

REPUBLIC OF BULGARIA  
NATIONAL ASSEMBLY

SECURITIES, STOCK EXCHANGES  
AND INVESTMENT COMPANIES ACT

*Promulgated State Gazette No. 63/14.07.1995  
Amended SG No. 68 & 85/1996*

TITLE ONE

GENERAL PROVISIONS

Chapter One

SECURITIES

Article 1

This Act regulates the issuing of securities, transactions therewith, the establishment of stock exchanges, investment intermediaries and investment companies, and state control over such activities.

Article 2

The securities which are the subject of this Act are transferable instruments and rights that may be offered to the public in the form of:

1. shares;
2. bonds;
3. other instruments and rights connected with securities.

Article 3

(1) Investment contracts offered to the public shall also be considered securities.

(2) An investment contract is a contract in writing under which the investor grants funds or other property rights to another person for investment in economic activity against the promise of income.

Article 4

(1) A public offering is a proposal for the transfer for consideration or an invitation to tender offers for acquiring for consideration securities extended to:

1. at least 50 persons;

2. an indeterminate number of persons, including through the media.

(2) A public offering shall be considered to have also occurred if a person who is not an investment intermediary or owner of the securities has participated in the offering of the securities.

## Chapter Two

### SECURITIES AND STOCK EXCHANGES COMMISSION

#### Article 5

The Securities and Stock Exchanges Commission, referred to hereinafter as the Commission, shall be a state body for regulating and supervising of:

1. the issuing of securities and transactions with them;
2. the establishment and operation of stock exchanges;
3. investment intermediaries;
4. investment companies,

for the purpose of ensuring the protection of the investors and promoting the development of the securities market.

#### Article 6

(1) The Commission shall be a legal person supported from an off budget account with principal office in Sofia.

(2) The funds in that account shall be collected from the operation of the Commission and from the state budget, and they shall be spent for financing the activity of the Commission.

(3) Any funds constituting revenues in excess of costs shall be calculated as on December 31 and transferred for use as planned during the next year.

(4) The off budget account shall be approved by the Minister of Finance on the proposal of the Chairman of the Commission.

#### Article 6a

(New, SG 68/1996) The funds from penalties and sanctions, imposed under Article 142 of this Act and Article 41 of the Privatisation Funds Act, shall be transferred to the off budget account of the Securities and Stock Exchanges Commission.

#### Article 7

(1) The Commission shall consist of a Chairman, Vice-Chairman and five members who shall be appointed for a period of five years and shall be relieved of their duties by the Council of Ministers on the proposal of the Minister of Finance.

(2) The Chairman of the Commission shall be a person with university diploma in either law or economics and shall have worked for at least ten years in either sphere.

(3) An administrative department shall be opened with the Commission. Its composition and structure shall be established by the Rules of the Structure and Operation of the Commission.

#### Article 8

(1) The Chairman, Vice-chairman and members of the Commission shall not be allowed to occupy another paid position at the same time or to receive remuneration under contract, except in case of research work or lecturing.

(2) The remuneration of the Chairman, Vice-chairman and members of the Commission shall be set by the Council of Ministers.

#### Article 9

(1) The Chairman, Vice-chairman and members of the Commission shall be relieved of their duty prior to the end of their five-year period in office if they should:

1. commit a flagrant violation of this Act;
2. commit a deliberate crime of a public nature established by a court verdict that has entered into force;
3. be incapacitated to discharge their duties for more than six months.

(2) In the cases under para 1, as well as in the event of resignation or death of the Chairman, Vice-chairman or member of the Commission the Council of Ministers shall appoint a new Chairman, Vice-chairman or member on the proposal of the Minister of Finance for the period of time remaining until the expiry of the original term.

#### Article 10

(1) The Commission shall:

1. supervise stock exchanges and their members, the investment intermediaries, issuing companies and investment companies regarding the legitimacy and correctness of their operation in view of the interests of society, including by conducting enquiries;

2. issue and revoke the licenses under this Act;
3. issue confirmations under this Act;
4. conduct jointly with the bank supervisory authority enquiries into the operation of banks which are investment intermediaries;
5. share the information necessary for its operation with the Bulgarian National Bank;
6. request the waiving of bank secrets from the district judge under Article 47, para 8 of the Banks and Credits Act;
7. develop regulations on the application of this Act and submit them to the Council of Ministers for adoption;
8. develop an ordinance on the terms and manner of selling securities that are not the property of the seller and shall submit it to the Council of Ministers for adoption;
9. issue a regular bulletin;
10. issue decisions on other matters in its area of competence.

(2) The Commission shall have the power to require documents and explanations in writing and to carry out enquiries into any persons when there is information that they are violating this Act.

(3) In carrying out the enquiries the Commission shall have the power to:

1. have free access to office premises of all persons controlled by it, including the persons under para 2;
2. require documents and explanations in writing from persons who are the object of the enquiries;
3. send representatives to meetings of managing and supervisory boards of persons supervised by it.

(4) Any data and documents about violations of this Act that may reveal the identity of the individual who has provided them may be disclosed by the Commission to third parties only with the consent of that individual, except if provided otherwise by the law.

#### Article 11

State authorities and officials shall assist the Commission in the exercise of its supervisory functions.

#### Article 12

(1) The Commission shall keep registers of:

1. the stock exchanges and investment intermediaries;
2. the issuing companies and investment companies whose securities are offered to the public.

(2) The Council of Ministers shall adopt a regulation establishing the circumstances which shall be subject to registration, and the keeping of the registers of the Commission.

(3) The Commission shall collect fees under a tariff adopted by the Council of Ministers for the actions it undertakes and for the documents it issues.

#### Article 13

(1) Anyone may examine the registers kept by the Commission and the documents which have served as grounds for issuing licenses and confirmations, and may obtain copies thereof.

(2) The Chairman, Vice-chairman, members and employees of the Commission shall observe the trade secret which have become known to them in the course of the execution of their functions.

#### Article 14

(1) The meetings of the Commission shall be considered regular if they are attended by more than half of the total number of the members.

(2) The Commission shall adopt decisions by the vote of more than 50% of the total number of its members.

(3) Individual administrative decisions adopted by the Commission may be appealed in respect to their legitimacy under the Administrative Procedure Act.

#### Article 15

The Chairman of the Commission:

1. calls and chairs the meetings of the Commission;
2. organizes and manages the activities of the Commission;
3. serves as representative of the Commission;
4. issues penal ordinances in the cases described in this Act.

### TITLE TWO

## STOCK EXCHANGES

### Chapter Three

#### ESTABLISHMENT AND MANAGEMENT

##### Article 16

(1) The stock exchange is an organized market for securities that shall provide to its members and their customers equal access to market information and equal terms for participation in the business.

(2) Stock exchanges may only operate if they have obtained a license under this Act.

##### Article 17

(1) The stock exchange shall be established, managed and liquidated in the manner established for joint-stock companies with a one-tier management systems inasmuch as it is not provided otherwise in this Act.

(2) The stock exchange and its employees shall not undertake:

1. activities of an investment intermediary;
2. commercial transactions, unless those are necessary for executing the activity described in Article 16, para 1;
3. transactions with securities issued by the stock exchange itself.

(3) The stock exchange shall not pay dividends.

##### Article 18

(1) For establishing a stock exchange the applicant shall have deposited a registered capital at least in the amount of one hundred million Leva.

(2) At least 25 per cent of the registered capital under para 1 should be deposited at the time of submitting the application for license, and the remaining portion should be deposited by the time the license is received.

##### Article 19

(1) At least two thirds of the registered capital should be the property of banks, investment intermediaries, financial organisations and insurance companies.

(2) No shareholder in the stock exchange may own directly or through related persons more than five per cent of the shares in that stock exchange.

(3) The limitations under para 1 and 2 shall not apply to the shares of the state whenever such shares are issued against a non-monetary contribution.

(4) Any increases in the amount of the registered capital of the stock exchange shall mainly be carried out by admitting new shareholders. Shareholders shall not enjoy the rights under Article 194 of the Commerce Act.

(5) The decision to increase the registered capital of a stock exchange shall be taken by a simple majority of votes. The General Meeting shall adopt a decision on increasing the registered capital only if there are candidates to subscribe to more than 20 per cent of the capital already registered.

#### Article 20

The stock exchange shall only issue registered shares giving the right to one vote.

#### Article 21

The stock exchange shall develop a clearing system for guaranteeing any obligations undertaken in the transactions carried out on its floor.

#### Article 22

(1) The Board of Directors of the stock exchange shall:

1. adopt the stock exchange rules and the rules of arbitration;
2. ensure the observance of the law, the Articles of Association and the stock exchange rules;
3. approve shares for trading and suspend temporarily or permanently trading in certain shares as provided for by the stock exchange rules;
4. admit members of the stock exchange and remove them temporarily or permanently from the floor under the provisions of the stock exchange rules;
5. ensure legal and correct business and publication of prices;
6. organize and supervise payments for the transactions made;
7. adopt decisions and issue orders in connection with the exercise of its powers;
8. impose sanctions on its members for violations of this Act, the regulations on its application, the stock exchange rules and the orders and decisions under item 7;
9. set the terms and procedure of conducting fixed-term transactions;

10. exercise any other rights bestowed on it by the law, the Articles of Association and the rules.

(2) The Board of Directors shall seek the opinion of a board consisting of representatives of the shareholders, the members of the exchange, the stock exchange brokers and the companies issuing shares when adopting decisions under para 1, items 3, 4 and 8. It may delegate to that commission its powers under para 1, items 3, 4 and 8.

#### Article 23

(1) The Stock Exchange Rules shall contain:

1. the types of floors and the terms and procedures for dealing on each of them;
2. the terms and procedure for admitting members and for their temporary or permanent removal from the floor;
3. the terms and procedure for admitting stock exchange brokers and for supervising their activity;
4. the terms and procedure for admitting securities for trading and for suspending temporarily or permanently the trade in any such securities;
5. type and manner of conducting trading;
6. the kinds of services offered and their prices;
7. the procedure of negotiating and performance of transactions;
8. the terms and procedure for imposing sanctions on members of the exchange and stock exchange brokers;
9. the terms and procedure for conducting fixed-term transactions.

(2) The stock exchange shall notify the Commission of any amendments to its rules.

### Chapter Four

#### ISSUING AND REVOKING LICENSES

#### Article 24

(1) A license in writing issued by the Commission shall be required for establishing and liquidating a stock exchange.

(2) The following shall be submitted with the license application:



1. the Articles of Association adopted by the founders;
2. data about the registered capital deposited and its structure pursuant to the requirements under Article 19;
3. the names and addresses of the persons who will manage and represent the exchange;
4. the stock exchange rules and the rules of arbitration;
5. data about the premises and technical facilities of the stock exchange.

(3) The Commission shall issue a decision on the application within one month of receiving it and its attachments. The applicant shall be notified in writing of the decision within seven days.

(4) If the Commission has not issued a decision within the period of time specified in para 3, it shall be considered that the application has been rejected.

#### Article 25

(1) The Commission shall not issue a license if:

1. the requirements under this Act have not been complied with;
2. the persons authorized to manage and represent the stock exchange cannot take office because of a legal ban or non-compliance with the requirements of the law or Articles of Association;
3. the stock exchange rules and the rules of arbitration do not conform to the legal requirements;
4. the manner of trade does not conform to the requirements under Article 87;
5. there is no arrangement for supervision of the transactions made on the stock exchange floor;
6. the Articles of Association or stock exchange rules contain provisions granting shareholders priority in trading on the stock exchange floor.

(2) In the cases under para 1 the Commission shall notify the applicant and shall set a period of time during which the discrepancies should be rectified, which period shall not be less than one month.

(3) In the event that the applicant should fail to rectify the discrepancies within the period of time under para 2, the Commission shall reject the license application with a decision stating reasons.

#### Article 26

In the cases of rejections under Article 25 the applicant may submit a new license application no sooner than six months after the coming into effect of the rejection.

#### Article 27

The Sofia City Court or local district court shall enter the stock exchange in the commercial register after receiving the license issued by the Commission and shall promulgate the registration.

#### Article 28

Persons who do not have a license to operate as a stock exchange shall not use in their corporate name, in their advertising or other activities the words stock exchange or their derivatives in the Bulgarian or in foreign languages, or any other word designating such an activity.

#### Article 29

(1) The Commission shall revoke the issued license if:

1. false information has been provided which has served as grounds for issuing the license;
2. repeated violations of this Act have been committed;
3. transactions are made in violation of Article 17, para 2.

(2) If after one year of its establishment the stock exchange has fewer than 20 members the Commission shall set a six-month period for reaching that number. If upon expiration of that term the required number of members has still not been reached, the Commission shall revoke the license.

(3) With the decision to revoke the license the Commission terminates the powers of the stock exchange bodies and shall appoint one or several receivers.

(4) As of the time of coming into force of the decision to revoke the license of a stock exchange no new transactions may be made, except when that is necessary for completing already concluded transactions or for protection of the investors.

(5) until the appointment of a liquidator, the receiver shall:

1. exercise the powers of the board of directors of the stock exchange;

2. take all measures necessary for protecting the interests of the investors.

#### Article 30

After coming into force of the decision for revoking the license under Article 29, the Commission shall immediately send a copy of that decision to the court that has registered the stock exchange for starting liquidation proceedings and shall adopt measures for notifying the public.

#### Chapter Five

#### MEMBERSHIP AND STOCK EXCHANGE ARBITRATION

#### Article 31

(1) The members of the stock exchange are persons who have obtained licenses for conducting transactions with securities under the law, and who have been admitted to deal on the floor of the stock exchange under the terms and procedures provided for in the stock exchange rules. Refusals to admit members of the stock exchange may be appealed before a court of arbitration.

(2) An investment intermediary shall not be a member of more than one stock exchange.

#### Article 32

The stock exchange shall terminate the membership of the persons described in Article 31 if their license for dealing in securities is revoked.

#### Article 33

Actions against members of the stock exchange in connection with the conclusion and performance of stock exchange transactions shall be brought before a stock exchange court of arbitration.

#### Article 34

(1) The president of the court of arbitration shall be elected by the general meeting of the stock exchange for a period of three years. He must be approved by the Commission.

(2) Two deputies to the president shall be elected in the manner described in para 1 to act on his behalf when he is unable to discharge his duties.

#### Article 35

(1) The court of arbitration shall examine and settle disputes by a panel consisting of three arbitrators. Each of the parties to the dispute shall appoint

one arbitrator. The arbitrators thus appointed shall jointly elect the chairman of the arbitration court.

(2) The examination of arbitration cases shall be regulated by the rules of arbitration.

(3) The court of arbitration shall apply the rules for examining the case agreed upon by the parties, except when these violate its rules.

#### Article 36

(1) The court of arbitration shall settle disputes pursuant to the law, the stock exchange rules and the customs of stock exchange trade.

(2) The arbitration decision shall be reached by a majority of votes of the arbitrators.

(3) The arbitration decision shall be final.

#### Article 37

The International Commercial Arbitration Act shall apply to any matters not regulated by this Act.

### TITLE THREE

#### TRANSACTIONS WITH SECURITIES

##### Chapter Six

#### INVESTMENT INTERMEDIARIES

##### Section I

#### General Provisions

#### Article 38

(1) The underwriting of issues of securities and other transactions with securities, which are the subject of this Act, for their own or another party's account shall only be done by investment intermediaries.

(2) Investment intermediaries are persons who have obtained a license for conducting the business under para 1 under the terms and procedures established by this Act, as well as banks that have obtained a license to conduct such business under the terms and procedures established by the Banks and Credits Act.

(3) The persons under para 1 may also perform banking transactions if they are in possession of a license under the Banks and Credits Act.

(4) The persons under para 1 may not perform any other kinds of commercial transactions except if those are connected to the activities under paras 1 and 3.

#### Article 39

(1) The licenses to perform the activities under Article 38, para 1 shall be issued to a bank, joint stock company or limited liability company possessing the minimum registered capital necessary for establishing a joint stock company that complies with the requirements contained in this chapter.

(2) The license shall be in writing and shall permit only the activities exhaustively listed in it.

(3) The license shall grant the right to carry out the activities listed in it in the territory of the Republic of Bulgaria unless the Commission shall expressly permit the carrying out of such activities abroad.

#### Article 40

(1) The company under Article 38, para 1 shall at any time be in possession of a capital whose minimum amount, structure and ratio with balance sheet assets and liabilities shall be set by the Commission and promulgated in the State Gazette.

(2) No less than 25 per cent of the capital under para 1 must be deposited at the time of submitting the license application, and the remaining portion at the time of issuing of the license.

(3) The Commission may adopt less stringent requirements regarding the capital if the company under Article 38, para 1 does not underwrite issues of shares, does not deal in securities for its own account, or its activity does not have a substantial influence over the market price of the securities.

#### Article 41

(1) The company under Article 38, para 1 shall establish a Reserve Fund which shall consist of no less than 10 per cent of the registered capital. When the funds in the Reserve Fund drop below this minimum value, the company shall restore them to that minimum within one year.

(2) Until the funds in the Reserve Fund reach the prescribed minimum the company under Article 38, para 1 shall transfer to it no less than one fifth of the profit after tax and prior to payment of dividends. The company may contribute to that fund from other sources as provided for by the Articles of Association or upon decision of the general meeting.

(3) The company under Article 38, para 1 shall form special reserves for covering risks resulting from its activity, as prescribed by the Commission.

#### Article 42

The company under Article 38, para 1 shall maintain a minimum of funds in cash as prescribed by the Commission.

#### Article 43

The requirements for capital adequacy and liquidity of banks which are investment intermediaries shall be established by the Bulgarian National Bank after consultation with the Commission, under the terms and procedures of the Banks and Credits Act.

#### Article 44

Investment intermediaries shall issue only registered shares giving right to one vote. In the event that the investment intermediary is a limited liability company, each partner shall have as many votes in the general meeting as its number of shares in the capital of the company.

#### Article 45

A person who is entrusted with the management of the company under Article 38, para 1 shall:

1. be a permanent resident of Bulgaria;
2. have the respective professional qualifications and experience;
3. not have been sentenced to imprisonment for a deliberate crime of a public nature and shall not have been imposed an administrative sanction for violating this Act;
4. not have been a member of a managing or supervisory board or a shareholder with unlimited liability in a company liquidated as a result of bankruptcy, the creditors of which have not been satisfied;
5. not be a spouse or relative in direct or lateral branch up to the third degree or by marriage to the third degree to another member of the managing or supervisory board of the company.

#### Article 46

The Commission shall define the requirements to which the natural persons directly dealing with securities should conform, as well as the procedure for obtaining the right to practice such an activity.

### Section II

#### Issuing and Revoking Licenses

#### Article 47

(1) A written license from the Commission shall be required for conducting one or more of the activities under Article 38 by persons which are not banks.

(2) The following shall be annexed to the license application:

1. the by-laws or articles of association;
2. data about the capital subscribed to and deposited;
3. the name, Civil ID number, passport series and number, address and other particulars of the person who will manage and represent the company and of the stock broker, as well as information about their professional qualifications and experience in conducting the activities under Article 38;
4. the general terms applicable to client contracts;
5. the names or trade names of the persons who own directly or through related persons over 10 per cent of the votes in the general meeting or can control such number of votes in another manner;
6. the name and particulars of the company in which the applicant owns directly or through related persons more than 10 per cent of the votes in the general meeting or controls such a number of votes in another manner;
7. other documents and information required by the Commission if those are needed for its decision.

#### Article 48

The Commission shall adopt a decision on an application within three months of receiving it, and where additional information has been requested, within three months of receiving that information. The applicant shall be notified in writing of the decision taken within seven days.

#### Article 49

(1) The Commission shall reject an application if:

1. the amount of the registered capital of the applicant does not conform to the requirements under Article 40;
2. a person entrusted with managing and representing the company is unable to occupy that post because of a legal ban or non-conformity with the requirements under Article 45;
3. a person who owns directly or through related persons over 10 per cent of the votes in the general meeting or can control the applicant in another manner could threaten the security of the company and its

transactions through its activity or influence over the company's decision-making process;

4. the general terms under Article 47, para 2, item 4 do not protect the interests of investors to a sufficient degree.

(2) In the cases under para 1, items 1, 2 and 4 the Commission may issue a final rejection of the application only if the applicant has not eliminated the discrepancies found within the period of time set by the Commission, which shall not be less than one month.

(3) The rejection of an application shall state reasons in writing. In the event that the Commission does not rule within the time period under Article 48, it shall be considered that the application has been rejected.

#### Article 50

In the case of rejection the applicant may submit a new application for a license to carry out activities under Article 38 no sooner than six months after the coming into effect of the rejection.

#### Article 51

Any person who does not possess a license for dealing in securities in compliance with the requirements under this Act cannot use in its name, advertising and other operations words in Bulgarian language or another language implying dealing in securities.

#### Article 52

The Sofia City Court or the district court shall enter the company in the commercial register, as well as the right to carry on activities under Article 38 in its objects, upon submission of a license issued by the Commission, and shall promulgate the registration.

#### Article 53

(1) The Commission shall revoke a license if:

1. false information has been provided which has served as grounds for issuing the license;
2. the company ceases to comply with the requirements under this Act for carrying out the activities under Article 38;
3. a gross violation or repeated violations have been committed of this Act or the regulations on its application.

(2) The Commission shall inform the company in writing of the decision to revoke the license.



#### Article 54

(1) After entry into force of the decision to revoke a license the Commission shall send forthwith a copy of that decision to the respective court for starting proceedings to liquidate the company; when the company also has other objects proceedings shall start for deleting the appropriate objects and for informing the public thereof.

(2) The Commission may postpone for a period of time the measures for informing the public under para 1 if that is considered necessary for protecting the interests of the company's clients.

#### Article 55

The issued and revoked licenses to investment intermediaries shall be entered in a special register kept by the Commission.

### Section III

#### Requirements in Respect to the Activity of Investment Intermediaries

#### Article 56

(1) In conducting transactions with securities the investment intermediary shall exercise due care for the interests of the investors and shall brief them on the risks of the transaction with securities.

(2) In the conduct of its business the investment intermediary shall keep confidential the commercial secrets of investors and shall not damage their prestige.

(3) The investment intermediary shall not offer advice to investors who have not asked for such advice and shall not offer consultation on questions that have not been raised by investors.

#### Article 57

The investment intermediary shall inform the investor whether it is selling securities on its own behalf or on behalf of someone else, except when the transaction is carried out at a stock exchange.

#### Article 58

(1) The investment intermediary shall enter in a special register all orders placed by investors in the order it has received them, including identical orders, and shall carry out those orders in that order.

(2) Identical shall be such orders which are identical in respect to the kind and manner of their execution, the term of the execution and the price parameters.

(3) The investment intermediary shall perform the orders of investors with priority over any transactions carried out on its own behalf.

#### Article 59

(1) The investment intermediary shall register into its books under Article 58 the transactions with securities in the order in which they were performed by the end of every business day.

(2) For each transaction the name or trade name of the parties to that transaction shall be written down, as well as the time of the transaction and other conditions established by the Commission.

(3) The investment intermediary shall keep the register for five years after its completion.

#### Article 60

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

1. the opening or closing of branch offices;
2. the name, Civil ID number, series and number of the passport, the name and other particulars of a person who has acquired directly or through related persons over ten per cent of the voting stock of the investment intermediary or some other business participation that would permit it to control the investment intermediary, as well as reports of subsequent acquiring of shares by that person;
3. changes of the individuals who manage and represent the investment intermediary, as well as of the individuals who carry out directly the transactions with securities.
4. amendments to the documents that have served as grounds for issuing the license to the investment intermediary;
5. a change in the name entered in the license;
6. transformations of the company.

(2) The obligation under para 1 shall be carried out by the investment intermediary within seven days of:

1. the adoption of the decision under para 1, item 1;
2. acquiring the business participation under para 1, item 2;
3. the adoption of the decision under para 1, items 3, 5 and 6;
4. the amendment or change under para 1, item 4.

## Article 61

The investment intermediary shall keep separate its portfolio of securities from those of the investors and shall notify the Commission of that fact.

## Article 62

The investment intermediary shall notify the Commission of the circumstances under Article 60 and 61 once a month, or for the cases under Article 40, para 3 - once every three months.

## Chapter Seven

### TERMS OF PUBLIC OFFERINGS OF SECURITIES

#### Section I

#### Prospectus

#### Article 63

(1) Public offering of securities shall be permitted only if the issuer or an investment intermediary authorized by it publishes a prospectus and announcement in the manner and with the content established by this Act.

(2) The prospectus and announcement of the public offering may only be published if the Commission has issued a written confirmation of the prospectus.

(3) The sale and offer to sell securities which do not have an attached prospectus shall be prohibited.

(4) In cases of sales in violation of the ban under para 3, as well as in the event that substantial information contained in the prospectus is found to be false or significant information has been found missing from the prospectus, the investor may ask the sales contract to which it is a party to be voided within three months of its signing, except if the investor had not acted in good faith.

#### Article 64

A prospectus shall not be presented for:

1. securities issued or guaranteed by the state or the Bulgarian National Bank;
2. securities issued by international organizations to which the Republic of Bulgaria is a party;
3. shares distributed among shareholders when part of the profit is converted into capital without payment of its value in part or in full;

4. transformation of bonds into shares if a prospectus had been published for the bonds.

5 (New, SG 68/1996; repealed SG 85/1996)

#### Article 65

(1) The prospectus shall contain information on the issuer and the offered securities that would be necessary for investors to make a precise evaluation of the economic and financial state of the issuer and the rights related to the securities. The prospectus may not contain false information.

(2) The prospectus shall be signed by the issuer or an investment intermediary authorized by it who shall declare that the prospectus complies with the requirements of the law.

(3) The issuer and the investment intermediary authorized by it shall be liable jointly and severally for any damages caused as a result of false or incomplete data contained in the prospectus.

#### Article 66

The prospectus shall contain:

1. data on the issuer, including:

a) name, seat and address;

b) date and manner of establishment;

c) objects;

d) subscriptions and capital deposited, number and kinds of shares and the rights they provide;

e) the issuer's own shares owned directly or through related persons;

f) the shareholders who own directly or through related persons more than 10 per cent of the votes in the general meeting of the issuer;

g) data, as required by the Commission, about the identity and professional qualification of the members of the governing and supervisory bodies;

2. description of the commercial activity of the issuer for the last two years preceding the year of publishing of the prospectus and the main risks linked to that activity, as well as general information and prospects for the current financial year;

3. balance sheet and report of revenues and costs for the last financial year certified by a CPA and data about the court registration of the companies in which the issuers hold directly or through related persons more than 10 per cent of the votes in their general meetings, or can control such companies by other means;

4. data about the securities including:

a) the date and information of the decision on the issuing of the securities as required by the Commission;

b) planned use of the capital collected by the issued shares;

c) amount of shares issued;

d) the kind of securities and rights they provide in comparison to other securities of the issuer;

e) the privileges the founders have retained for themselves;

f) the rights of the owners of preferential shares;

g) applicable limitations and the procedure for transferring securities established by the law or the Articles of Association of the issuer;

h) number, nominal and total value of the securities;

i) denominations;

j) the place, starting and ending date of the subscription;

k) the procedure to be applied if all securities are subscribed to prior to the deadline of the issue;

l) the procedure to be applied if all securities are not subscribed to prior to the deadline of the issue;

m) the procedure to be applied if more securities are subscribed to than the ones offered prior to the deadline;

n) the place, starting and end date for the sale of the securities;

o) the anticipated issued value;

p) for interest-bearing securities - the amount of interest, the ways for its calculation, the maturity date, the price of the buy-back, the buy-back and redemption procedure;

- q) particulars of the investment intermediary as required by the Commission;
5. information about former issues of securities by the issuer and their composition by type, as well as the dividends paid out and their form;
  6. registered voting shares held by members of management and controlling boards of the issuer;
  7. when a guarantee has been provided for the execution of the obligation of the issuer - particulars of the person which has provided the guarantee pursuant to the requirements contained in items 1, 2 and 3;
  8. other information required by the Commission.

#### Article 67

The Commission shall approve the layout of the prospectus with a view to the better protection of investors.

#### Article 68

The Commission shall determine the content of the prospectus in the cases of an initial issue of securities by a company which has just been established or is in the process of establishment.

#### Article 69

- (1) In the event that the issuer shall carry out subscription for public offering of securities, it may extend the term of that subscription once by up to 60 days and shall make a corresponding correction in the prospectus and shall notify the Commission thereof. In that case the last day of the extended term shall be considered as deadline for the subscription.
- (2) The issuer or an investment intermediary authorized by it shall announce immediately in the Commission, at the places where the subscription is made and in the media of the extension of the term of the subscription.
- (3) The issuer or an investment intermediary authorized by it shall notify the Commission of the result of the subscription within seven days of the date of its deadline.
- (4) It shall not be permitted to make subscriptions for securities prior to the starting date and after the end date of the subscription.

#### Article 70

- (1) The issuer or an investment intermediary authorized by it shall immediately notify the Commission of all changes that have occurred within

the period of time after the submitting of the application for confirmation of the prospectus to the time of the respective decision of the Commission, if such changes require corrections in the prospectus prior to the issue of the confirmation.

(2) The issuer or an investment intermediary authorized by it shall make any necessary corrections to the prospectus if they should learn of changes necessitating such corrections which have occurred within the period of time from the issuing of the confirmation under Article 63, para 2 and the end of the subscription or the beginning of the actual sale. The corrections shall be promulgated under Article 76.

(3) If the corrections under para 2 are significant, any person who has subscribed for shares may refuse to purchase them within one month of the promulgation of the corrections without any liability, unless he has not acted in good faith.

(4) The issuer and the investment intermediary authorized by it shall be liable jointly and severally for damages caused by a failure to perform the obligations under paras 1, 2 and 3.

#### Article 71

The Commission may permit the exclusion from the prospectus of certain information under Article 66 if it should judge that the information can cause damage to the issuer and if that does not result in misleading the investors regarding circumstances that may affect the price of the securities.

#### Article 72

If one class of shares has been admitted for trading at the stock exchange, the Commission may permit a partial or full waiver of the obligation to publish a prospectus of public offering when:

1. the number of the new shares offered is less than 10 per cent of the number of the shares of the same class that have already been admitted for trading; and
2. the investors are already in possession of the information required under this chapter.

### Section II

#### Issuing and refusal to issue a confirmation

#### Article 73

The issuer or the investment intermediary authorized by it shall file with the Commission an application for confirmation pursuant to Article 63, para 2, with the following enclosures:

1. the prospectus;
2. the Articles of Association of the issuer and any amendments entered thereafter;
3. the annual accountancy reports of the issuer for the recent two fiscal years, verified by certified public accountant.

#### Article 74

- (1) The Commission shall ascertain on the grounds of the documents submitted whether the requirements for issuing of the requested confirmation have been satisfied.
- (2) Should the data and documents submitted prove to be incomplete, or should further information be needed, within seven days following the filing of documents the Commission shall send notification about any established deficiencies or for further information and documents requested. If no mailing address has been specified, or the address provided is inaccurate, the notification shall be posted at a specially designated place in the building of the Commission.
- (3) The Commission may request the issuer to submit evidence in support of the authenticity of data included in the prospectus.

#### Article 75

- (1) The Commission shall decide on the application for issuing of prospectus confirmation within one month following the receipt of all necessary documents.
- (2) The Commission shall refuse to issue a confirmation under Article 63, para 2, by a decision stating reasons in writing, if the prospectus fails to comply with the requirements of the law.
- (3) The Commission shall refuse to issue a confirmation for issuing of securities if the issuer has overdue debts, upset liquidity, obligations to related persons, and also if the interests of investors are not provided for.
- (4) In the event the Commission takes no decision within the term under para 1, it shall be considered that the application is rejected.
- (5) The Commission may not be held liable for the correctness of the data in the prospectus.
- (6) For a confirmation issued and for a refusal to issue a confirmation the Commission shall notify the applicant in writing within seven days after a decision is taken.

#### Article 76



(1) The issuer or the investment intermediary authorized by it shall publish a notification of the public offering, the initial and the final date for subscription, and the initial date and time of sale, respectively, the registration number of the confirmation issued by the Commission, the place, the time and the procedure for obtaining information from the prospectus.

(2) The notification under para 1 shall be published in two central dailies at least seven days prior to the initial date of subscription or the beginning of the sale.

(3) The later date of publication of the notification under para 2 shall be considered the start of public offering.

(4) The earliest date specified in the notification under para 1, as on which securities of the issuer may be purchased, shall be considered the start of the sale.

#### Article 77

The issuer shall update data in the prospectus every six months and upon any change in the data that may affect the prices of securities.

### Section III

#### Disclosure of information

#### Article 78

(1) The issuer shall be obliged to submit to the Commission an annual report within 90 days following the end of the fiscal year.

(2) The annual report shall contain data about the issuer and its activities, the members of its managing and controlling bodies, the persons who hold or control more than 10 percent of the votes in the general meeting, annual accountancy report verified by certified public accountant and other information as may be specified by the Commission.

#### Article 79

(1) The issuer shall be obliged to submit to the Commission a six-month report within 60 days as from the end of the first fiscal half-year.

(2) The six-month report shall comprise an accountancy report for the past fiscal half-year, as well as other information as may be specified by the Commission.

#### Article 80

(1) The issuer shall publish a notification for the submission of the annual report and the place, time and the manner of obtaining information from it, in

two central dailies and in the official bulletin of the Commission within seven days as from submission of the report.

(2) The notification for submission of the six-month report and for the place, time and manner of obtaining information from it shall be published in the official bulletin of the Commission within seven days as from submission of the report.

#### Article 81

The issuer of bonds shall be obliged to submit to the Commission three-month reports on spending funds from the loan, unless the Commission specifies another term for submission of such reports.

#### Article 82

(1) The issuer shall inform forthwith the Commission about:

1. changes in its Articles of Association;
2. changes in its managing bodies;
3. actions, forcible execution or freezes;
4. commencement of bankruptcy proceedings;
5. decision for transformation of the company;
6. any changes in the commercial activity, affecting directly or indirectly the price or rate of its securities;
7. other circumstances as may be specified by the Commission.

(2) The Commission shall notify the public of the data under para 1.

#### Article 83

Where the securities of the issuer have been accepted for trade at the stock exchange, the issuer shall notify and submit its reports within the terms under this section to the stock exchange as well, and it shall publish them in its bulletin.

### Chapter Eight

#### STOCK EXCHANGE TRADE

#### Article 84

(1) Securities for which a prospectus has been issued pursuant to the law may be admitted for trade at the stock exchange under the terms and procedures of the stock exchange rules.

(2) The Commission shall specify general requirements for securities to be admitted for trade at stock exchanges.

(3) Stock exchanges shall be obliged to admit government securities for trade at the stock exchange.

#### Article 85

(1) Stock exchanges shall be obliged to determine the manner and procedure for introducing to trade at the stock exchange securities admitted pursuant to Article 84.

(2) Where the admission of securities to stock exchange trade is preceded by public offering, the introduction may be effected only after the deadline of subscription.

#### Article 86

(1) The stock exchange shall announce the date of introduction, the type, the number, the nominal and total values of the securities.

(2) The stock exchange shall distribute in an appropriate manner information about the volume of trade, minimum and maximum prices, and closing prices.

#### Article 87

(1) The manner of trade must provide equal conditions to investors for participation in trading.

(2) Payments on transactions concluded at stock exchanges must be non-cash payments effected via banks.

#### Article 88

The stock exchange may require of the issuer of securities admitted to stock exchange trade to provide information as it may deem necessary to conduct stock exchange trade or to protect investors.

#### Article 89

(1) The stock exchange shall suspend temporarily or permanently trade in admitted securities, should that be necessary for the protection of investors and for the stability of the stock market, and also in other cases, as may be provided for by its rules.

(2) The stock exchange shall notify the Commission of cases under para 1.

(3) Suspension of trade for periods exceeding three business days shall be allowed by permission of the Commission.

## Article 90

- (1) The performance of fixed-term transactions with securities of an issuer shall require the prior consent of the issuer in writing and the permission of the stock exchange.
- (2) Fixed-term transactions with securities of an issuer shall observe the requirements provided by the stock exchange rules.
- (3) The stock exchange shall be bound to discontinue the performance of fixed-term transactions with securities of an issuer not later than the expiration of one year following the date on which the issuer has demanded discontinuing of such trading.

## Article 91

- (1) Transactions in securities shall be registered with a central depository.
- (2) At the central depository securities shall be accepted for safekeeping and registration, and accounts shall be opened for share certificates.
- (3) The central depository shall be a joint stock company.
- (4) The structure and the operation of the central depository, as well as the procedure for registration, shall be governed by an Ordinance of the Minister of Finance and the Bulgarian National Bank.
- (5) All investors shall be entitled to access to the registers of the central depository under procedure specified by the Ordinance under para 4.

## Chapter Nine

### DISCLOSURE OF EQUITY AND TENDER OFFERS FOR SECURITIES

#### Section I

#### Disclosure of equity

#### Article 92

- (1) A person shall be bound to notify forthwith the company the shares of which are offered to the public, the Commission, as well as the respective stock exchange when the shares are traded at a stock exchange, in case such person:
  1. acquires or transfers its shares in that company; and
  2. in result thereof its voting right directly or through related persons reaches or falls under 10 percent, or a multiple of 10, of the number of votes in the general meeting of the respective company.

(2) The obligation for notification shall be fulfilled within seven days following the entering of the respective joint stock company in the commercial register, or following the date of acquisition or transfer of the shares.

(3) The procedure and the form of notification shall be determined by the Commission.

(4) The notification made shall be announced by stock exchanges trading in shares of the company.

#### Article 93

The notification under Article 92, para 1 shall also be mandatory for persons who directly or through related persons acquire or transfer bonds, which may be transformed into voting shares pursuant to Chapter Fourteen, Section VIII of the Commerce Act.

#### Article 94

The requirement for notification pursuant to Article 92, para 1, shall not apply where:

1. voting securities have been acquired by an investment intermediary within its scope of activities, provided the acquisition thereof is not related to participation in the management of the respective company and they are to be sold at the stock exchange within a time period specified by the Commission;
2. securities have been accepted by an investment intermediary in the case of failure to effect their sale prior to the agreed deadline.

#### Article 95

The provisions of this section shall apply to shares owned by related persons, as well as to the following voting shares:

1. owned by other persons in their name, but on account of the person under Article 92, para 1;
2. owned by a person who is controlled, or its subsidiary company is controlled, by the person under Article 92, para 1;
3. owned by a person with whom the person under Article 92, para 1 has concluded an agreement to follow a joint policy in respect of management of the respective company by joint exercising of the voting rights possessed by them;
4. owned by a person with whom the person under Article 92, para 1, or a person controlled by it, has concluded an agreement providing for temporary transfer of voting rights related to the securities:

5. provided as security by the person under Article 92, para 1, except where the secured creditor exercises the voting rights;

6. deposited with a person under Article 92, para 1, with transfer of voting rights without special instructions from the shareholders.

## Section II

### Proxy

#### Article 96

(1) The proxy in writing for representation of a shareholder at the general meeting of a joint stock company the shares of which have been subject to public offering pursuant to this Act, shall be express and must have the minimum contents as specified by the Commission.

(2) Any person who represents or offers, to a shareholder or shareholders with more than 5 percent of the votes in the general meeting of shareholders, to represent them at the general meeting of shareholders, shall notify the respective company 10 days prior to the date of the general meeting at latest. This procedure shall not apply where one proxy represents only one shareholder upon the initiative of the shareholder represented.

(3) Re-authorisation with the rights under paras 1 and 2, as well the proxy granted in violation of the rules under paras 1 and 2, shall be null and void.

(4) The company shall be bound to notify forthwith the Commission about notifications received under para 2, and also within seven days following the meeting about the exercising of voting rights by proxy. Upon opening the general meeting the company shall inform those attending the general meeting of shareholders about proxies received pursuant to para 2.

## Section III

### Tender offer for purchase and exchange of shares

#### Article 97

(1) A person who wants to acquire directly or through related persons more than 25 percent of the votes in the general meeting of a joint stock company the shares of which are subject to public offering, shall be obliged to publish a tender offer to all shareholders with voting rights, following a preliminary confirmation of a draft offer by the Commission.

(2) The draft offer shall contain the following:

1. the name or the trade name, the principal office and the address of the bidder;

2. the number of voting shares of the respective class that the bidder intends to acquire;
3. the price for each share or the securities offered in exchange;
4. information about the number of votes in the general meeting owned by the bidder directly or through related persons in the company under para 1;
5. information about the number of votes possessed by the company under para 1, directly or through related persons, in the general meeting of the bidder;
6. the term for accepting the offer by the shareholders of the company under para 1;
7. evidence for availability of the funds needed for the purchase, or for the securities needed for exchange;
8. the amount of earnest money for withdrawal of the tender offer;
9. other circumstances as may be determined by the Commission.

(3) The price under para 2, item 3, may not be less than the average price of the shares, subject of the offer, on the market with greatest volume of trade for the last six months, and it should be one and the same in respect of all shareholders for the respective class of shares.

(4) The term under para 2, item 6, may not be less than 21 days and more than 60 days as from the date of publication of the tender offer pursuant to Article 102, para 3.

(5) The availability of escrow funds pursuant to para 2, item 7, shall be proved by document issued by a bank.

(6) The availability of securities under para 2, item 7, shall be proved by a document issued by a bank, asserting the deposit thereof.

(7) Members of managing bodies and partners or shareholders possessing more than 10 percent of the votes of the bidder, as well as all partners of the bidder with unlimited liability, shall submit together with the draft offer also a declaration for the number of voting shares possessed by them in the company under para 1.

#### Article 98

(1) Within seven days following the receipt of the draft tender offer and the declarations under Article 97, para 7, the Commission shall submit to the Commission for Protection of Competition, to the Board of Directors or the Managing Board of the company respectively, and to the shareholders who

possess more than 10 percent of the votes in the general meeting of the company under Article 97, para 1, the information under Article 97, para 2.

(2) The Commission for Protection of Competition shall be bound within seven days following the submission of information under para 1, to give a reply stating reasons in respect of admissibility of the acquisition in compliance with the Protection of Competition Act.

(3) Within the term under para 2 the members of the Board of Directors or the Managing Board respectively, and the shareholders who possess more than 10 percent of the votes in the general meeting of the company under Article 97, para 1, shall submit to the Commission declarations for the number of votes possessed by each of them in the general meeting of the bidder.

(4) The Board of Directors or respectively the Managing Board of the company under Article 97, para 1, shall provide within three days an opinion on the proposed transaction.

(5) The Board of Directors or respectively the Managing Board of the company under Article 97, para 1, may request from the bidder other information as well, should it consider that necessary for appropriately informing the market.

#### Article 99

(1) The Commission shall review the documents submitted and shall ascertain whether the requirements for the confirmation requested have been satisfied.

(2) If the documents submitted are not in compliance, or if further information is needed, or if the amount of proposed earnest money fails to cover the damages, within three days following the receipt of the documents the Commission shall send notification of established discrepancies, further information and documents required, or the amount of earnest money.

(3) The person shall remove any such discrepancies or shall provide the information and documents required within three days following the receipt of notification thereof.

#### Article 100

(1) The Commission shall rule on the requested confirmation of the draft offer within seven days following the receipt of the complete set of documents.

(2) The Commission may refuse, stating reasons, to issue a confirmation of the draft offer only if the draft offer fails to comply with the requirements of this Act. If the Commission does not rule within the term under para 1, this shall be considered as a refusal.



(3) The Commission shall notify in writing the applicant about the issued confirmation or the refusal to issue a confirmation, within three days after adopting the respective decision.

#### Article 101

(1) The conclusion and performance of transactions shall not be allowed for shares that are subject of a tender offer, as from the date of submission of the draft tender offer to the Commission until the date of publication under Article 102, para 3.

(2) The ban under para 1 shall also apply to the conclusion and performance of transactions in voting shares of the bidder or of joint stock companies controlled by the bidder or by the company under Article 97, para 1.

(3) After receipt of the information under Article 97, para 2, the Board of Directors, the Managing Board or the Supervisory Board respectively of the company under Article 97, para 1, may not adopt a decision without a prior resolution of the general meeting of shareholders in reference of:

1. issuing of voting securities;
2. conclusion of transactions that may result in considerable changes in the company assets;
3. conclusion of transactions for buy-back of company shares.

#### Article 102

(1) After the issuing of a confirmation by the Commission the bidder shall prepare a tender offer.

(2) Further to the information under Article 97, para 2, the tender offer shall include the following:

1. information about the purpose of acquisition;
2. opinion of the Board of Directors or the Managing Board of the company under Article 97, para 1, in reference of the acquisition;
3. the term for fulfilment of the obligations upon accepting the tender offer;
4. the manner of fulfilment of the obligations, inclusive of allocating expenses;
5. the bank where shareholders who have accepted the offer may deposit the securities.

(3) The tender offer under para 2 shall be submitted to the Commission, which shall publish it forthwith in its bulletin and send it to be published in two central dailies on the account of the bidder.

#### Article 103

(1) The purchase of shares admitted to trade at a stock exchange, or respectively their exchange for securities, may be effected only at a stock exchange.

(2) After the publishing pursuant to Article 102, para 3, the tender offer may not be withdrawn by the bidder, unless such an action is necessary for good reasons. Withdrawal is allowed within seven days after expiration of the term under Article 97, para 2, item 6. In such case the bidder shall owe earnest money to each shareholder who has accepted the offer.

(3) Where the tender offer has been accepted, the respective shareholder shall notify the bidder thereof.

(4) A shareholder who has accepted the offer shall be bound to deposit forthwith the shares, subject of the tender offer, with a bank, as well as to endorse the registered shares.

(5) Any shareholder who has accepted the tender offer may renounce expressly the accepting within seven days after expiration of the term under Article 97, para 2, item 6.

(6) The bidder may extend the term for accepting the offer within the maximum admissible term under Article 97, para 4, as well as to increase the price offered for each share. In such case the purchase of shares, subject of the tender offer, shall be at the higher price with respect to all shareholders who have accepted the offer before or after the increase.

#### Article 104

(1) The transaction shall be deemed concluded as of the date of expiry of the term for accepting the tender offer.

(2) The payment of the price, the exchange of securities respectively, shall be effected within three working days following the expiry of the term for accepting the proposal.

(3) The title on shares, subject to the tender offer, shall be transferred to the bidder as of the time of payment of the price or of exchange of the securities.

(4) The bidder shall be bound to purchase, to exchange respectively, all voting shares of the shareholder who has accepted the offer. Where the number of deposited voting shares on behalf of all shareholders who have accepted the offer exceeds the total number of shares under the offer, the bidder shall

purchase or exchange shares of each shareholder who has accepted the proposal in proportion to the shares deposited thereby.

(5) Paragraph 4 shall apply to each class of voting shares.

#### Article 105

Upon expiration of the term for accepting the offer the Commission shall publish forthwith the results of the tender.

### Chapter Ten

#### INSIDER INFORMATION AND INSIDERS

#### Article 106

For the purposes of this Act insider information shall be any data for which no obligation exists to be notified to the public, or such that have not yet been notified to the public, in reference to one or more issuers or their securities, or to such other data, if the public notification thereof could affect considerably the prices of securities admitted to trade.

#### Article 107

(1) For the purposes of this Act insiders shall be:

1. Any member of a managing or controlling body of the issuer;
2. Any member of a managing or controlling body or partner with unlimited liability in a company related to the issuer.

(2) An insider shall be also any person who holds directly or through related persons more than 10 percent of the votes in the general meeting of the issuer, where such person has access to or possesses insider information, as well as any other person who for reasons related to his or her occupation, activities, obligations or relations of connection to the issuer or to the persons under para 1, has access to or possesses insider information.

#### Article 108

(1) An insider shall be forbidden to:

1. trade at a stock exchange or outside thereof, on his own account or on the account of other persons, in securities which are subject of the insider information such person possesses;
2. deliver the insider information in his possession to another person who does not have the capacity of insider, without permission from the general meeting of the issuer to which such insider information refers;

3. recommend to another person, on the grounds of insider information at his disposal, to trade at a stock exchange on his own account or on the account of another person, in securities which are subject of the insider information at the disposal of the insider.

(2) The ban under para 1, item 1, shall apply also to any person who, without being an insider, possesses insider information originating directly or indirectly from an insider.

#### Title Four

### INVESTMENT COMPANIES

#### Chapter Eleven

### GENERAL PROVISIONS

#### Article 109

(1) An investment company shall be a joint stock company which has obtained a license in accordance with the terms and procedures of this Act, whose objects are investing in securities, excluding securities of its founders.

(2) An investment company shall issue shares entitled to one vote, against payment of their issue value.

(3) An investment company may be open-ended or closed-ended.

#### Article 110

(1) An open-ended investment company shall be bound upon request of its shareholders to buy back its shares under the terms and procedures stipulated in its Articles of Association, unless the by-laws provide a closed-ended period. This obligation shall be fulfilled within 30 days as from the submission of request in writing for buy-back.

(2) An open-ended investment company may provide in its Articles of Association a closed period which may not exceed three years as from the establishment of the company. During the closed-ended period the investment company shall not be bound to buy back its shares.

(3) An open-ended investment company may temporarily suspend the buy-back of its shares under the terms and procedures stipulated in its founding documents. In such cases it shall notify the Commission within three days of its decision.

#### Article 111

A closed-ended investment company shall not be bound to buy back its shares.

#### Article 112

(1) The minimum amount, the capital structure and its ratio to the assets and liabilities on the balance sheet of the investment company shall be determined by the Commission.

(2) The investment company shall keep a minimum of liquid funds to the amount and under terms determined by the Commission.

#### Article 113

A person who holds or acquires directly or through related persons more than 10 percent of the votes in the general meeting of the investment company or another interest which enables such person to exercise control over it, shall notify the Commission within three days thereof.

#### Article 114

(1) Further to the data required pursuant to the Commerce Act the Articles of Association of an investment company shall include the following:

1. major objectives and restrictions of the investment activity;
2. the amount of capital that may be invested in securities of various types;
3. procedure for soliciting loan capital under the provisions of this Act;
4. ban on advance distribution of dividends before acceptance of the annual accountancy report;
5. the procedure and manner of distribution of dividends;
6. the duration of the closed-ended period, if any;
7. terms and procedure for calculation of the value of shares in the case of buy-back;
8. terms and procedure for buy-back of shares and provisions for discontinuance of the buy-back.

(2) Any changes in the Articles of Association and the other founding documents, as well as a change of the depository, shall be allowed only after approval by the Commission.

#### Article 115

The members of the managing and controlling bodies of the investment company must meet the requirements of Article 45.

## Chapter Twelve

### ISSUE AND REVOCATION OF LICENSE OF AN INVESTMENT COMPANY

#### Article 116

For establishment of an investment company an application in writing shall be filed with the Commission, with the following enclosures:

1. the Articles of Association and other founding documents;
2. data about the subscribed and paid-in capital;
3. the names, addresses and other necessary data about persons who shall manage and represent the investment company, as well as information about their professional qualifications and experience;
4. the contract with an investment intermediary pursuant to Article 129, para 1, item 2, and the contract for deposit in cases under Chapter Fourteen;
5. Declaration pursuant to Article 133;
6. names or trade names and data about persons who possess directly or through related persons more than 10 percent of the shares of the applicant, or who could otherwise exercise control over it;
7. other data as may be specified by the Commission.

#### Article 117

(1) The Commission shall rule on the application within three months following the receipt of the application and the enclosures thereto, and where further information has been requested -- as from the receipt of such information.

(2) The Commission shall notify the applicant in writing within seven days after ruling.

(3) The licenses issued shall be entered in a special register of the Commission.

#### Article 118

(1) The Commission shall refuse to issue a license if:

1. the Articles of Association and the other founding documents of the company are not in compliance with the law;

2. the capital does not meet the requirements under Article 112;
3. the contract with the investment intermediary under Article 129, para 1, item 2, does not meet the requirements of this Act;
4. members of the managing and comportsing bodies do not meet the requirements under Article 115;
5. persons who hold more than 10 percent of the voting shares or who could otherwise exercise control over the investment company may, by their actions or by their influence on making decisions, jeopardize the security of investments;
6. the interests of investors have not been sufficiently secured.

(2) The Commission's refusal shall state reasons in writing. Where the Commission does not rule within the term under Article 117, para 1, this shall be considered a refusal.

(3) In cases under para 1, items 1, 2, 3 and 4 the Commission may refuse the issuing of a license only if the applicant fails to remove the discrepancies within the term specified by the Commission, which may not be less than one month.

#### Article 119

In the case of refusal under Article 118 the applicant may file a new request for issuing of a license not earlier than six months after the coming into force of the decision for refusal.

#### Article 120

The Sofia City Court or the district court shall enter the investment company in the commercial register upon presentation of the respective decision issued by the Commission.

#### Article 121

A company which does not have a license from the Commission may not use in its trade name, advertising or other activities the words "investment company" or other equivalent words in Bulgarian or foreign languages.

#### Article 122

The Commission shall revoke issued licenses in cases under Article 53. In such circumstances it shall undertake measures pursuant to Article 54.

### Chapter Thirteen

## PUBLIC OFFERING OF SHARES IN AN INVESTMENT COMPANY

### Article 123

(1) Public offering of shares in an investment company shall be allowed provided a prospectus is issued in the manner and with contents as provided by this Act.

(2) The prospectus may be issued only provided the Commission has confirmed in writing it has no objections to the prospectus.

### Article 124

(1) Further to the data under Article 66, item 1, subitems a, b, d, e, f and g, the prospectus shall include the following data:

1. About the investment company:

a) the place where the founding documents of the company are accessible to the public;

b) major objectives of the investment activities and policies for distribution of dividend;

c) terms and procedure for issue and sale of shares;

d) terms and procedure for calculation of issue and sale prices, and the price for buy-back of shares;

e) terms and procedure for buy-back of shares and the terms for temporary suspension of buy-back.

2. the name, seat and address of the depository.

(2) The prospectuses shall be updated upon any change in the data included therein.

### Article 125

The Commission shall review the prospectus and shall issue, or respectively refuse the issuing, of a confirmation pursuant to Article 75.

### Article 126

(1) A notification for the public offering of shares, the registration number of the confirmation issued, the place, time and manner of obtaining information from the prospectuses shall be published pursuant to Article 76.

(2) All advertisement materials in reference to the public offering of shares in the investment company shall include information:



1. about the place where the public can have access to the prospectus and the acts of establishment;
2. that the value of shares may decline and that no profits are guaranteed.

#### Article 127

- (1) The investment company shall announce before the Commission and in the mass media the issue value of its shares, and investment companies under Chapter Fourteen-- the price for buy-back of their shares as well.
- (2) The announcements under para 1 shall be made for each issue, sale and buy-back, but not less than twice per month.

#### Article 128

Chapter Seven, Section III shall apply to investment companies respectively. The investment company shall submit to the Commission monthly balance sheets and quarterly accountancy reports pursuant to Article 40, para 1, of the Accountancy Act.

#### Chapter Fourteen

#### OPEN-ENDED INVESTMENT COMPANIES

#### Article 129

- (1) The activities of an open-ended investment company may be managed by:
  1. its managing bodies; or
  2. an investment intermediary pursuant to a signed contract.
- (2) During the closed period under Article 110, para 2, the contract with the investment intermediary under para 1, item 2, may be terminated by the investment company with a one-month prior notice.
- (3) Any provision of the contract under para 1, item 2, which restricts the right of the investment company under para 2, shall be invalid.

#### Article 130

The maximum annual remuneration of the investment intermediary under Article 129, para 1, item 2, may not exceed 5 percent of the annual average available real assets on the balance sheet of the investment company, calculated as unweighted average chronological quantity.

#### Article 131

Members of the managing and controlling bodies, as well as the investment intermediary under Article 129, para 1, item 2, may not invest funds of the investment company in securities issued by themselves or by persons related to them.

#### Article 132

- (1) Securities acquired by the investment company and monetary funds solicited from investors shall be kept with the central depository or a depository bank. The depository shall effect non-cash payments on the account of the investment company.
- (2) The depository and the investment intermediary under Article 129, para 1, item 2, may not be one and the same person or related persons.
- (3) The depository may not be creditor or guarantor of the investment company.
- (4) The depository shall separate the accepted and kept by it securities and monetary funds of the investment company from his own assets, and shall account for them separately.

#### Article 133

Member of a managing or controlling body of an investment company may not be partners or shareholders, members of the managing or controlling bodies or employees of the investment intermediary under Article 129, para 1, item 2, or of a person related thereto

#### Article 134

- (1) The assets of open-ended investment companies shall only comprise:
  1. securities admitted to trade at stock exchange;
  2. Government securities;
  3. shares in other investment companies;
  4. movable and immovable property, inasmuch as it is needed for the direct operation of the company;
  5. monetary funds.
- (2) Investments in securities that are not admitted to trade at a stock exchange may not exceed 10 percent of the capital of the investment company.
- (3) Investments under para 1, items 3 and 4, may not exceed individually 5 percent, and as a total 10 percent of the capital of the investment company.

(4) The Commission shall specify terms for transformation of investment companies.

(5) Not less than 10 percent of the total value of the investment company's assets shall be in cash balance, receivables on demand or short-term deposits, inclusive of quarterly bank deposits or securities, or other means of payment, approved by the Commission.

#### Article 135

(1) An investment company may not invest more than 5 percent of its capital in securities issued by one and the same issuer, except for investments in Government securities.

(2) The Commission may allow an investment company to invest up to 10 percent of its capital in securities issued by one and the same issuer, provided the total value of such investments does not exceed 20 percent of the capital of the investment company.

#### Article 136

An investment company may not acquire participation in voting shares of an issuer, where that would allow it to exercise control over it.

#### Article 137

(1) An investment company may not make use of loans.

(2) The Commission may allow an investment company to use a loan to the amount of up to 10 percent of its capital, provided the loan is:

1. for a period of not more than three months, and such a loan is necessary to cover its obligations for buy-back of company shares;
2. for acquisition of real property which is directly needed for pursuing the activity of the company.

(3) The total amount of loans under para 2, items 1 and 2, may not exceed 15 percent of the borrower's property.

#### Article 138

(1) An investment company may not provide loans or be a guarantor of third parties.

(2) An investment company may not:

1. acquire securities that have not been fully paid-in;
2. sell securities which the company or its mandator do not possess;

3. be an investment intermediary, a bank or an insurance company.

## Chapter Fifteen

### CLOSED-ENDED INVESTMENT COMPANIES

#### Article 139

(1) A closed-ended investment company shall file an application for admission of its shares to trade at a stock exchange within six months of its establishment.

(2) Where the shares of the investment company are not admitted to trade at a stock exchange, Article 127 shall apply.

#### Article 140

(1) Article 134, para 1, shall apply to the assets of closed-ended investment companies.

(2) Investments in securities which are not admitted to trade at a stock exchange may not exceed 30 percent of the investment company capital.

(3) Investments in securities issued by one and the same issuer, may not exceed 30 percent of the investment company capital.

## Title Five

### COMPULSORY ADMINISTRATIVE MEASURES AND ADMINISTRATIVE-PENAL LIABILITY

## Chapter Sixteen

### COMPULSORY ADMINISTRATIVE MEASURES

#### Article 141

(1) Should it be established that persons controlled by it, or their employees, pursue activities in violation of this Act or of acts related to its application, as well as where the interests of investors are put in jeopardy, the Commission may:

1. put them under obligation to undertake specific measures needed to remove the transgressions within a time period specified by the Commission;
2. fix a date for a meeting of the managing or controlling bodies of the respective stock exchange, investment intermediary or investment company, on matters specified by it;

3. notify the public of the illicit activity;
4. discontinue for a period of up to six months or permanently the sale or transactions in certain securities;
5. reject the issuing of confirmation for a prospectus for a new issue of securities;
6. propose to the respective body to discharge temporarily or permanently from their office persons authorized to manage and represent a stock exchange, investment intermediary or investment company, should they commit actions in violation of this Act and of the acts related to its application;
7. revoke the issued license.

(2) Should it be established that a bank pursues its activity in violation of this Act and of the acts related to its application, the Commission may apply the measures under para 1, items 1, 2 and 5, as well as propose to the Central Bank to apply the measures under para 1, items 3, 4, 6 and 7. The Central Bank shall be bound to notify the Commission of its decision within seven days following the receipt of the proposal from the Commission.

(3) The Commission may revoke permanently the license issued to a stock exchange, company under Article 39, para 1, or an investment company, or may propose to the Central Bank to revoke the license of a bank, only provided the respective person commits a gross violation or regularly violates the provisions of this Act or of the acts related to its application.

## Chapter Seventeen

### ADMINISTRATIVE-PENAL LIABILITY AND PROPERTY SANCTIONS

#### Article 142

(1) A person who commits or allows a violation of Article 10, paras 2, 3 and 4, Articles 11, 13, Article 16, para 2, Article 17, para 2, Article 19, paras 1 and 2, Article 23, para 2, Articles 28, 32, Article 38, para 4, Articles 51, 56, 57, 58, 59, 60, 61, 62, 63, 65, Article 69, paras 2, 3 and 4, Article 70, paras 1 and 2, Articles 76, 77, 78, 79, 80, 81, 82, 83, Article 84, para 3, Articles 85, 86, 87, 89, Article 90, paras 1 and 3, Article 92, paras 1, 2 and 4, Articles 93, 96, Article 97, para 1, Article 98, paras 3 and 4, Article 101, Article 103, paras 1 and 4, Article 104, paras 2 and 4, Article 108, Article 110, para 1, Articles 112, 113, Article 114, paras 2 and 3, Article 121, 123, 126, 127, 128, 130, 131, Article 132, paras 2 and 3, Article 133, Article 134, paras 2 and 3, Article 135, para 1, Article 136, Article 137, para 1, Article 138, para 1, Article 139, Article 140, paras 2 and 3 and § 2 and 3 of the Transitional and Concluding Provisions of this Act, shall be penalized by fine to the amount of 200, 000 to 1,000,000 Leva, unless the action committed does not constitute a crime.

(2) A person who pursues transactions in securities as an occupation, without obtaining a license under the terms and procedures of this Act, shall be penalized by fine to the amount of 500,000 to 2,000,000 Leva, unless the action committed does not constitute a crime.

(3) For violations under paras 1 and 2, legal person shall be penalized by a financial sanction to the amount of 1 mn to 5 mn Leva.

(4) Income obtained by illicit activities shall be expropriated in favour of the State.

#### Article 143

(1) Acts for established violations under Article 142 shall be prepared by an officer authorized by the Chairman of the Securities and Stock Exchanges Commission, and the penalty ordinances shall be issued by the Chairman of the Commission.

(2) The establishment of violations, the issue, the appeal and the execution of penalty ordinances shall be pursuant to the Administrative Violations and Penalties Act.

#### ADDITIONAL PROVISION

§ 1. For the purposes of this Act:

1. "Issuer" shall be a person who issues, sells, offers for sale issued by him securities, or who solicits candidates for public subscription pursuant to this Act.

2. "Acceptance" shall be considered to exist where an investment intermediary offers securities for initial sale.

3. "Related persons" shall be:

a) persons where one of them controls the other or a subsidiary company of the other;

b) persons whose activities are controlled by third parties;

c) spouses, relatives of direct lineage without limitations, relatives of the lateral branch to the third degree, including relatives by marriage to the third degree inclusive.

4. "Control" shall be considered to exist where one person holds more than 10 percent of the votes in the general meeting of a company, or may determine directly or indirectly more than half of the members of the managing body, or otherwise exert decisive influence on decision making in reference to the company activities.

5. "Stock exchange broker" shall be a natural person who by virtue of employment or civil contract with a member of the stock exchange executes directly transactions in securities at the stock exchange.

#### TRANSITIONAL AND CONCLUDING PROVISIONS

§ 2. (1) Joint stock companies that offer to the public their securities shall be bound to bring their already issued securities in compliance with the requirements of this Act within five months as from the date on which the Commission shall begin to receive documents for issue of licenses and confirmations.

(2) In the case of failure to comply to the obligation under para 1, the Commission shall impose the measure under Article 141, para 1, item 5, and the sanction under Article 142.

§ 3. (1) Persons who satisfy the requirements under Article 78, shall be bound within 3 months as from the coming into force of this Act to register with the Commission. The first annual report of such persons shall contain all the requisites of prospectus pursuant to Article 66.

(2) In the case of failure to comply to the obligation under para 1, the Commission shall impose the sanction under Article 142.

§ 4. Companies, for which prior to the coming into force of this Act for the purposes of establishment an offer has been promulgated for opening of subscription for raising capital, or a decision for increase of capital pursuant to the requirements of the Commercial Act, shall issue the respective securities under the procedure in force before the start of proceedings. Where as of the date of entry into force of this Act the respective decisions have not been promulgated, the issuing of securities shall be pursuant to this Act.

§ 5. Persons who have obtained a license to pursue transactions in securities prior to the coming into force of this Act shall retain their rights. They shall be bound within six months to bring their organization and activities in compliance with the requirements of this Act for pursuing of an activity as investment intermediary, and to register with the Commission.

§ 6. (1) Companies existing upon entry into force of this Act with activities regulated by Chapter Six, shall be bound within a time period specified by the Ordinance under para 2, to bring their founding documents and their activity in compliance with the provisions of this Act and to submit to the Commission an application for the issuing of a license for investment company. Otherwise, they shall forfeit their right to pursue the activities subject to regulation by Chapter Six of this Act.

(2) The Council of Ministers shall set by an Ordinance less stringent requirements for investment, inclusive of such in real property, compared to those provided under Articles 134, 135 and 136, for a period of validity up to five years following the coming into force of this Act.

§ 7. (1) Legal persons existing upon entry into force of this Act, who pursue activities as a stock exchange, shall be bound to bring their organization and activity in compliance with the requirements of this Act within five months as from the date on which the Commission shall begin to receive documents for the issuing of licenses and confirmations.

(2) Legal persons who at the date of expiry of the term under para 1 have not submitted an application to obtain a license from the Commission, shall forfeit their right to pursue stock exchange activities.

§ 8. The Ministry of Finance and the Bulgarian National Bank shall organize and take part in the establishment of a central depository. In case the Ministry of Finance, the Bulgarian National Bank and the participants in the capital market fail to raise the necessary funds for establishment of the central depository by 30 June 1996, the Ministry of Finance and the Bulgarian National Bank shall be bound by 31 December 1996 to participate with equal portions to the full amount of the necessary capital. The provisions of Article 91 of this Act shall be applied after the establishment of the central depository.

§ 9. (1) The Council of Ministers shall appoint the members of the Securities and Stock Exchanges Commission by proposal of the Minister of Finance within one month following the entry into force of this Act, and shall adopt Rules of the Structure and Operation of the Commission within two months following the entry into force of this Act.

(2) The Council of Ministers shall issue Ordinances on the application of Chapters Three, Six, Seven, Eight, Nine, Ten, Eleven, Thirteen, Fourteen and Fifteen.

(3) The Council of Ministers shall issue an Ordinance on the procedure for printing of securities, within two months following the entry into force of this Act.

(4) The Minister of Finance and the Bulgarian National Bank shall issue an Ordinance on the terms and procedure for issue, acquisition and payment of Government securities.

This Act has been approved by the 37th National Assembly on 29 June 1995, and stamped with the State Seal.



Chairman of the National Assembly: Blagovest Sendov