

BULGARIAN STOCK EXCHANGE



**BULGARIAN
STOCK EXCHANGE**

RULES AND REGULATIONS

PARTIX

RULES FOR LISTING AND TRADING IN GOVERNMENT SECURITIES

Chapter One GENERAL PROVISIONS

Article 1. (1) These General Rules for listing and trading in GS form part of the Rules and Regulations of the Exchange and govern:

1. the procedure for admitting GS issues to trading on the Exchange;
2. the procedure for suspension from trading and delisting of GS issues;
3. trading on the Government Securities Segment organised by the Exchange.

(2) The Exchange organises the GS Segment on the BSE Main Market for execution of transactions for purchase and sale of GS issues admitted to trading.

(3) The requirements of the Listing Rules and the Trading Rules of the Rules and Regulations of the Exchange shall apply to listing of and trading in GS accordingly, up to the extent that these Rules do not provide otherwise.

Article 2. (1) Trading on the GS Segment of the BSE Main Market shall be limited to issues of government securities issued on the internal market in accordance with the GDA and the regulations on its implementation.

(2) Trading in GS shall be carried out on equal footing by Exchange members admitted to membership in accordance with the Membership Rules of the Rules and Regulations of the Exchange. Activities as a market maker with regard to GS issues admitted to trading may be carried out by Exchange members registered in accordance with the Membership Rules of the Rules and Regulations of the Exchange.

Chapter Two ADMISSION OF GOVERNMENT SECURITIES TO TRADING

Section One REQUIREMENTS FOR ISSUES

Article 3. (1) GS issues must meet the following requirements for admission to trading on the GS Segment:

1. to be in book-entry form and to be registered in accounts in BNB;
 2. no restrictions or conditions are provided for their transfer;
 3. no less than six (6) months remain until their maturity;
 4. the issue is denominated in Bulgarian currency (BGN) or euro (EUR).
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(2) Interest-bearing GS issues must also meet the following additional requirements:

1. accrued interest is determined or determinable on a daily basis;
2. payments on the relevant issue are made on dates fixed in advance. If any such date is a non-business day, the applicable payment is made on the first business day;
3. interest payments are made on one, two, three, four, six or twelve occasions annually;
4. the number of months between any two interest payments is the same for the entire duration of the issue.

Section Two

LISTING OF GOVERNMENT SECURITIES

Article 4. (1) GS issues shall be listed on the basis of a framework agreement between the Exchange and the MF, upon filing an application in a standard form for admission of each individual issue.

(2) The MF shall file an application for admission for each individual issue, along with:

1. details of the ISIN assigned to the issue;
2. a document evidencing payment of the fee due for admission to trading, in accordance the Tariff of Fees collected by the Exchange;
3. the indicative reference price set by the applicant for the first trading session. Where new issues are listed, the indicative reference price shall be the average sale price from the auction for the applicable GS issue. Where existing issues are listed, the MF shall set the indicative reference price at its sole discretion, and such price may be the average sale price from the most recent auction for the applicable GS issue.

(3) Adjustments in the amount of an admitted issue following redemption, exchange or reopening of an existing issue at an auction shall be registered upon an application by the MF.

Article 5. Documents may be submitted to the Exchange electronically, provided that they are signed with a qualified electronic signature. Documents must be sent to the officially announced email address of the Exchange.

Article 6. (1) Applications for admission of GS issues to trading shall be considered by the Trading Director.

(2) Where an application or any attachments thereto are incomplete or contain false information, the Exchange shall immediately send a notice of the deficiencies or non-conformities found.

(3) In cases referred to in paragraph 2, based on an order by the Trading Director, the Exchange shall refuse admission to trading, provided that the applicant has failed to remedy the deficiencies or non-conformities within the specified time limit which however may not be less than ten (10) business days.

(4) Based on an order by the Trading Director, the Exchange shall admit an issue to trading on the GS Segment of the BSE Main Market, provided that the issue meets the requirements of these Rules.

(5) The Exchange shall notify the applicant within one (1) business day from the date of the order.

(6) Within one (1) business day from the date of an order admitting an issue to trading, the Exchange shall publish in the Exchange Bulletin at least the following information regarding the order:

1. assigned unique identification number;
 2. ISIN;
 3. name of issuer;
 4. LEI of issuer;
 5. initial date of trading;
 6. final date of trading;
 7. total nominal value of the listed issue;
 8. unit nominal value, if any;
 9. currency in which trading is to be carried out;
 10. currency of the issue;
 11. assigned trading lot;
 12. minimum size of orders, where applicable;
 13. minimum tick size;
 14. market maker of the issue, where applicable;
 15. the indicative reference price set by the applicant for the first trading session, in accordance with item 3 of Article 4(2);
 16. dates of interest payments, where applicable;
 17. type and amount of the coupon for interest-bearing GS, and date at which it is to be determined;
 18. the interest convention;
 19. maturity date;
 20. the proportion of the discount for zero-coupon GS;
 21. contact person;
 22. other conditions regarding the issue, if any.
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(7) The initial date of trading in an issue shall be no later than the first business day following the expiry of three (3) business days from the date of publication of the order issued by the Trading Director, unless a longer period is specified in the application for admission.

Article 7. An issue shall be deemed admitted to trading after the publication of the listing order and the announcement of the initial date of trading in the Exchange Bulletin.

Article 8. (1) GS issues admitted to trading must at any time meet the requirements of Article 3, save for paragraph 1, item 3.

(2) The Exchange shall keep an up-to-date register of GS issues admitted to trading.

Article 9. (1) A GS issue may be delisted by a Board's decision based on an application by the MF.

(2) The Exchange shall delist an issue, without the need of a Board's decision, three (3) business days prior to the maturity date, unless otherwise specified in the application.

(3) When an issue is delisted, trading in that issue shall immediately cease.

(4) The Exchange shall notify the MF, the BNB and the FSC of the decision referred to in paragraph 1 within one (1) business day from the date of its adoption.

Chapter Three

TRADING IN GOVERNMENT SECURITIES

Article 10. (1) Trading on the GS Segment shall be remote and shall be implemented through the electronic trading system of the Exchange.

(2) At each trading session, Exchange members shall be represented by brokers admitted in accordance with the Membership Rules.

(3) GS transactions shall be executed in trading sessions the phases and duration of which shall be defined by the Board in a decision.

Article 11. (1) Transactions in GS admitted to trading on the Exchange shall be executed on the basis of buy and sell orders entered by Exchange members and on quotes made by market makers in accordance with the Trading Rules.

(2) The types, priorities and parameters of orders made on the Exchange for purchase or sale of GS shall be defined in accordance with the Trading Rules.

(3) The following specific requirements shall be valid for the entry of iceberg orders:

1. the total volume of an iceberg order shall have a minimum denomination of one million (1,000,000) in the applicable currency;
2. the peak volume shall be five (5) per cent of the total volume of the iceberg order as well as a denomination of at least one hundred thousand (100,000) in the applicable currency.

Article 12. (1) The system shall allow quotes to be entered by Exchange members registered as market makers in accordance with the Membership Rules.

(2) The maximum spread of a market maker's quotes may not exceed 1% for GS issues.

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

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

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

(4) For GS issues, the minimum amount of a quote in monetary terms at the time of its entry shall have a denomination of fifty thousand (50,000) in the applicable currency on the buy/sell side. The amount of a quote shall not include any interest accrued on the GS issue.

Article 13. No margin purchases or short sales shall be allowed for trading in GS issues.

Article 14. GS transactions shall be executed at auctions and during continuous trading in accordance with the Trading Rules.

Article 15. (1) Volatility interruptions shall be initiated in accordance with the Trading Rules.

(2) For GS issues, the dynamic price range shall be two point five per cent (2.5%) of the reference price, and the static price range shall be five per cent (5%) of the last price achieved at auction.

Article 16. Adjustments of parameters of GS transactions on the Exchange shall not be allowed.

Article 17. Exchange transactions may only be cancelled in accordance with the Trading Rules.

Article 18. (1) Under the conditions of Article 91 of the MFIA, the Board may decide to suspend GS from trading upon the occurrence of an event related to the relevant issue or its issuer that may

significantly affect the possibility to achieve a market price.

(2) In the cases under paragraph 1, the Chief Executive Officer may decide to suspend trading for three (3) business days. A suspension decision under paragraph 1 may also be taken by the Trading Director, however limited to one (1) business day.

(3) The Exchange shall immediately notify the MF, the BNB and the FSC of the suspension decision.

(4) Where, after the suspension period expires, the reason for the suspension decision is still valid, the authority that has taken the decision may adopt another decision extending the suspension. Paragraphs 1 – 3 shall apply accordingly.

(5) When the reason for suspension is no longer valid, trading shall be resumed on the basis of a decision taken by the authority that has issued the suspension decision, unless the latter provides otherwise.

Article 19. (1) The Board may also adopt a decision suspending entry of orders and execution of transactions in the cases specified in Article 75 of the Trading Rules.

(2) The Exchange shall immediately notify the MF, the BNB and the FSC of the decision referred to in the foregoing paragraph.

(3) Settlement of transactions executed until the decision may be postponed.

(4) The Chief Executive Officer may make a decision under paragraph 1 for one (1) business day. Paragraph 2 shall apply accordingly.

Article 20. (1) The settlement mechanism for transactions executed on the Exchange shall be defined as 'delivery versus payment', i.e. transfers of GS and funds are made at the same time.

(2) GS transactions executed on a regulated market shall be settled on a delivery versus payment basis on the second business day following the day of execution of the transaction (T+2).

(3) The Exchange shall enter into an agreement with depository institutions that may ensure compliance with the requirements of paragraphs 1 and 2.

Article 21. (1) The settlement process shall start upon the registration of the transaction on the Exchange, or after the end of the trading session, depending on the trading method.

(2) A GS transaction shall be deemed settled after its registration and settlement are made in accordance with Ordinance No 5 of the MF and the BNB of 4 October 2007 on the terms and procedure for acquisition, registration, redemption and trade in government securities (Ordinance No 5), Ordinance No 31 of the BNB of 4 October 2007 on government securities settlement, Ordinance No 15 of the MF and the BNB of 4 October 2007 on the control over transactions in government securities (Ordinance No 15), the Rules under paragraph 9 of the Final Provisions of the Ordinance Amending and Supplementing Ordinance No. 5 (State Gazette, No 29 of 7 April 2017), and the rules governing the activity of the applicable depository institution in the cases under paragraphs 3 and 4.

(3) Registration and settlement of transactions under paragraph 2 shall be made in the systems organised by the Bulgarian National Bank (BNB) under item 2 of Article 35(1) (ESROT) and item 3 (GSSS) of the Government Debt Act, in the GS accounts maintained by the BNB in accordance with Article 43(3) of the BNB Act, and in the individual accounts maintained by ESROT participants under item 2 of Article 3(1) of Ordinance No. 5 of the MF and the BNB in accordance with Article 35(4) of the Government Debt Act.

(4) ESROT participants under item 5 of Article 3(1) of Ordinance No 5 of the MF and the BNB shall make registration and settlement of GS transactions in the settlement systems organised by them and in the individual accounts, in accordance with the rules applicable to the activity of the relevant depository institution.

Article 22. (1) The Exchange shall, on a daily basis after the end of a trading session, however no later than 06.00 pm, send a report to the BNB on the transactions executed the same day, which shall include as follows:

1. code of the transaction: the unique identifier of the transaction as assigned by the BSE;
2. date of execution of the transaction: T;
3. settlement date: T+2;
4. number of the GS issue (ISIN) constituting the subject of the transaction;
5. parties to the transaction:
 - GS transferor: BSE code and name;
 - GS transferee: BSE code and name;
6. nominal value of the GS subject to the transfer (in figures, with two decimal places accuracy);
7. the price of the transaction at which GS are transferred/acquired (in figures, with two decimal places accuracy);
8. specification as to whether the transaction is agent or proprietary.

(2) In the cases referred to in Article 21(4), the Exchange shall submit a report to the depository institution where the relevant GS are registered, including as a minimum the following details:

1. code of the transaction;
2. parties to the transaction;
3. code of the financial instruments;
4. number of trading lots included in the transaction;
5. size of a trading lot;
6. nominal value of the GS that are subject to the transfer (in figures, with two decimal places accuracy);
7. the price of the transaction at which GS are transferred/acquired (in figures, with two decimal places accuracy), without any interest accrued;
8. the interest accrued on the instruments that are the subject of the transaction, from the date of the last interest payment to the date of execution of the transaction;
9. currency of the transaction;
10. specification as to whether the transaction is agent or proprietary.

(3) For GS transactions the settlement date of which occurs after the date on which the persons entitled to receive the following interest payment are named, however prior to the date of the interest payment, the report under paragraph 2 shall specify, as unit price, the price per trading lot plus the interest accrued from the date of the last interest payment to the settlement date of the transaction, less the full amount of the interest payment in Bulgarian currency or the Bulgarian currency equivalent as per the exchange rate set by the BNB.

(4) Transactions for which an application for cancellation is filed shall be included in the report after a decision rejecting the request for cancellation is adopted.

Article 23. After the end of a trading session, the Exchange shall submit an electronic report to each Exchange member on the transactions executed by the same member in the relevant session.

Article 24. The Exchange shall, on a daily basis, send information on executed transactions to which the parties are Exchange members that are not participants in the ESROT and GSSS of the GS sub-depositaries chosen by them.

Article 25. Information on transactions executed on the GS Segment shall be published by the Exchange in the Exchange Bulletin.

ADDITIONAL PROVISIONS

§ 1. The terms used in these Rules, but not defined herein, shall have the meanings assigned to them in the POSA, the MFIA, the GDA, the BNB Act and their implementation regulations, or in the general commercial legislation or commercial practice.

§ 2. For the purposes of these Rules:

1. 'Numbering Agency' shall be the institution in a Member State which assigns ISINs for GS issues.
2. 'ISIN' shall be a unique identifier of financial instruments that is issued in accordance with ISO 6166:2001.
3. 'Indicative reference price for the first trading session' shall be the initial tentative price entered in the System on the first day of GS trading.
4. 'Reference price' shall be the price of the last transaction executed during continuous trading or at an auction.
5. 'Market maker' shall be an Exchange member providing liquidity for one or more issues of GS admitted to trading on the Exchange by placing quotes with defined minimum parameters.
6. 'Cross transaction' shall be a transaction in which the Exchange member who is the buyer and the Exchange member who is the seller are the same person.
7. 'Tick size' shall be the minimum change in the price of buy and sell orders allowed for the respective type of instruments.
8. 'Settlement' shall be the procedures for fulfilment of the obligations to transfer cash and/or GS in connection with transactions and their registration on accounts with the BNB and participants in ESROT under items 2 and 5 of Article 3(1) of Ordinance No 5 of the MF and the BNB.
9. 'Depository institution' shall be the GS depository with the BNB or another securities depository in accordance with Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012.
10. 'Discount' shall be the reduction in the par value of a bond issue.
11. 'ESROT' shall be the Electronic System for Registration and Servicing Trade in Government Securities, as provided for in item 2 of Article 35(1) of the Government Debt Act.
12. 'GSSS' shall be the Government Securities Settlement System, as provided for in item 3 of Article 35(1) of the Government Debt Act.

§ 3. Terms and abbreviations used in these Rules:

1. 'The Exchange' means Bulgarian Stock Exchange AD, or the regulated market organised by Bulgarian Stock Exchange AD accordingly.
 2. 'The Board' means the Board of Directors of Bulgarian Stock Exchange AD.
 3. 'Chief Executive Officer' means the Chief Executive Officer of Bulgarian Stock Exchange AD.
 4. 'Trading Director' means the director of the Trading, Listing and Membership Directorate of Bulgarian Stock Exchange AD.
 5. 'The System' means the electronic trading system through which Exchange trading is implemented.
 6. 'GS' means government securities.
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7. 'MF' means the Ministry of Finance.
 8. 'BNB' means the Bulgarian National Bank.
 9. 'FSC' means the Financial Supervision Commission.
 10. 'GDA' means the Government Debt Act.
 11. 'MFIA' means the Market in Financial Instruments Act.
 12. 'POSA' means the Public Offering of Securities Act.

TRANSITIONAL AND FINAL PROVISIONS

§ 1. These Rules shall take effect as of 23 February 2018.
