of para 1 shall also apply to any other persons who may, independently or jointly with another person, enter into transactions for the account of the investment company.

(5) The circumstances under para 1, Item 1 shall be attested by a certificate of conviction, or respectively by an equivalent document, and under para 1, Item 2 - 5 shall be attested by a written statement.

(6) The persons under para 1 - 4 shall inform the Commission of any change in the declared by them circumstances according to para 1 within three business days of such change.

Art. 177. In regard to the way of safekeeping of the closed-end investment company's assets shall apply the requirements to the depositary bank under Chapter Five, as well as the relevant provisions of this Chapter concerning its duties and scope of responsibilities.

Art. 178. (1) A closed-end investment company must file an application for admission of its shares to be traded on a regulated market within a 6-month period of entry into the Trade Register.

(2) In the event that the shares of the closed-end investment company are not admitted to trading on a regulated market within one year after the entry in the Trade Register, the company shall be liquidated under conditions and procedure specified in an ordinance.

Chapter Sixteen

ISSUING AND WITHDRAWAL OF A LICENSE TO PURSUE BUSINESS

Art. 179. (1) A license issued by the Commission is required for carrying out the activity of an investment company of a closed-end type

(2) In order a license to be issued for pursuing business as a closed-end investment company, an application shall be filed with the Commission in a standard form approved by the Deputy Chairperson, to which shall be enclosed:

1. the articles of association;

2. particulars about the capital subscribed and paid-in;

3. information and other required documents about the members of the investment company's management and supervisory bodies, or about the natural persons representing legal entities, members of its management and supervisory body, or other persons authorized to manage and represent the investment company, as well as information about their professional qualification and experience;

4. the contract with the management company, or the contract with a person pursuant to Art. 12 of the Markets in Financial Instruments Act and the contract for depositary services;

5. the names or business names and particulars about the persons who hold, directly or indirectly, 10 or more than 10 per cent of the voting shares of the applicant or can exercise control over it, as well as about the number of the held by them votes; the persons shall submit written declarations about the origin of the funds whereby the contributions against the subscribed shares were made, including where these are loan funds, as well as about the taxes paid by such persons over the preceding 5 years, in a standard form approved by the Deputy Chairperson;

6. the rules of portfolio evaluation;

7. the prospectus of the investment company;

8. the rules of risk management;

9. other documents and data as laid down in an ordinance.

(3) No entity shall have the right to carry out activity under Art. 171, para 1, unless is has been granted a license.

(4) A person who does not possess a license for pursuing business under Art. 171, para 1 according the requirements of this Law, may not use in its name, advertising or other activity the words "investment company of closed-end type" or other equivalent words in Bulgarian or foreign language, meaning the pursuing of such business.

Art. 180. (1) The Commission shall refuse to issue a license to pursue the business of a closed-end investment company, if:

1. the company's articles of association do not comply with the law;

2. the subscribed capital does not meet the requirements of Art. 174, para 1;

3. the contract with the management company does not meet the requirements of this Law and its implementing instruments;

4. the contract with a person according to Art. 12 of the Markets in Financial Instruments Act has not been submitted;

5. the members of the management or supervisory body fail to meet the requirements of Art. 176;

6. persons who hold, directly or indirectly, 10 and more than 10 per cent of the votes at the investment company's general meeting, may prejudice the investments safety through their activities or influence on decision-making;

7. persons who hold, directly or indirectly, 10 and more than 10 per cent of the votes at the general meeting, have made contributions with borrowed funds;

8. the depositary bank, or the contract with the depositary bank, does not comply with the requirements of the Law and its implementing instruments;

9. the prospectus of the investment company does not meet the requirements of the Law and its implementing instruments;

10. according the law or the articles of association of the investment company, it may not market its shares on the territory of the Republic of Bulgaria;

11. investor interests are not guaranteed to a sufficient extent;

12. the management company is not established in the Republic of Bulgaria.

(2) In the cases under para 1, Item 1 - 5, 8 and 9, the Commission may refuse to issue a license only if the applicant has failed to remove the inconsistencies or to submit the required documents within the time limit set by the Commission, which may not be less than one month.

(3) The Commission's refusal shall be reasoned in writing.

(4) The applicant may file a new request for the issue of a license not earlier than 6 months after the coming into effect of the decision of refusal.

Art. 181. (1) The Registry Agency shall enter the closed-end investment company in the Trade Register, after it has been provided with the relevant license issued by the Commission.

(2) The investment company shall inform the Commission about the entry within a 7-day period after it is made.

Art. 182. (1) In regard to withdrawal of a license to pursue business of a closed-end investment company shall apply Art. 19, para 1, Item 1, 3, 4 and 6 hereof. The Commission shall also withdraw the license when the closed-end investment company ceases to be a public company under Art. 119, para 1, Item 3 and 4 of the Law on Public Offering of Securities.

(2) After the coming into effect of the decision for withdrawal of the license to pursue business of a closed-end investment company, the company may continue to exist as a joint-stock company under the Commercial Law. The Commission sends the decision to the Registry Agency for deletion of the company's subject of activity as an investment company.

Chapter Seventeen

REQUIREMENTS TO THE ACTIVITIES OF AN INVESTMENT COMPANY OF CLOSED-END TYPE

Art. 183. (1) Public offering of shares of an investment company of closed-end type shall be carried out after the issuance of a license and the publication of a prospectus.

(2) The prospectus of a closed-end investment company shall be prepared and published in accordance with the provisions of Chapter Six of the Law on Public Offering of Securities.

(3) A closed-end investment company shall draw up the marketing communications in relation to the shares offered by it, while applying Art. 65, para 1 and 2 accordingly.

Art. 184. With regard to the rules of risk management of a closed-end investment company and the requirements for periodic notification to the Commission, Art. 40 and 41 hereof shall apply.

Art. 185. (1) In regard of a closed-end investment company shall apply the investment limitations pursuant to Art. 38.

(2) A closed-end investment company may not invest more than 25 per cent of its assets in securities and money market instruments, issued by the same issuer.

(3) In case of violation of the investment limitations pursuant to para 1 and 2, the closed-end investment company must, within 7-day period of committing the violation, notify the Commission, providing information about the reason of its occurrence and the actions taken for its removal.

(4) Where the activity under Art. 171, para 1 of a closed-end investment company is managed by its management body, the company may acquire movables and real properties only to the extent that is relevant for the direct performance of its activities.

Art. 186. The closed-end investment company may not:

1. sell securities, money market instruments and other financial instruments under Art. 38, para 1, Item 5, 7 - 9, which the investment company does not possess;

2. invest in securities issued by:

a) the founders or related persons for a period of two years of the investment company's incorporation;

b) persons controlling the investment company or related persons.

Art. 187. With respect to the closed-end investment company shall also apply the restrictions of Art. 28 and 31 herein.

Art. 188. The investment company may not use loans. The Deputy Chairperson may authorize an investment company to use a loan amounting to 15 per cent of its assets where the term of the loan is not longer than 6 months and is necessary for acquisition of assets. In such case Art. 18, para 2 – 6 hereof shall apply..

Art. 189. The investment company of closed-end type shall adopt rules about the personal transactions of the members of the management and supervisory body of the company, which are to guarantee that there will be no personal transactions concluded or investments maintained by these persons, allowing them jointly or severally to exercise significant influence over an issuer, or which would lead to conflict of interests, or are a result of abuse of information, which they have acquired in connection with their professional activity within the meaning of the Law on Measures Against Market Abuse with Financial Instruments.

Art. 190. A closed-end investment company shall disclose information according to the provisions of Chapter Six "a" of the Law on Public Offering of Securities.

Art. 191. Other requirements to the activities, asset and liability structure of a closed-end investment company, directed to protection of investor interests, the annual and interim financial statements on the activity and their distribution, maintenance and storage of records, the way and procedure for valuation of assets and liabilities, disclosure of information, the content of the marketing communications in relation to shares of the closed-end investment company, the rules of personal transactions, the rules for prevention of conflict of interests, the rules of risk management, rules of portfolio valuation, the content of the contracts with the management company and the depositary bank shall be laid down in an ordinance.

Art. 192. For any unsettled cases, the provisions of Chapters Eight and Eleven of the Law on Public Offering of Securities shall apply accordingly.

Chapter Eighteen

TRANSFORMATION AND DISSOLUTION

Art. 193. (1) A closed-end investment company may not be transformed into another type of trade company as well as change the subject of its activity.

(2) Transformation of a closed-end investment company into a collective investment scheme shall be made only with authorization by the Commission. The transformation through merger and acquisition, division and spin-off, as well as the dissolution of a closed-end investment company shall be done with authorization by the Commission. After coming into effect of the decision for withdrawal of the investment company's license, the Commission shall forward the decision to the Registry Agency to be entered into the Trade Register, and in case of dissolution of the investment company, also for

the appointment of a liquidator. Article 23 of the Markets in Financial Instruments Act shall apply accordingly.

(3) Regarding the issuing of authorization under para 2 shall apply Art. 144.

(4) The transformations pursuant to para 2, as well as the dissolution of a closed-end investment company shall be carried out under conditions and procedure as laid down in an ordinance.

Title Two
SPECIAL INVESTMENT PURPOSE COMPANIES

Art. 194. Collective investment undertaking is also a special investment purpose company, the activities of which are regulated under the Act on the Special Investment Purpose Companies.

Part Four
COERCIVE ADMINISTRATIVE MEASURES AND ADMINISTRATIVE LIABILITY

Chapter Twelve
COERCIVE ADMINISTRATIVE MEASURES

Art. 195. (1) When establishing that supervised persons, their employees, persons performing managerial functions under a contract or entering into transactions for the account of supervised persons, as well as persons possessing a qualifying holding in a management company, have carried out or carry out activities in breach of this Law, its implementing instruments, decisions of the Commission or of the Deputy Chairperson, as well as where the exercising of control activity by the Commission or the Deputy Chairperson is impeded or the investor interests are jeopardized, the Commission or the Deputy Chairperson may:

1. obligate them to take measures needed for prevention and removal of the offences, their prejudicial effects or of the jeopardy for the investors' interests within set by it term;

2. convene, with agenda determined by the Commission, a general meeting and/or schedule a meeting of the management or supervisory bodies of the persons supervised by the Commission in order to adopt resolutions on the measures to be taken;

3. inform the public of any activity which jeopardizes investor interests;

4. suspend for a period of 10 consecutive working days or definitively the sale or execution of transactions in units of the collective investment scheme;

5. order in writing a supervised entity to dismiss one or more persons authorized to manage and represent the respective entity, and divest such person of his/her managerial and representation rights until his/her dismissal;

6. appoint quaestors in the cases provided for in this Law;

7. appoint a registered auditor who is to conduct a financial or other audit of a supervised person in accordance with requirements set by the Deputy Chairperson, where the expense shall be covered by the audited person;

8. take a decision for temporary suspension of the redemption of units of a collective investment scheme.

(2) A coercive administrative measure is also the withdrawal of a license, or authorization to pursue activity, provided for in this Law, except in the cases when the person has explicitly renounced the issued license, or authorization.

(3) When establishing that a depositary bank pursues its activities in contravention of this Law or its implementing instruments, the Deputy Chairperson may apply the measures under para 1, Item 1, as well as to propose to the Bulgarian National Bank the applying of the relevant measures under Art. 103, para 2 of the Law on Credit Institutions. The Bulgarian National Bank shall communicate its decision to the Deputy Chairperson within one month of receipt of the proposal.

(4) The Deputy Chairperson may propose to the Bulgarian National Bank to withdraw the license of a depositary bank only if the depositary bank systematically infringes the provisions of this Law or its implementing instruments.

(5) On request of the Commission, or the Deputy Chairperson, the Registry Agency shall enter the circumstances, respectively announce the acts under para 1, in the Trade Register.

Art. 196. (1) A procedure for imposition of coercive administrative measures shall be instituted on the initiative of the Deputy Chairperson, and in the cases of Art. 195, para 1, Item 5 and 6 – on the initiative of the Commission.

(2) The notifications and communications in the procedure pursuant to para 1 can also be made via registered mail with delivery receipt, by telegram, over the phone, telex, facsimile or by e-mail. The notifications and communications through registered mail with delivery receipt or telegram are verified by notice of their delivery, over the phone – in writing by the official who made them, and those by telex, facsimile or e-mail – by written confirmation of the forwarded communication.

(3) If the notifications and communications in the procedure under para 1 are not received on the address, telephone, telex or fax indicated by the persons, or entered in the respective register pursuant to Art. 30, para 1 of the Financial Supervision Commission Act, such notifications and communications shall be considered made with their posting at a specially designated for the purpose place in the building of the Commission. The latter circumstance is ascertained by a protocol drawn up by officials appointed by order of the Deputy Chairperson.

(4) The coercive administrative measures under Art. 195, para 1, Item 1 - 4, 7 and 8 shall be applied by a written reasoned decision of the Deputy Chairperson, and the coercive administrative measures under Art. 195, para 1, Item5 and 6 – by a written reasoned decision of the Commission, which is communicated to the person concerned within 7-days term of its pronouncement.

Art. 197. The decision to apply a coercive administrative measure shall be subject to immediate enforcement, regardless of whether it has been appealed against.

Art. 198. In so far as no special rules are provided in this Chapter, the relevant provisions of the Administrative Procedure Code shall apply.

Chapter Twenty
QUAESTOR

Art. 199. (1) The Commission may appoint for an investment company or a management company one or several quaestors from a list approved by the Commission:

1. by adopting a resolution to impose a measure under Art. 195, para 1, Item 1 or 5 for a period of up to 6 months, or

2. in case of withdrawal of the license to pursue business – until the appointment of a liquidator, or trustee.

(2) Where upon the expiration of the 6-month term referred to in para 1, Item 1, the company's license to pursue business is not withdrawn, the powers of the quaestors shall be discontinued and the rights of the company's bodies shall be restored.

(3) The Commission may at any time terminate the powers of a quaestor and appoint another one in his place. The act shall not be subject to appeal.

Art. 200. (1) The quaestor is a natural person.

(2) A quaestor shall meet respectively the requirements of Art. 93, para 1, Item 1, 2 and 6, and:

1. not be a sole trader or a member of a management or supervisory body, or a general partner in a company or cooperative, for which bankruptcy proceedings have been instituted, or that has been wound-up due to bankruptcy, if unsatisfied creditors have been left;

2. not be an insolvent debtor whose rights are not restored;

3. not be the spouse, a relative in the direct or collateral line up to the sixth degree or by affinity up to the third degree to a member of a management body of the person under Art. 199, para 1, whose powers are terminated with the act of appointment of the quaestor;

4. not have with the person under Art. 199, para 1 or with his debtor relations which give good reasons to doubt the quaestor's impartiality.

(3) The quaestor shall declare in writing before the Commission the circumstances under para 2. He must without delay notify the Commission of any change in those circumstances.

Art. 201. (1) After issuing the act of appointment of a quaestor, the Commission shall forthwith serve on the person under Art. 199, para 1 and publish a notice in at least one central daily newspaper.

(2) With the appointment of a quaestor all powers of the supervisory and of the management board or the board of directors of the person under Art. 199, para 1, shall be terminated and shall be exercised by the quaestor, unless the act of his appointment provides for some restrictions. The quaestor shall take all necessary measures to protect the investors' interests.

(3) During the quaestor's management, the general meeting of shareholders may only be convened by the quaestor and shall pass resolutions in accordance with the agenda announced by the quaestor.

(4) Acts and transactions executed in the name and for the account of the person under Art. 199, para 1 without preliminary authorization by the quaestor shall be void.

(5) Where two or more quaestors are appointed, they shall make decisions unanimously and shall exercise their powers jointly, unless the Commission decides otherwise.

(6) The Commission may issue binding prescription to the quaestors in relation to their activities.

(7) The quaestor shall report on his activities only to the Commission and, upon the latter's request, shall immediately submit to it a report on his activities.

Art. 202. (1) The quaestor shall have unrestricted access to and control over the premises of the person under Art. 199, para 1, the accounting and other documentation and its property.

(2) On request of the quaestor, the Public Prosecution and the authorities of the Ministry of the Interior shall render assistance for the exercise of his powers pursuant to para 1.

Art. 203. (1) The quaestor shall exercise his powers with due diligence. He shall only be liable for damages, which he has caused intentionally or with gross negligence.

(2) All employees of the person under Art. 199, para 1 must assist the quaestor in the exercise of his powers.

(3) The quaestor shall receive for his work remuneration for the account of the person pursuant to Art. 199, para 1, which shall be determined by the Commission.

Chapter Twenty One

ADMINISTRATIVE LIABILITY AND PENALTY PAYMENTS

Art. 204. (1) Any person who commits or admits committing an infringement of:

1. Article 6, para 3, Art. 10, para. 5, Art. 17, para 2, Art. 18, para 1, Art. 48, para. 3 and 4, Art. 52, Art. 57, para 1, 5 - 9, Art. 58, para 2, Art. 59, Art. 61, para 1 and 2,Art. 62, 63, Art. 65, para 1 and 2, Art. 78, para 4 and 5, Art. 79, Art. 81, para 2, Art. 91, Art. 93, para 1 - 5, Art. 94, para 1 and 2, Art. 98, para 2, Art. 179, para 4, Art. 181, para 2 and Art. 185, para. 3 of this Law or the implementing ordinances shall be liable to a fine from BGN 1000 to BGN 4000;

2. Article 21, para 9, Art. 25, Art. 26, para 1 and 2, Art. 34, para 1 and 3, Art. 36, para 1, Art. 51, Art. 56, para 1, Art. 57, para 4, Art. 58, para 1, Art. 60, para 1, Art. 64, Art. 67, para 2 and 3, Art. 69, para 5, Art. 71, para 2, Art. 72, para 1, Art. 75, para 1 and 2, Art. 77, para 2, Art. 78, para 1 - 3, Art. 80, Art. 82, para 1, Art. 89, Art. 92, para 1 - 3, Art. 100, para. 4, Art. 101, para 2, Art. 103, Art. 104, para 1 and 2, Art. 105, para 1, Art. 106, para 1, Art. 108, Art. 109, para 1, 7, 8 and 10, Art. 110, para 1, 5 - 8, Art. 113, para 2, 3 and 5, Art. 114, para 1, 4 and 6, Art. 116, para 1, Art. 117, para 1 - 3, Art. 119, para 1, 2 and 4, Art. 120, para 1 and 5, Art. 122, Art. 124, para 3, Art. 128, para 1, Art. 130, 131, 132, Art. 136, para 1, 6 and 8, Art. 149, Art, 151, para 3, Art. 154, para 3, Art. 156, Art. 171, para 2 and 4 and Art. 185, para 4, shall be liable to a fine from BGN 4000 to BGN 10 000;

3. Article 7, para 7, Art. 21, para 1, 6 and 8, Art. 22, para 1 - 4, Art. 27, para 1, Art. 28, para 1, Art. 29, 31, 32, Art. 36, para 3 and 4, Art. 38, 40, 41, Art. 43, para 1 and 2, Art. 45, para 1 - 8 and 10, Art. 46, para 1, Art. 47, Art. 48, para 1 and 2, Art. 49, para 1 and 2, Art. 53, Art. 69, para 1, Art. 75, para 4, Art. 76, Art. 81, para 1, Art. 83, Art. 86, para 6 - 8, Art. 90, para 2 - 4, 6, 9 and 10, Art. 101, para 1, Art. 102, para 1 and 2, Art. 183, para 1, Art. 185, para 2, Art. 186, 188 and 189, shall be liable to a fine from BGN 10 000 to BGN 20 000.

(2) In case of a repeated infringement under para 1, the guilty person shall be liable to a fine in amount as follows:

1. for infringements under para 1, Item 1 – from BGN 4000 to BGN 10 000;
2. for infringements under para 1, Item 2 – from BGN 10 000 to BGN 20 000;
3. for infringements under para 1, Item 3 – from BGN 20 000 to BGN 40 000.

(3) Any person who commits or admits an infringement to be committed of Art. 6, para 2, Art. 98, para 1 and Art. 179, para 3, shall be liable to a fine, or property sanction, from BGN 20 000 to BGN200 000.

(4) In case of non-compliance with the imposed coercive administrative measures under Art. 195, para 1, those who have committed the act and those who have allowed it shall be liable to a fine, or property sanction, in amount from BGN 10 000 to BGN 100 000.

(5) For infringements under para 1, property sanctions shall be imposed on legal entities and sole traders in amount as follows:

1. for infringement under para 1, Item 1 – from BGN 4000 to BGN 10 000 and in case of a repeated infringement – from BGN 10 000 to BGN 20 000;

2. for infringements under para 1, Item 2 – from BGN 10 000 to BGN 20 000 and in case of a repeated infringement – from BGN 20 000 to BGN 40 000;

3. for infringements under para 1, Item 3 – from BGN 20 000 to BGN 40 000 and in case of a repeated infringement – from BGN 40 000 to BGN 100 000.

(6) Incomes acquired from activities unlawfully carried out shall be confiscated in favor of the State to the extent to which the affected persons cannot be compensated.

Art. 205. (1) The acts of established infringements under Art. 204 shall be drawn up by authorized by the Deputy Chairperson officials, and the penalty warrants shall be issued by the Deputy Chairperson.

(2) The establishment of infringements, the issuing, appeal against and enforcement of penalty warrants shall be carried out in accordance with the Law on Administrative Offences and Penalties.

Additional Provisions

§ 1. For the purposes of this Law:

1. "Member State" means a state, which is a member of the European Union or another state – a party to the Agreement on the European Economic Area.

2. "Home Member State" is:

a) for a management company – the Member State in which the management company has its registered office;

b) for a collective investment scheme – the Member State, whose competent authority has issued the license, or the authorization to pursue business.

3. "Subsidiary" means a subsidiary within the meaning of § 1, Item 10 of the Additional Provisions of the Law on Supplementary Supervision on Financial Conglomerates.

4. "Units of a collective investment scheme" are financial instruments issued by a collective investment scheme, which express the rights of their owners over its assets. Units of a collective investment scheme also mean shares of a collective investment scheme.

5. "Investor" means investor within the meaning of § 1, Item 1 of the Additional Provisions of the Law on Public Offering of Securities.

6. "Money market instruments" means instruments normally dealt in on the money market which are liquid and have a value which can be accurately determined at any time.

7. "Qualifying holding" means a direct or indirect holding in a management company which represents 10 per cent or more than 10 percent of the capital or of the voting rights at the general meeting, determined according to Art. 145 and 146 of the Law on Public Offering of Securities, or which makes it possible to exercise a significant influence over the management of the company.

8. "Client" means any natural or legal person and any other company, including a collective investment scheme, whose activities are managed by a management company or that uses the services pursuant to Art. 86, para 2.

9. "Branch" of a management company means a place of business, which is a part of the management company, which has no legal personality and which provides the services for which the management company has been authorized.

10. "Collective investment scheme" means an undertaking organized as an investment company, contractual fund or unit trust, that has been granted authorization to pursue business under Directive 2009/65/EC.

11. "Competent authorities" means the authorities which each Member State designated in accordance with Art. 97 of Directive 2009/65/EC. For the Republic of Bulgaria the competent authorities are the Financial Supervision Commission and the Deputy Chairperson in charge of Investment Activity Supervision Division.

12. "Control" means control within the meaning of § 1, т. 8 of the Additional Provisions of the Law on Supplementary Supervision on Financial Conglomerates.

13. "Net asset value" is the total value of all assets in the collective investment scheme's portfolio, reduced with all liabilities.

14. "Repeated" means an infringement committed within a year of the effective date of the penalty warrant penalizing the offender for an infringement of the same kind.

15. "Fixed costs" means the amount of the incurred expenses for depreciation, rents, compulsory insurances, taxes and charges of real properties, remunerations to the members of the management and supervisory bodies and other expenses that are not dependent on the level of the performed activity.

16. "Parent undertaking" means a parent undertaking within the meaning of § 1, Item 9 of the Additional Provisions of the Law on Supplementary Supervision on Financial Conglomerates.

17. "Transferable securities" means:

a) shares in companies and other securities equivalent to shares;

b) bonds and other forms of securitized debt (debt securities);

c) any other negotiable securities which carry the right to acquire transferable securities by subscription or exchange.

18. "Host Member State" means:

a) for a management company – a Member State, other than the Member State within the meaning of Item 2, letter "a", in which the management company has a branch or provides services;

b) for a collective investment scheme – a Member State, other than a Member State within the meaning of Item 2, letter "b", in which the units of the collective investment scheme are marketed.

19. "Unit-holder" means any natural or legal person holding one or more units in a collective investment scheme.

20. "Related persons" means the persons within the meaning of § 1, Item 25 of the Additional Provisions of the Markets in Financial Instruments Act.

21. "Systemic infringement" exists where three or more administrative infringement of this Law or its implementing instruments have been committed with

22. "Durable medium" means an instrument for provision of information to an investor which enables the investor to store information addressed personally to that investor in a way allowing future reference with it for a period of time adequate for the purposes of provision of information and which allows unchanged reproduction of the information stored.

23. "Third country" is a country which is not a Member State.

24. "Financial instruments" means the financial instruments within the meaning of Art. 3 of the Markets in Financial Instruments Act.

§ 2. The Law implements the provisions of 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).

Transitional and Final Provisions

§ 3. The collective investment schemes shall replace the simplified prospectus with a key investor information document according to Art. 57 within a period by 1 July 2012.

§ 4. Investment companies of open-end type shall pass to a one-tier management system within a period by 1 July 2012.

§ 5. Investment companies of open-end type shall sell at price, not lower than their market value, the possessed by them movables and real properties, acquired under the provisions of the canceled Art. 195, para 3 of the Law on Public Offering of Securities, within a period by 1 July 2012.

§ 6. Until the preparation of the list pursuant to Art. 35, para 1, the list of the depositary banks shall remain in effect under the canceled Art. 173, para 9 of the Law on Public Offering of Securities.

§ 7. The Financial Supervision Commission shall adopt the ordinances for implementation of the Law.

§ 8. In the Financial Supervision Commission Act (prom., SG, iss. 8 in 2003; am., iss. 31, 67 and 112 in 2003, iss. 85 in 2004, iss. 39, 103 and 105 in 2005, iss. 30, 56, 59 and 84 in 2006, iss. 52, 97 and 109 in 2007, iss. 67 in 2008, iss. 24 and 42 in 2009 and iss. 43 and 97 in 2010) shall be made the following amendments and supplements:

1. In Art. 1, para 2, Item 1 the words "investment and management companies" are replaced with "collective investment schemes and closed-end investment companies and management companies", after the words "Act on Special Investment Purpose Companies" the conjunction "and" is replaced by a comma and in the end is added "and the Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings".

2. B Art. 12, Item 2 after the words "Act on Special Investment Purpose Companies" a comma is placed and is added "the Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings".

3. In Art. 13:

a) in para 1:

aa) in Item 4 after the words "Markets in Financial Instruments Act" is added "Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings" and a comma is placed;

bb) in Item 5 after the words "Markets in Financial Instruments Act" is added "Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings" and a comma is placed;

cc) in Item 6 after the words "Markets in Financial Instruments Act", a comma is placed and is added "Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings";

dd) in Item 8 after the words "Public Offering of Securities Act" a comma is placed and is added "Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings";

ee) in Item 10 after the words "Markets in Financial Instruments Act" is added "Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings" and a comma is placed;

ff) in Item 11 after the words "Markets in Financial Instruments Act" is added "Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings" and a comma is placed;

b) in para 2 after the words "Markets in Financial Instruments Act" is added "Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings" and a comma is placed.

4. In Art. 15:

a) in para 1:

aa) in Item 2 after the words "Public Offering of Securities Act" the conjunction "and" is replaced by a comma, and after the words "Markets in Financial Instruments Act" is

added „and the Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings";

bb) in Item 3 after the words "Public Offering of Securities Act" the conjunction "and" is replaced by a comma, and after the words "Markets in Financial Instruments Act" is added "and the Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings";

cc) in Item 4 after the words "Chapter One of the Markets in Financial Instruments Act" a comma is placed and is added "under Part Four, Chapter Nineteen of the Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings";

dd) in Item 5 after the words "in the cases of Art. 212, para 4 of the Public Offering of Securities Act" a comma is placed and is added "of Art. 195, para 3 of the Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings", and after the words "of Art. 212, para 1, Item 1 of the Public Offering of Securities Act" a comma is placed and is added "of Art. 195, para 1, Item 1 of the Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings";

ee) in Item 6 after the words "Law on Measures Against Market Abuse with Financial Instruments" a comma is placed and is added "Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings";

ff) in Item 7 after the words "Law on Measures Against Market Abuse with Financial Instruments" a comma is placed and is added " Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings";

gg) in Item 9 the words "investment companies" are replaced with “collective investment schemes and closed-end investment companies";

hh) in Item 15 after the words "Markets in Financial Instruments Act" a comma is placed and is added "Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings", and the words "regulation and control over the securities markets" are replaced with "regulation and control over the market in financial instruments";

b) in para 2:

aa) in letter "a" after the words "Public Offering of Securities Act" the conjunction "and" is replaced with a comma, and after the words "Markets in Financial Instruments Act" is added "and the Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings";

bb) in letter "b" the words "Public Offering of Securities Act" are replaced with "Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings", and the words "investment company" are replaced with "collective investment scheme and closed-end investment company".

5. In Art. 18:

a) in para 1:

aa) in Item 1 after the words "Public Offering of Securities Act" is added "Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings" and a comma is placed;

bb) in Item 6 after the words "Public Offering of Securities Act" is added "Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings" and a comma is placed;

b) in para 3 after the words "Public Offering of Securities Act" is added "Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings" and a comma is placed.

6. In Art. 19, para 2, Item 1 after the words "Public Offering of Securities Act" is added "Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings" and a comma is placed.

7. In Art. 24, para 5, Item 1 after the words "Public Offering of Securities Act" is added "Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings" and a comma is placed.

8. In Art. 27, para 1, Item 1 after the words "Public Offering of Securities Act" is added "Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings" and a comma is placed.

9. In Art. 30, para 1:

a) Item 4 shall be amended as follows:

"4. collective investment schemes";

b) in Item 5 the words "and the managed by them contractual funds" are deleted;

c) a new Item 6 shall be established:

"6. closed-end investment companies";

d) the former Items 6, 7, 8, 9, 10, 11, 12 and 13 become respectively 7, 8, 9, 10, 11, 12, 13 and 14.

§ 9. In the Act on the Special Investment Purpose Companies (prom., SG, iss. 46 in 2003; am., iss. 109 in 2003, iss. 107 in 2004, iss. 34, 80 and 105 in 2006 and iss. 52 and 53 in 2007) shall be made the following amendments and supplements:

1. In Art. 9, para 4 the words "Art. 173 of the Law on Public Offering of Securities" are replaced with "Art. 28 and Chapter Five of the Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings";

2. In Art. 11, para 3, Item 1 after the words "Law on Public Offering of Securities" a comma is placed and is added "of the Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings";.

3. In Art. 29, para 1 the words "Article 177, para 4 and 5 of the Law on Public Offering of Securities" are replaced with "Article 144, para 3 and 4 of the Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings";

4. In § 2 of the Transitional and Final Provisions after the words "Law on Public Offering of Securities" a comma is placed and is added "of the Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings".

§ 10. In the Markets in Financial Instruments Act (prom., SG, iss. 52 in 2007; am., iss. 109 in 2007, iss. 69 in 2008, iss. 24, 93 and 95 in 2009 and iss. 43 in 2010) shall be made the following amendments and supplements:

1. In Art. 11, para 2:

a) in Item 8 after the words "the Special Purpose Vehicles Act" a comma is placed and is added "Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings";

b) in Item 9 after the words "Special Purpose Vehicles Act" a comma is placed and is added "Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings";

c) in Item 10 after the words "Law on Public Offering of Securities" a comma is placed and is added "Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings";

2. In Art. 20:

a) in para 1, Item 4 after the words "Special Purpose Vehicles Act" a comma is placed and is added "Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings";

b) in para 2, Item 4 after the words "Special Purpose Vehicles Act" a comma is placed and is added "Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings".

3. In Art. 26c, para 3, Item 2 the words "Directive 85/611/EEC" shall be replaced with "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".

4. In Art. 34, para 3, Item 4 the words "Council Directive 85/611/EEC" shall be replaced with "Directive 2009/65/EC".

5. In § 1, Item 18 of the Additional Provisions the words "Law on Public Offering of Securities" are replaced with "Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings" and the words "Council Directive 85/611/EEC" are replaced with "Directive 2009/65/EC".

§ 11. In the Law on Supplementary Supervision on Financial Conglomerates (prom., SG, iss. 59 in 2006; am., iss. 52 in 2007) in § 1 of the Additional Provisions shall be made the following amendments:

1. In Item 4 the words "Art. 202, para 1 of the Law on Public Offering of Securities" are replaced with "Art. 86, para 1 of the Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings".

2. In Item 19, letter "c" the words "Art. 203, para 1 of the Law on Public Offering of Securities" are replaced with "Art. 90, para 1 and 2 of the Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings".

3. In Item 20, letter "c" the words "Law on Public Offering of Securities" are replaced with "Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings".

§ 12. In the Law on Public Offering of Securities (prom., SG, iss. 114 in 1999; am., iss. 63 and 92 in 2000, iss. 28, 61, 93 and 101 in 2002, iss. 8, 31, 67 and 71 in 2003, iss. 37 in 2004, iss. 19, 31, 39, 103 and 105 in 2005, iss. 30, 33, 34, 59, 63, 80, 84, 86 and 105 in 2006, iss. 25, 52, 53 and 109 in 2007, iss. 67 and 69 in 2008, iss. 23, 24, 42 and 93 in 2009, iss. 43 and 101 in 2010 and iss. 57 in 2011) shall be made the following amendments and supplements:

1. In Art. 1, para 1, Item 2 the words "of the investment and management companies, and the conditions for carrying out such activities" are deleted.

2. In Art. 77y, para 1, Item 8 after the words "investment company" a comma is placed and is added "contractual fund".

3. In Art. 146:

a) in para 2 the word "included in the individual portfolio managed by it according Art. 202, para 2, Item 1" are replaced with "included in a portfolio managed by it according to Art. 86, para 2, Item 1 of the Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings";

b) in para 3, Item 2 the words "Council Directive 85/611/EEC" are replaced with "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".

c) in para 5 the words "Art. 5 of Council Directive 85/611/EEC" are replaced with " Art. 6 of Directive 2009/65/EC".

4. Title Four "INVESTMENT COMPANIES AND CONTRACTUAL FUNDS" with Art. 164 – 211k is canceled.

5. In Title Five, Chapter Twenty with Art. 216 - 220 is canceled.

6. The following amendments are made in Art. 221:

a) in para 1:

aa) in Item 1 the words "Art.191, para 4, 7 and 8 and Art. 211j" are deleted;

bb) in Item 2 the words "Art. 173, para 12, Art. 174, Art. 180, para 3, Art. 183, para 2, Art. 184, para 2, Art. 187, para 4, Art. 189, Art. 192, para 3, Art. 196, para 14 and Art. 206, para 2" are deleted;

cc) in Item 3 the words "Art. 164, para 2, Art. 168, para 3, Art. 170, para 1, Art. 173, para 1, sentence one, and para 5, Art. 177a, para 6 and 8, Art. 187, para 3, sentence one, Art. 190, Art. 191, para 1 and para 4, sentence one, Art. 193, para 9, Art. 197, para 3, Art. 200, para 1, Art. 202, para 9 and 10, Art. 210, Art. 211a, para 1, 5 and 6, Art. 211b, para 1, 4, 5 and 6, Art. 211e, para 2, 3 and 4, Art. 211f, para 1, 2 and 3, Art. 211h, para 1 and 3, Art. 211i, para 1 - 3, Art. 211l, para 1, 2 and 4" are deleted;

dd) in Item 4 the words "Art. 169, Art. 170, para 2, Art. 172, Art. 173, para 6, Art. 175, Art. 176, Art. 186, Art. 193, para 1, 5, 6 and 10, Art. 194, para 3 and 5, Art. 195, Art. 196, para 1 - 7, 9 - 12, Art. 197, para 1, Art. 197b, para 3 and 5, Art. 199, Art. 201, para 2 and 5, Art. 202, para 7 and 8, Art. 203, para 6" are deleted;

b) in para 5 the words "Art. 184, para 1 and Art. 206, para 1" are deleted.

7. In § 1 of the Additional Provisions:

a) in Item 1, letter "c" the words "an investment company, contractual fund" are replaced with "a collective investment scheme and a closed-end investment company";

b) items 22, 26, 31, 37, 38 and 39 are canceled.

8. In § 1c of the Additional Provisions, Item 1 is canceled.

§ 13. In the Social Insurance Code (prom., SG, iss. 110 in 1999; Judgment № 5 of the Constitutional Court from year 2000 - iss. 55 in 2000; am., iss. 64 in 2000; iss. 1, 35 and 41 in 2001, iss. 1, 10, 45, 74, 112, 119 and 120 in 2002, iss. 8, 42, 67, 95, 112 and 114 in 2003, iss. 12, 21, 38, 52, 53, 69, 70, 112 and 115 in 2004, iss. 38, 39, 76, 102, 103, 104 and 105 in 2005, iss. 17, 30, 34, 56, 57, 59 and 68 in 2006; am., iss. 76 in 2006; am., iss. 80, 82, 95, 102 and 105 in 2006, iss. 41, 52, 53, 64, 77, 97, 100, 109 and 113 in 2007, iss. 33, 43, 67, 69, 89, 102 and 109 in 2008, iss. 23, 25, 35, 41, 42, 93, 95, 99 and 103 in 2009, iss. 16, 19, 43, 49, 58, 59, 88, 97, 98 and 100 in 2010, Judgment № 7 of the Constitutional Court from year 2011- iss. 45 in 2011, am, iss. 60 in 2011) shall be made the following amendments:

1. In Art. 123c, para 4 the words "Art. 202 of the Public Offering of Securities Act" are replaced with "Art. 86 of the от Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings".

2. In Art. 176, para 1, Item 10 the words "Public Offering of Securities Act" are replaced with "Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings".

3. In § 1, para 2, Item 16 of the Additional Provisions the words "§ 1, Item 26 of the Additional Provisions of the Public Offering of Securities Act" are replaced with "§ 1, Item 10 of the Additional Provisions of the Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings".

§ 14. In the Corporate Income Tax Act (prom., SG, iss. 105 in 2006; am., iss. 52, 108 and 110 in 2007, iss. 69 and 106 in 2008, iss. 32, 35 and 95 in 2009, iss. 94 in 2010 and iss. 19, 31, 35 and 51 in 2011) shall be made the following amendments:

1. In Art. 174 the words "the licensed closed-end investment companies under the Law on Public Offering of Securities" are replaced with "the licensed closed-end investment companies under the Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings".

2. In § 1, Item 26, letter "c" of the Additional Provisions the words "Law on Public Offering of Securities" are replaced with "Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings".

§ 15. In the Insurance Code (prom., SG, iss. 103 in 2005; am., iss. 105 in 2005, iss. 30, 33, 34, 54, 59, 80, 82 and 105 in 2006, iss. 48, 53, 97, 100 and 109 in 2007, iss. 67 and 69 in 2008, iss. 24 and 41 in 2009, iss. 19, 41, 43, 86 and 100 in 2010 and iss. 51 and 60 in 2011) shall be made the following amendments and supplements:

1. In Art. 73, para 1 Item 3 is modified as follows:

3. "3. units issued by collective investment schemes and shares of closed-end investment companies under the Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings as well as units of collective investment schemes with a head office in another Member State";

2. In Art. 185:

a) a new para 4 shall be created:

4. "(4) When offering Life insurance under para 1, Item 9, linked to investment in units of a collective investment scheme, or advising a client in relation to such insurance, the insurer shall provide its customers with the key investor information document in accordance with Art. 59, para 3 of the Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings";

b) the former para 4 becomes para 5 and therein the words "para 1 or 3" are replaced with “para 1 and 4 or para 3";

c) the former para 5 becomes para 6 and therein the words "para 1 - 4" are replaced with "para 1 - 5".

5. In Annex № 1, Section I, Item 3 the words "Public Offering of Securities Act" are replaced with "Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings".

§ 16. In the Tax and Social Insurance Procedure Code (prom., SG, iss. 105 in 2005; am., iss. 30, 33, 34, 59, 63, 73, 80, 82, 86, 95 and 105 in 2006, iss. 46, 52, 53, 57, 59, 108 and 109 in 2007, iss. 36, 69 and 98 in 2008, iss. 12, 32, 41 and 93 in 2009, iss. 15, 94, 98, 100 and 101 in 2010 and iss. 14 and 31 in 2011) in Art. 143p, para 2 the words "Public Offering of Securities Act" are replaced with "Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings".

§ 17. In the Law on Financial Collateral Arrangement (prom., SG, iss. 68 in 2006; am., iss. 24 in 2009 and iss. 101 in 2010) shall be made the following amendments:

1. In Art. 3, para 1 Item 9 is modified as follows:

"9. A collective investment scheme and a closed-end investment company;"

2. In Art. 4, para 3, Item 2 the words "shares and units in" are replaced with "units in".

§ 18. In the Gambling Act (prom., SG, iss. 51 in 1999; am., iss. 103 in 1999, iss. 53 in 2000, iss. 1, 102 and 110 in 2001, iss. 75 in 2002, iss. 31 in 2003, iss. 70 in 2004, iss. 79, 94, 95, 103 and 105 in 2005, iss. 30 and 54 in 2006, iss. 109 and 110 in 2007, iss. 42, 74 and 82 in 2009, iss. 50 in 2010 and iss. 35 and 60 in 2011) in Art. 70 after the words "investment company" shall be added "management company".

§ 19. In the Electronic Trade Act (prom, SG, iss. 51 in 2006; am., iss. 105 in 2006, iss. 41 in 2007 and iss. 82 in 2009) in Art. 19, para 3, Item 4 the words "securities issued by investment companies and contractual funds for collective investment" shall be replaced with c "units of collective investment schemes".

§ 20. In the Value Added Tax Act (prom., SG, iss. 63 in 2006; am., iss. 86, 105 and 108 in 2006; Judgment № 7 of the Constitutional Court from year 2007 - iss. 37 in 2007; am., iss. 41, 52, 59, 108 and 113 in 2007, iss. 106 in 2008, iss. 12, 23, 74 and 95 in 2009, iss.

94 and 100 in 2010 and iss. 19 in 2011) in Art. 46, para 1, Item 6 the words "Law on Public Offering of Securities" shall be replaced with "Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings".

§ 21. In the Administrative Violations and Sanctions Act (prom., SG, iss. 92 in 1969; am., iss. 54 in 1978, iss. 28 in 1982, iss. 28 and 101 in 1983, iss. 89 in 1986, iss. 24 in 1987, iss. 94 in 1990, iss. 105 in 1991, iss. 59 in 1992, iss. 102 in 1995, iss. 12 and 110 in 1996, iss. 11, 15, 59, 85 and 89 in 1998, iss. 51, 67 and 114 in 1999, iss. 92 in 2000, iss. 25, 61 and 101 in 2002, iss. 96 in 2004, iss. 39 and 79 in 2005, iss. 30, 33, 69 and 108 in 2006, iss. 51, 59 and 97 in 2007, iss. 12, 27 and 32 in 2009 and iss. 10, 33, 39 and 60 in 2011) in Art. 34, para 1 in sentence two after the word "securities" a comma shall be placed and shall be added "the Markets in Financial Instruments Act, the Act on the Special Investment Purpose Companies, the Law on Measures Against Market Abuse with Financial Instruments, the Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings, Part Two, Part Two "a" and Part Three of the Social Insurance Code".

§ 22. In the Law on Credit Institutions (prom., SG, iss. 59 in 2006; am., iss. 105 in 2006, iss. 52, 59 and 109 in 2007, iss. 69 in 2008, iss. 23, 24, 44, 93 and 95 in 2009 and iss. 94 and 101 in 2010) in Art. 57 shall be created para 5:

"(5) Where the bank offers a deposit whose interest rate is linked to the yield of an investment in units of collective investment schemes or offers advice to its customers on such a deposit, it shall provide its customers with the key investor information document in accordance with Article 59, paragraph 3 of the Law on Collective Investment Schemes and Other Collective Investment Undertakings. Upon ascertaining infringements under the first sentence, the Bulgarian National Bank shall notify the Financial Supervision Commission thereof".

This Law was passed by the 41st National Assembly on 20 September 2011 and the official seal of the National Assembly was affixed thereto.