

DECREE _ 68
of 27 April 2000
on the adoption of the
Ordinance on the Requirements to the
Investment Intermediaries' Activities

THE COUNCIL OF MINISTERS
D E C R E E S :

Sole Article. Adopts the Ordinance on the Requirements to the Investment Intermediaries' Activities.

Transitional and Concluding Provisions

§ 1. The Decree No 371 of the Council of Ministers of 1997 on the adoption of the Ordinance on the Requirements to the Investment Intermediaries' Activities (promulgated State Gazette No 95/1997) is abrogated.

§ 2. The Investment Intermediaries shall bring their organisation and activity in compliance with the requirements of the Ordinance within 3 months from its enforcement.

ORDINANCE
on the Requirements to the Investment Intermediaries' Activities

Chapter One
GENERAL PROVISIONS

Art. 1. This Ordinance establishes the requirements to be complied with by investment intermediaries under Art. 54 para 2 of the Law on Public Offering of Securities (LPOS), in order to protect the interest of their clients and provide a stability on the securities market, including the requirements relating to the concluding and execution of client contracts under Art. 54, para 1 and para 5, items 1 and 4 of the LPOS, to the accounting and the information storage, to the internal organisation, to the terms and provisions for information disclosure.

Art. 2. A client of the Investment Intermediary is an investor, including a foreign person who uses or expresses interest in taking use of services provided by the Investment Intermediary in relation to its business purpose, including when making and executing securities transactions for the account of the Investment Intermediary. A person is a client of the Investment Intermediary when:

1. another Investment Intermediary, including a foreign Investment Intermediary, who for its own or another's account submits an order for the concluding of a securities transaction or gives monies and/or securities for management;
2. a person whose investment portfolio is managed by a management company, including foreign management company.

Chapter Two
RELATIONS WITH THE CLIENTS

Art. 3. (1) In performing securities transactions, providing investment advice and other activities related to securities for the account of a client, the Investment Intermediary shall act with due care for the client's interests and give preference to the interests of the Client, rather than to its own.

(2) The Investment Intermediary shall treat equally and fairly its clients.

(3) The Investment Intermediary shall execute transactions for its clients on the best terms available. The Investment Intermediary shall carry out its obligations, if exerts rational efforts to ascertain the best price for the client according to the terms of the order and has concluded a transaction on this price.

(4) The Investment Intermediary shall execute the orders of its clients at first opportunity, shall conclude transactions on the management of the clients' securities individual portfolios, excepting if that is obviously unfavorable for the client.

(5) The Investment Intermediary shall apply the appropriate measures for the keeping of clients' securities and monies and for the allocation of its own securities portfolio from that of the investors.

(6) The measures under para 5 shall warrant the keeping the client's property rights, related t their appertaining securities and cash resources.

Art 4. (1) The Investment Intermediary shall not offer unsolicited investment advice to clients - non-professional investors or on issues which have not been raised by them.

(2) The prohibition in para 1 does not affect:

1. the advertising activities of the Investment Intermediary, if the advertising materials and the public messages are addressed to an unlimited audience and contain information on the activities performed;

2. the obligation of the Investment Intermediary to warn the clients as to the risks of the securities transactions.

(3) The Investment Intermediary shall request information on their financial resources, investment objectives, experience and willingness to take risks. The Investment Intermediary shall not give advice or conclude securities transactions for the account of the client, which are inappropriate for him, according to the information received under the previous sentence or accordingly other related information, which is known or should be known to the Investment Intermediary.

(4) The advice given by the Investment Intermediary to its clients shall be based on and justified. This investment advice may not be based on overstated favourable facts or unaccounted unfavourable facts or be motivated solely by pursuit of remuneration.

(5) The obligation of the Investment Intermediary to request the information under para 3, item 1 is not applicable to clients:

1. under Art. 2, items 1 and 2;

2. which assign only small irregular orders for securities transactions exclusively on their own initiative;

3. professional and institutional investors, which refuse in written form to provide this information.

Art. 5. (1) The advertising materials of the Investment Intermediary as well as the public statements of the members of the management and supervisory bodies and of the persons employed under contract by the Investment Intermediary, which are related to its activity, shall not contain untrue or misleading information.

(2) The advertising materials and the public statements under para 1, of the persons employed under contract by the Investment Intermediary, must be approved in advance by a person of the internal supervisory service.

(3) Forecasts regarding securities, which are contained in the advertising materials and the public statements under para 1, as well as in the investment advice given to clients, must be provided only if they shall be explicitly defined as forecasts.

Art. 6. (1) The Investment Intermediary shall not:

1. conduct activities on behalf of a client, if it has not informed the of the potential conflicts of interest, as well as of the conflicts of interest with another client, if this will not breach the existing obligation for confidentiality or threaten the interests of another client, including the cases when:

a) the Investment Intermediary or its broker has acquired or may acquire securities, which it recommends to the client to acquire, or executes transactions for its own account with these securities;

b) special remuneration is provided for the Investment Intermediary or for the broker if the proposed transaction is carried out;

c) a conflict with the interest of another client of the Investment Intermediary may arise or has arisen;

2. provide untrue information, including such information about:

a) the price or the value of the security;

b) the issuer;

c) property liabilities, resulting from transactions with securities;

3. execute transactions on behalf of the client of a volume or with a frequency, of which according to the circumstances, it can be assumed that they are executed exclusively to the advantage of the Investment Intermediary;

4. buy for its account securities, for which its client has submitted a purchase order, and sell them to the client at a price higher than their purchase price and respectively buy for its own account securities, for which its client has submitted a sell order and sell them to the third client at a price higher than their purchase price;

5. make fictitious offers for securities transactions, make and execute securities transactions, creating in this manner incorrect notions about the price or the volume of trading, or transactions which are fictitious, spread untrue rumours and unfounded forecasts, as well as perform other deceiving actions concerning the price or the value of the securities transactions;

6. make and execute agreements for fixing the price of securities in advance, including the prices contained in the submitted orders or quotations;

7. lend money for the purchase of securities and sell on its behalf or on behalf of other persons securities, which are not held by the Investment Intermediary, respectively its client, except under the

terms and conditions of an ordinance under § 16, para 2, item 1 of the Transitional and Final Provisions of the LPOS;

8. use the securities and money of clients for purposes not connected with the activity it performs on their behalf, including the use on behalf of a client its own or another client's monies or securities, except under the terms and provisions of a separate ordinance under Art.75, para 3 of the LPOS;

9. pay commissions or other compensations for the acceptance of orders for securities transactions, of requests for opening of client subaccounts for securities, of documents for registration with the Central Depository of transactions, concluded outside the regulated market directly between natural persons, except those stated in Art. 20, para 1;

10. perform activities by another way, which may threaten the interests of its clients or the stability of the securities market.

(2) The prohibition under para 1, items 1 and 3 shall not apply to transactions, for the execution of which, the client has given orders on his own initiative.

(3) The prohibition under para 1, item 4 shall not apply when clients under Art.2, items 1 and 2 or clients – institutional investors have given their written assent.

(4) The prohibition under para 1, items 4 and 5 shall apply also to the members of the management and supervisory bodies of the Investment Intermediary, to the persons which are employed under contract by the Investment Intermediary and to the persons associated with them.

(5) The prohibition under para 1, item 6 shall not apply to term securities transactions.

(6) The prohibition under para 1, item 7, shall not apply to the credits under Art. 1, para 1 of the Banking Law, granted by a Bank not in its capacity of Investment Intermediary.

(7) The prohibition under para 1, item 9 shall not apply to the fees paid by the Investment Intermediary to the Central Depository and on the regulated securities market.

Art. 7. (1) The information under art. 6. para 1, item 1 shall be provided to the client in written form and one copy signed by the client shall remain with the Investment Intermediary for safekeeping. If the information is provided by telephone or by other means of remote communication, the person who have provided the information shall until the end of the business day draw up a document, certified by a person from the internal supervisory service, proving the content of the communicated information. The Investment Intermediary shall ask the client to prove at his/her earliest convenience that he/she has received the information in writing or in other form with equivalent validity under the Law.

(2) The information under Art. 6, item 1 can be provided in spoken form to clients:

1. under Art. 2, items 1 and 2;

2. which give only small irregular orders for concluding securities transactions or give orders exclusively on their own initiative, when a written assent is available.

Art. 8. (1) The members of the management and supervisory bodies and all other persons employed under contract by the Investment Intermediary, shall buy, sell and exchange securities on their own account only as its clients until the expiration of six months after the termination of the contract with the Investment Intermediary.

(2) If, upon termination of the contract with an Investment Intermediary, the persons under the preceding para are appointed to a management or supervisory body or are employed by another Investment Intermediary, the latter shall notify the first Investment Intermediary about each purchase, sale and exchange transaction, effected by the persons under para 1 for their account in the terms under para 1.

Art. 9. (1) When the Investment Intermediary provides investment advice for execution of securities transactions, it shall inform, in accordance with art. 7, its clients about:

1. the rights which the securities carry, the market position of the securities and the material changes or new circumstances which may affect it;

2. the risks involved with investing and with securities transactions;

3. the different kinds of expenses for the client and their amount.

(2) In the case of orders given by the client exclusively on the client's own initiative, the Investment Intermediary is obliged to warn the client under Art. 7 only as to the risks of the transaction envisaged by the order and about the kinds of expenses connected with the transaction and their amount.

Chapter Three SECURITIES TRANSACTIONS FOR THE ACCOUNT OF THE CLIENT

Section I General Trading Terms and Conditions for Securities Transactions

Art. 10. (1) The Investment Intermediary is obliged to make and execute the client contracts under the general terms and conditions, approved in advance by the Bulgarian National Securities Commission (the "Commission").

(2) The Investment Intermediary states in a tariff its standard commission rates for the different types of client contracts, the expenses which the client shall be borne when these expenses are not included in the remuneration.

(3) The general terms and conditions and the tariff shall be exhibited at a prominent and accessible location in the premises where the Investment Intermediary receives its clients. The Investment Intermediary shall give its clients in an appropriate way an opportunity to study the general terms and conditions and the tariff and shall make and execute the client contracts on that basis. The Commission can determine the procedures to introduce the clients to the Terms and Conditions applied by the Investment Intermediary.

Art. 11. (1) Depending on the transactions and the activity for which a license has been obtained, the general terms and conditions shall contain:

1. information about the Investment Intermediary which shall include:
 - a) the name of the company, registration number with the Commission, number and date of issue of the license, the number, batch number, volume, page number of the entry in the Company Register, BULSTAT identification code and Tax Administration Number;
 - b) the objective of the business;
 - c) limitations and requirements applicable to the activity of the Investment Intermediary in accordance with the LPOS and the ordinances on its application which concern its relations with clients;
2. arrangements for the rights and obligations of the Investment Intermediary, especially:
 - a) due care in the execution of the contract and giving preference to the interests of the clients rather than to its own;
 - b) statement to the effect that the representation powers are included as a clause of the contract;
 - c) terms and conditions for transfer of powers and for temporary replacements;
 - d) explicit statement to the effect that, if the Investment Intermediary makes and executes the transaction at terms more favourable than those determined by the client, all benefits shall remain with the client;
 - e) conditions under which the Investment Intermediary may make arrangements with itself;
 - f) provisions, procedures and form required in case of refusal to follow an instruction;
 - g) provisions for the execution of additional instructions given by the client;
 - h) provisions for the deviation from a client order and the consequences;
 - i) obligation for immediate notification of the client about an executed transaction and the means of notification;
 - j) procedures for reporting and transferring the rights to the client, when the transaction is executed on behalf of the Investment Intermediary;
 - k) terms and conditions for regular reporting to the client;
 - l) terms for safekeeping of securities, money and other assets received in connection with an order or a transaction;
 - m) liability in case of failure to fulfil contractual obligations, respectively pointing out that it is defined in the contract;
 - n) pointing out that other terms and conditions, as well as the remuneration of the Investment Intermediary and the expenses of the client, when they are not included in the remuneration, shall be determined in the contract;
3. the rights and obligations of the client, especially:
 - a) the right to demand strict fulfilment of the contractual obligations by the Investment Intermediary;
 - b) the obligation to give clear, exact and comprehensive instructions, related to the execution of the contractual obligations, in written form;
 - c) procedural order and form for giving instructions;
 - d) provisions, procedural order and form for withdrawing an instruction;
 - e) time limit within which the Investment Intermediary shall be provided with the monies for the payment of the ordered purchase of securities;
 - f) pointing out that the risk remains with the client;
 - g) procedural order for accepting the reports and notifications in respect of objections;
4. the provisions and the procedural order to amend and terminate client contracts;
5. the provisions and the procedural order to amend the general terms, pointing out that the amendment or replacement of the general terms is binding upon the client only if the client has been duly notified in advance and provided the client has not rejected them within the stipulated in writing reasonable period of time;

6. in the case of the management of an individual portfolio of securities for a discretionary client, also:

a) pointing out that the operations for which the Investment Intermediary is being authorised are determined in the contract;

b) pointing out that by signing the contract the client gives in advance his endorsement for each operation or transaction, effected by the Investment Intermediary in accordance with the contract;

c) investment objectives and limitations placed on the investment activity, if any;

d) explicitly pointing out that the securities and monies of the client are managed entirely for his account and risk;

e) valuation methods for the securities in the client's portfolio;

7. statement that the contract must include a clause to the effect that the client is informed about the tariff from Art. 10, para 2, that the client has received the information, which the Investment Intermediary is obliged to provide in accordance with the LPOS and the ordinances for its application, and that the client clearly understands the risks related to investments in securities;

8. a way for reasonable and fair settlement of disputes.

(2) The Investment Intermediary cannot conclude a concrete contract whose contents deviate from the general terms approved by the Commission unless the deviation is in the interest of the client.

Section II

Execution of Client Orders for Security Transactions on a Regulated Market

Art. 12. (1) The Investment Intermediary shall execute securities transactions, including portfolio management on behalf and for the account of a client on the basis of a written contract with the client.

(2) The client or respectively his proxy shall sign the contract under para 1 in the presence of a broker or a person under Art. 20, para 1, item 2, after their identity has been examined. The broker or the person under Art. 20, para 1, item 2 shall declare whether the requirements are observed according to the previous sentence.

(3) A person from the internal supervisory service shall examine whether the contract under para 1 and the declaration under para 2 correspond with the requirements of the LPOS, its application acts and its internal Investment Intermediary's acts.

(4) For the execution of the contract under para 1 and in accordance with the Accountancy Law the Investment Intermediary shall open analytical accounts for the securities of the client and for the money of the client.

Art. 13. (1) The concluding of the contract under Art. 12, para 1 through a proxy shall be allowed only if a notarised explicit power of attorney has been submitted which contains a representative power for execution of management or ordering actions with securities, a declaration which certifies that the proxy by profession does not make securities transactions.

(2) The Investment Intermediary shall retain for his archives the declaration and the original of the power of attorney according to para 1, respectively a notary certified copy. If the power of attorney has repeated action and the authorizer is a person who submits only small irregular orders, the Investment Intermediary shall retain a copy of the power of attorney certified by the proxy and by a person from internal supervisory service.

(3) A copy of the power of attorney under para 1 and a copy of the identity document of the proxy, certified by him and by a person from the internal supervisory service, shall remain with the archives of the Investment Intermediary.

Art. 14. (1) The Investment Intermediary opens for the client a subaccount of its own account for immaterial securities with the Central Depository, accordingly to the written contract under Art. 12, para 1.

(2) If at the execution of the contract under Art. 12, para 1 the client delivers to the Investment Intermediary immaterial government bonds, issued by the Ministry of Finance, they shall be recorded in the registers of the Bulgarian National Bank, respectively the prime dealer of government bonds, in the name of the client or the Investment Intermediary, according to provisions of the client contract, according to requirements of the Ordinance under § 16, para 3 by the Transitional and Final Provisions of the LPOS.

(3) The monies of the client shall be kept in a joint bank account, especially opened by the Investment Intermediary for monies of clients for transactions with securities, or in individual bank accounts of clients managed by the Investment Intermediary. Cash received from clients must be deposited in a bank account according to the preceding sentence not later than the end of the next business day.

Art. 15. For the execution of a contract under art. 12, para 1, the Investment Intermediary is obliged to request from the clients the information under art. 4, para 3, and to demand from them to update this information. In case that the Investment Intermediary concludes contract with a client who

has refused to provide in whole or partially the information under art.4, para 3, this circumstance shall be recorded in writing and shall be signed by the client and by the Investment Intermediary.

Art. 16. (1) The Investment Intermediary may not enter into a contract under art. 12, para 1, if the client or his proxy have not submitted and signed all required documents under Art. 12, 13 and 15, have submitted documents containing obvious irregularities, or the data they contain is incomplete, incorrect or inconsistent, or is present another circumstance which arouses suspicion for undue identity and representation. The Investment Intermediary may not enter into contract under Art. 12, para 1, if the counter-party is represented by a proxy, who declares execution by profession of securities transactions.

(2) The Investment Intermediary may not announce before the Central Depository transfer of immaterial securities from personal account to client's subaccount to Investment Intermediary, if the client or his proxy does not submit a depository receipt for securities or another circumstance is present, which arouses suspicion for undue indentity and representation.

(3) The Investment Intermediary shall retain in his archives the depository receipts under para 2 and shall submit them to the Central Depository by the way defined on the Rules of the Central Depository.

(4) The Investment Intermediary may not introduce client's order for execution on the regulated market in accordance to the contract under Art. 12, para 1, before opening a client's subaccount to its own account for immaterial securities with the Central Depository.

Art. 17. (1) For the execution of securities transactions the clients of the Investment Intermediary shall give orders containing at least the following information:

1. the name, second name and surname, the unique client's number of the client and his proxy and if this numbers are not appropriated – the respective identification data under Art. 37;
2. type, issuer, ISIN code of the issue and number of the securities of the respective offer;
3. the type of the order (purchase, sale or exchange);
4. unit price and total value of the order;
5. period of validity of the order;
6. the securities market on which the transaction should be executed;
7. quantitative execution of the order (partially, completely);
8. means of payment;
9. whether the order is based on advice by the Investment Intermediary;
10. date, hour, place of placing the order;
11. signature of the sender.

(2) In the order is entered its unique number.

(3) The submission of the orders under para 1 through a proxy is admissible only under the provisions of Art. 13.

(4) The Investment Intermediary may accept orders for securities transactions by phone or by other remote means of communication by clients whom it trusts. In this case the Investment Intermediary shall, not later than the end of the business day, draw up a document containing the information required by para 1 and the information from the statements from article 18, para 1, in order to verify the content of the order given by remote means. The document from the preceding sentence shall be certified by a person from the internal supervisory service.

(5) The order of para 4 shall not be applied towards an order submitted by a proxy, who preliminarily has not presented the documents under Art.13 before the Investment Intermediary.

(6) In the case from para 3, the Investment Intermediary is obliged to request from the client to submit within five business days the order, the statements from article 18, para 1 in written or other form with equivalent evidence value under the Law. The relationships with clients – foreign persons are arranged according to the international practice for execution of securities transactions.

(7) The order of para 4 shall not be applied to the transfer of the immaterial securities from personal account towards client's subaccount to the Investment Intermediary in the Central depository.

Art. 18. (1) The Investment Intermediary shall request from the client, respectively his proxy, to declare whether:

1. it is an insider and it is in possession of insider information on the securities which are subject of the order, on its issuer, if the securities are traded on the regulated maruety;
2. the securities which are subject of an order for sell or exchange transaction are frozen in the Central Depository.

(2) The Investment Intermediary shall verify in the Central Depository if there is established pledge on the securities in connection with the order or they are placed under an injunction.

Art. 19. (1) The Investment Intermediary does not have the right to execute an order of a client, if the client, respectively his proxy, refuses to submit the statement under art. 18, para 1 or declares that it is in possession of insider information.

(2) The Investment Intermediary does not have the right to execute the order on a regulated market, if it has been declared, that the securities, subject to a sale order are frozen in the Central Depository and is established a pledge or are placed under an injunction.

(3) the Investment Intermediary does not have the right to execute the order outside a regulated market, if it has been declared that the securities subject to a sale order are frozen in the Central Depository or placed under an injunction.

Art. 20. (1) The Investment Intermediary is obliged to make and execute contracts under art. 12, para 1 and to accept client orders only through individuals, who work for him on contractual basis and who are:

1. brokers; or
2. persons, who conform to the requirements of art. 4, para 1, item 5 of the “Ordinance on the requirements on individuals who directly make and execute securities transactions” and on the Rules for licensing and withdrawing a license to perform such activity adopted by the Council of Ministers with decree No 3 (State Gazette, nr. 8 of 1998).

(2) The internal supervisory service of the Investment Intermediary shall periodically organise instruction meetings for the persons from item 2 of the preceding para, which are necessary for the carrying out of their duties.

(3) The Investment Intermediary shall maintain in any time a current list of the persons under para 1. On the request of the officials from the Commission the Investment Intermediary shall submit this list updated as of the date indicated in the request not later than the end of the next business day.

Art. 21. The Investment Intermediary shall refuse to make a contract under art. 12, para 1, as well as decline the execution of an order of a client for a securities transaction, if this will lead to breach of the Measures Against Money Laundering Act and the ordinances on its application, and shall, within three days from the refusal, inform the respective authorities.

Art. 22. The Investment Intermediary shall require a payment from the client who submits the buy order for securities within the settlement term, except for the cases made in Ordinance under § 16, para 2, item 1 under Transitional and Final Provisions of the LPOS.

Section III

Additional Requirements for Securities Transactions outside a Regulated Market

Art. 23. (1) Except for the requirements from the preceding sections, the Investment Intermediary offering advice on transactions outside a regulated market, is obliged to provide the clients under the provisions of art. 7 also with information on:

1. whether the securities are traded on a regulated market;
2. the source of information under art. 9, para 1, item 1, if this does not breach a legal prohibition;
3. the price, at which the Investment Intermediary buys and sells the securities, if it regularly buys and sells these securities for small investors.

(2) Para 1 shall be applied also when the Investment Intermediary accepts orders for securities transactions outside a regulated market without having given investment advice to the client;

(3) If at the execution of the contract under Art. 12, para 1 the client submits to the Investment Intermediary available securities, in the contract is indicated the place and the manner of their safe-keeping.

Art. 24. The Investment Intermediaries shall execute with priority the orders of clients for concluding securities transactions before the transactions for their own account, including against counter orders by other clients. This shall not apply, if the client desires to conclude a transactions directly with the Investment Intermediary.

Section IV

Current and Periodical Informing of Clients

Art. 25. (1) Within five business days from the conclusion of a transaction on behalf and for the account of a client, which transaction does not result from a contract for portfolio and/or money management for a discretionary client, the Investment Intermediary shall send the client or provide in another way a written confirmation of the conclusion of the transaction.

(2) The confirmation under art. 1 shall contain at least the following information:

1. the name, second name and surname, the address, respectively the name, the seat, and the address of the client head office;
2. the type of the transaction executed;
3. type of securities, issuer, ISIN code of the issue and number of the securities, unit price and total value of the transaction;

4. date of entry of the order's execution;
5. terms and conditions, time and place of delivery of the materialized securities, respectively the certificates for the dematerialized securities;
6. in case the Investment Intermediary has deviated from the order – an exact description of the deviation and the consequences for the client;
7. date of the settlement of the securities and monies;
8. expenses for the client, including the remuneration of the Investment Intermediary;
9. other applicable requirements.

(3) In case the settlement is not effected on the date stated or other changes occur in the information contained in the confirmation, the Investment Intermediary shall notify the client not later than the end of the business day on which the intermediary has learned about the change. Article 7 shall be applied accordingly.

(4) The Investment Intermediary shall within 3 business days from the written requirement notify the client for the date of the entry of the order on the market and for the transaction's number on the regulated market and shall provide the client with any other information about the execution of the order.

Art. 26. (1) The Investment Intermediary, including the case when it acts only as a custodian, shall send to the address provided by the client or submit to the client in another way a written report on the balances and operations from article 14, para 1, containing at least the following information:

1. type of securities, issuer, ISIN code of the issue and number of the securities;
2. the market value of the securities in the portfolio;
3. the method of valuation of the securities in the portfolio;
4. the information under art. 25, paras 2, items 2,3,4 and 9 on the management of the portfolio, concluded during the reporting period, including the pledged securities;
5. the amount of the free money assets of the client;
6. the expenses incurred on behalf of the client and the method of their calculation;
7. total value of the portfolio at the beginning and at the end of the reporting period.

(2) The Investment Intermediary who has concluded a portfolio management contract for a discretionary client shall at least at the end of each month, and if no transactions have been entered – at the end of each quarter, send to the client a report under para 1. In all other cases the Investment Intermediary shall provide the client with a report under para 1 at least at the end of each quarter, and if no transactions have been entered – at the end of every six months period.

Art. 27. The Investment Intermediary shall within 3 business days notify its clients under art. 7 about every material change in its organisation and activity, which may affect the execution of an already concluded contract. This shall not be applied to clients who give only small, irregular orders for security transactions.

Chapter Four THE BUSINESS OF A REGISTRATION AGENT

Art. 28. (1) The Investment Intermediary conducts business as a registration agent when it submits at the Central Depository information and documents for the registration of:

1. transactions with dematerialised securities, carried out outside a regulated market directly between parties;
2. transfer of dematerialized securities as a result of a grant or inheritance;
3. amendment of data in the registers of the holders of immaterial securities, correction of errors, consolidation of depository receipts and other similar actions provided for by the rules of the Central Depository.

(2) The securities from para 1 do not include the immaterial government securities issued by the Ministry of Finance.

(3) In the case under para 1 the persons, respectively their proxies, shall sign in the presence of a broker or a person under Art.20, para 1, item 2 after the verification of their identity. The broker or the person under Art.20, para 1, item 2, who has accepted the documents for the registration, shall declare whether the requirements under the preceding sentence are observed.

(4) A copy of the persons identity documents, respectively of their proxies, certified by them and by a person from the internal supervisory service, as well as a declaration from the parties to the transaction, respectively from their proxies, that they do not execute by profession securities transactions, shall remain with the archives of the Investment Intermediary.

(5) The registration under para 1 is effected through forms, prepared by the Central Depository and approved by the Commission. Article 18 and 20 shall be applied respectively.

Art. 29. The transferor and the transferee of securities in the cases under art. 28, para 1 can be represented before an Investment Intermediary, who conducts business as a registration agent, by persons, explicitly authorised by their notarised signatures. Article 13, shall be applied accordingly.

Art. 30. The Investment Intermediary conducting business as an registration agent shall refuse to accept documents for registration under article 28, if:

1. not all required data and documents have been presented, the presented documents contain obvious irregularities or the data are incorrect and contradictory;
2. a party to the transaction declares that it is in the possession of insider information on the securities, subject of the transaction, if they are traded on the regulated market or for their issuer;
3. the transferor or his proxy has not presented a depository receipt for the securities or another circumstance gives reasons for suspicion for improper representation.
4. the proxy of the party to the transaction declares the execution by profession of the securities transactions

Art. 31. (1) For its activities under Art. 28, the Investment Intermediary shall collect fees according to a tariff compiled by him. The tariff shall be exhibited on a conspicuous and accessible place at the premises where the Investment Intermediary receives clients.

(2) On the requirement of the buyer and with the assent of the seller in case of purchase and sale of immaterial securities under Art. 28, para 1, item 1, information about the selling price is deposited to the Investment Intermediary – registration agent, till the registration of the transaction in the Central Depository. The Investment Intermediary shall notify the parties to the transactions for this opportunity.

Art. 32. Chapters two and three shall not be applied as regards to the persons, who use the services of the Investment Intermediary as a registration agent.

Chapter Five
RECORD KEEPING AND INTERNAL ORGANIZATION
Section I
Record Keeping and Safekeeping of Information

Art. 33. (1) The Investment Intermediary shall keep daily records under this section on paper or magnetic (electronic) information carrier.

(2) The records must be in a form which makes the data impossible to be deleted or exchanged.

(3) The obligation to keep records envisaged by this section results from the occurrence of a circumstance which is subject of entry.

(4) If the records are kept on a magnetic information carrier, the signatures shall be replaced by identification codes. At the end of each business day the Investment Intermediary shall produce a printout of the data entered during the day under Art. 35, 36, 38 and 39, including the date and the time, which should be certified by the person who has entered the data and by a person from the internal supervisory service.

Art. 34. In case of loss of information due to technical failure, the Investment Intermediary shall promptly notify the Commission, which may issue mandatory guidelines for action. The Investment Intermediary is obliged to rectify the failure within two weeks, afterwards it shall provide an opportunity for a person authorised by the Commission to ascertain whether the lost information has been restored.

Art. 35. (1) In the order book under art. 72 of the LPOS at least the following information shall be entered:

1. the unique number of the client and of his representative or proxy;
2. the unique number of the order, date and time of receiving the order, respectively of its cancellation, of the giving, respectively of withdrawing of additional instructions if the client has given any;
3. the type of the order (sell, buy, or exchange);
4. type, issuer, ISIN code of the issue and number of the securities of the respective offer;
5. unit price and total value of the order;
6. period and/or terms and conditions of validity of the order;
7. the securities market on which the transaction should be executed;
8. name and signature of the person who has accepted and/or entered the order in the order book;
9. date and time when the order has been executed, code of the transaction on the regulated market and number of the transfer in the Central Depository and if the transaction is concluded outside of the regulated market – the number of the transfer in the Central Depository;
10. number of the securities acquired in relation to the order and the numbers of the materialized securities in case of purchase or exchange;
11. unit price and total value of the transaction in case of purchase and sale, respectively unit market price and total value of the exchangeable securities, if available;
12. the name of the broker who has executed the transaction;

13. The counterparty to the transaction (the unique code of the Investment Intermediary – counterparty or the number of the counter order;
14. the remuneration of the Investment Intermediary;
15. other expenses of the client in relation to the transaction, except the remuneration under item 4;
16. difference between the price of the transaction and the price of the order;
17. name and signature of the person who has entered the data from items 9 - 16;
18. data, means and place of settlement of the securities;
19. name and signature of the person who has entered the data from item 18;
20. date, means and place of settlement of the money;
21. name and signature of the person who has entered the data from item 20.

Art. 36. The Investment Intermediary who subscribes securities from new issues on behalf and for the account of its clients on their order shall keep books and record respectively the data from article 35, items 1,2,4,5, 6,11,12, 14, 15, 16, 18 and 20 and the names of the underwriter of the issue, if there is one.

Art. 37. When the Investment Intermediary assigns an unique number of his client, he shall keep register and record at least this number and the following information: the name, second name and surname, National Identity Number, residence and address, respectively the name, identification code BULSTAT, tax number, seat and client's address, and if the client is a foreign person – analogous identification data. In the register under the preceding sentence shall be entered the respectively identification data for his representative or proxy, the number and the date of the power of the attorney and the Investment Intermediary can assign the unique number of the representative or the proxy.

Art. 38. The provisions of articles 35 and 36 shall apply respectively also for the transactions effected for portfolio management of discretionary clients and for transactions for its own account.

Art. 39. (1) For its activities as a registration agent under the provisions of article 28, para 1, items 1 and 2, the Investment Intermediary shall keep a separate book, in which at least the following information shall be entered:

1. date of submission and unique number of the request for transfer of securities by the transferor;
2. unique number of the transferor and his representative or his proxy;
3. unique number of the transferee and his representative or his proxy;
4. type of the transaction;
5. type, issuer, ISIN code of the issue, number of the securities transferred;
6. unit price and total value of the transaction in case of purchase and sale, (respectively unit market price and total value of the securities holdings in case of an exchange);
7. name and signature of the person who has accepted the transfer request, who has verified the information under items 1-6 with the primary documents and has entered the data in the journal;
8. registration date of the transfer of the securities in the Central Depository;
9. name and signature of the person who has verified the data from item 8 with the primary documents and has made the entry in the journal.

Art. 40. An Investment Intermediary who enters into and executes repurchase contracts for securities shall keep record for this, in which at least the following information shall be entered:

1. unique number of the seller to the contract and his representative;
2. unique number of the buyer to the contract and his representative.
3. type, issuer, ISIN code of the issue, number of the securities subject to the contract;
4. collateral under the contract;
5. term of the contract;
6. name and signature of the person who has made the entry.

Art. 41. The Investment Intermediary shall also record separately the information under art. 35-40 on securities purchased, sold and exchanged by the members of the management and supervisory bodies and by the persons employed under contract by the Investment Intermediary.

Art. 42. The Investment Intermediary who acts as a representative of holders of securities before their issuer and at general meetings of the holders of securities, shall keep records with at least the following information:

1. issuer and type of the securities;
2. unique number of the authorisers;
3. the date of the general meeting of the holders of securities or of the activities in the name and for the account of the persons represented before the issuer;
4. name and signature of the person who has made the entry.

Art. 43. The Investment Intermediary shall keep a journal of client complaints in which the following information shall be entered:

1. the date and the unique number the complaint has been received by the Investment Intermediary;

2. unique number of the person filing the complaint;
3. the respective number of the primary documents kept in the archive of the Investment Intermediary and other additional information;
4. name and signature of the person who has made the entry under the provisions of items 1-3;
5. the date the complaint to the Investment Intermediary was investigated;
6. the respective number of the complaint and the related documents kept in the archive of the Investment Intermediary and other additional information;
7. name and signature of the person who has made the entry under the provisions of items 5 and 6.

Art. 44. The Investment Intermediary shall maintain a system for keeping daily records of its balance sheet and off-balance sheet assets and liabilities, as well as of the income and expenses.

Art. 45. The Investment Intermediary shall keep for a period of five years on a magnetic data carrier all documentation and information relating to its activity, including the documentation and information relating to:

1. the journals required by this Ordinance, including the printouts under art. 33, para 4, and other reporting data;

2. the contracts concluded for own account or for the account of clients, the declarations submitted, written letters of consent and letters of authorisation or copies of letters of authorisation, copies of the identity documents of the representatives, current information about the clients, the accounts opened and the information from art. 4, para 3, the investment advice given to clients, notifications as to the risks related to securities transactions and other information under art. 9, information about conflicts of interest, the orders given, confirmations sent, other notifications, reports and payment documents for securities transactions;

3. copies of the documents related to the activity of the Investment Intermediary as a registration agent, including the application form for registration, the declaration submitted, letters of authorization or copies of letters of authorization, copies of the identity documents of the representative;

4. the advertising materials and publications under art. 5;

5. provisions regarding the internal organisation of the Investment Intermediary, client complaints and internal investigations, list of the persons working for the Investment Intermediary and the documents, proving that they conform to the legal requirements;

6. the internal and external incoming and outgoing information.

(2) The copies of the documents under para 1 shall be certified by the persons who provide them and by a person from the internal supervisory service.

(3) The Investment Intermediary shall, by request of the Commission, respectively officers from the administrative service on inspection, ensure translation by a certified translator of the documents under para 1, which have been received or issued by the Investment Intermediary in a foreign language.

(4) The Investment Intermediary shall keep the documentation and the information on a magnetic data carrier from para 1 at a place which is accessible and suitable for work and in a manner, which shall ensure their preservation on a second data carrier or their restoration in case information is lost due to technical causes.

Section II Internal Organisation

Art. 46. (1) The Investment Intermediary is obliged to establish an internal organisation, which:

1. is able to help avoiding conflicts of interest between the Investment Intermediary and its clients and between the clients themselves, and if such conflicts can not be avoided, to ensure equal and fair treatment of clients and disclosure of information when possible;

2. shall ensure that the operations in relation to each individual securities portfolio of a discretionary client be controlled by a person who exercises internal supervision with sufficient frequency in relation to the frequency and the value of the operations, but not less than once a month;

3. shall ensure compliance with the Measures Against Money Laundering Act;

4. shall ensure control over the compliance of the members of the management body, by the brokers and other persons, working for the Investment Intermediary, with the regulations for conducting business established by the Law and the provisions for its application, and for the execution of the obligations assumed to the clients;

5. ensure the timely inspection of client complaints and the opportunity to find out offenses committed, including in cooperation with the Commission.

6. shall distribute the rights, the obligations and responsibilities in relation to the activity under Art. 54, para 1 and 5 of the LPOS between the persons employed under contract by the Investment Intermediary.

(2) The internal organization is defined by the rules adopted by the management body of the Investment Intermediary.

Art. 47. (1) The Investment Intermediary shall have an internal supervisory service, which shall control the compliance with the provisions of Art. 3, para 5 and 6 and Art. 46 and perform other functions assigned to it by this Ordinance and the rules from para 4.

(2) The head of the internal supervisory service shall be elected by, report to and be relieved of his/her duties under the terms and procedures of the Investment Intermediary's rules. He/she shall have the suitable skills and experience, he/she shall not be a broker, an executive director, manager or other person managing the Investment Intermediary.

(3) The head of the internal supervisory service shall immediately notify the Commission about registered violations in the course of the activity of the Investment Intermediary, which have led or may lead to material damage to its clients or may endanger the integrity of the securities market.

(4) The organisation, the powers and the relations of the internal supervisory service with the other bodies and persons working for the Investment Intermediary shall be determined by rules, adopted by the management body of the Investment Intermediary.

Chapter Five INFORMATION DISCLOSURE

Art. 48. (1) The persons who have been granted by the Commission a license to conduct business as an Investment Intermediary shall submit to the Commission:

1. a copy of the decision of the District Court for the entry of the company in the company register, respectively for the amendment of the business purpose;
2. a list with the addresses of all premises in which the respective business will be conducted, copy of a document (a title deed, or another proof of property ownership, right of property use, rental contract) which proves rights over the premises in which the respective business will be conducted;
3. written information about the technical and software facilities necessary for conducting the business.

(2) A copy of the decision from para 1, item 1 shall be presented to the Commission within 7 days, and the documents from items 2 and 3 – within 14 days from the enforcement of the decision for entry in the company register.

Art. 49. (1) The Investment Intermediaries shall notify the Commission in case of:

1. change of the business purpose, of the name of the firm, the seat and registered office, the identification code in the BULSTAT register or of the tax administration number;
2. opening or closing of a branch office;
3. change of the means of representation;
4. amendment of the by-laws, respectively the articles of association and other internal rules of the Investment Intermediary;
5. change of the circumstances stated in other documents on the ground of which the license to conduct business as an Investment Intermediary has been granted and also in the documents from art. 48, para 1, items 2 and 3;
6. a new or changed circumstance, as a result of which the members of the management or supervisory body of other persons, entrusted with the management of the company or the persons, who directly execute the transactions, do not comply any more with the legal provisions;
7. replacement of a persons entrusted with the management of the company, or of the persons under Art. 20, para 1 and of the persons of the internal supervisory service;
8. withdrawal of the license to conduct business, as well as the imposition of other disciplinary measures, administrative penalties and other sanctions for grave violations, related to the business purpose of the company, by the Bulgarian National Bank, other state authorities, by the organised securities market or by the Central Depository on members of the management and supervisory bodies and on persons employed on contractual basis by the Investment Intermediary;
9. opening of a bankruptcy procedure;
10. adoption of a resolution to wind up the company;
11. opening of a liquidation procedure;
12. occurrence of other circumstances, which are subject to entry in the register of the Commission in accordance with a separate ordinance, respectively of changes in these circumstances.

(2) The obligation under para 1 shall be complied with by the Investment Intermediary within 7 days from:

1. the adoption of the resolution by the competent authority under para 1, item 1, 2, 3, 4, 7 and 10, and if the circumstance is subject to entry in the company register – from the date of entry;
2. the date on which the occurrence of the circumstance or the change of the circumstance under para 1, item 5, 6, 8, 9, and 11 has become known;

3. the date on which the resolution has been adopted by the competent authority under para 1, item 12, and if the circumstance is subject to entry in the company register – from the date of entry, respectively from the date on which the occurrence or the change of the circumstance has become known.

(3) After any change under para 1, item 4 the investment Intermediary shall present the complete text with the amendments as of the correspondent date under para 2, item 1.

(4) By the notification under para 1, the investment intermediaries declare that no other circumstances have occurred, including changes in circumstances which have already occurred.

(5) The Investment Intermediary shall duly pay the annual fee for the processing of the mandatory information which is submitted periodically.

Art. 50. (1) The Investment Intermediary, including the person under art. 74, para 10 of the LPOS, shall notify within 3 days the Commission about:

1. market, volume, lowest, highest and weighted average price of the buy/sell transactions from the issues under Art. 18, para 1, item 3 of the LPOS executed or registered by the Investment Intermediary during the week regardless of accomplishment of the settlement thereof;

2. the executed or registered exchange contracts by the Investment Intermediary during the week for securities from the issues under Art. 18, para 1, item 3 of the LPOS including market or appraised value of the exchangeable securities, their number and type, regardless of the accomplishment of their transfer.

(2) The Investment Intermediary including the person under Art. 74, para 10 of the LPOS, shall notify according to para 1 and the relevant regulated securities market about the transactions in listed securities concluded outside the market.

Art. 51. Not later than the 15th day of the first month of a new quarter, the Investment Intermediary shall notify the Commission about the number and the summary content of:

1. the written client complaints filed during the previous quarter, if any, as well as of the results of the investigation of the complaints;

2. court actions relating to its business activity, initiated during the previous quarter by him and against him, respectively against members of its management and supervisory bodies and against the persons employed on contract by him, as well as of the court rulings in pending cases, if any.

Art. 52. The Investment Intermediary who conducts business with securities abroad shall notify the Commission not later than the 15th day of the first month of a new quarter of the transactions and activities executed abroad during the previous quarter for its own account and for the account of the clients, about the market status, the safekeeping and the realisation of rights pertaining to the foreign securities, which the Investment Intermediary holds for its own account or for the account of its clients, or are held directly by its clients.

Art. 53. (1) The obligations for notification are discharged by submitting a filled-in form supplied by the Commission.

(2) The Investment Intermediary shall submit the information under the requirements of this chapter to the Commission on a paper and magnetic data carrier in a format prescribed by the Commission or by e-mail.

(3) The Investment Intermediary shall submit an information under requirements of this chapter to the Commission on a paper and magnetic data carrier (e-mail)

Chapter Seven

Coercive Administrative Provisions

Art. 54. (1) The person who have effected violations of the Ordinance, as well as the persons who have admitted such violations, shall be punished according to Art. 221, para 1 of the LPOS or Art. 32, para 2 of the Law on Administrative Offences and Penalties.

(2) The Acts of established violations of the Ordinance are prepared by officials authorized by the Chairman of the Commission and the Penal Decrees are issued by the Chairman of the Commission.

(3) The establishment of the violation, the issues, the appeal against the decision and the execution of the Penal Decree are effected under the Law on Administrative Offences and Penalties.

ADDITIONAL PROVISIONS

§ 1. (1) In the meaning of this Ordinance:

1. A “Foreign person” is:
 - a) legal person with head office in abroad, except for his activity in the country through registered;
 - b) company which is not a legal person and is registered abroad;
 - c) Natural person with residence abroad;
2. A “Foreign Investment Intermediary” is a foreign person who has right under his national legislation to effect transactions and activity under Art. 54, item 1 and 5 of the LPOS.
3. A “Foreign management company” is a foreign person who has right under his national legislation to effect transactions and activity under Art. 202 of the LPOS.
4. “Public statement” is a statement, contained in an article or made during an interview, discussion or made in a similar way in the mass media or during open meetings of investors.
5. “Regulated securities market” is the official market of a stock exchange and the unofficial securities market in the meaning of the LPOS.
6. “Small irregular orders” where the higher value of the total exist value of orders given by a customer for the last three months, including also the value of the currently given order and the market value of the acquired and/or transferred in their fulfillment securities, summed with the value of the currently given order does not exceed 250 leva.
7. “Persons employed under contract by the investment intermediary” are persons, to whom the management of the investment intermediary is assigned, such as procurists, as well as the persons working under employment or service contracts for an investment intermediary, which is a bank or non-banking financial institution under art. 54, paras 1 and 5 of the LPOS, whose activities include investment advice and analysis, receiving client orders for securities transactions or documents, related with the activity of the investment intermediary as a registration agent, who directly make and execute securities transactions, take responsibility for the notifications under the provisions of this ordinance, for the bookkeeping and safekeeping of documents or exercise internal supervision.
8. “Market status” of the securities includes information about:
 - a) the market value of the securities, the weighted average price of the transactions concluded during a defined period, as well as other relevant price information about the securities;
 - b) volumes and frequency of the securities transactions;
 - c) information about the demand and supply of the securities, as well as other relevant market information about the securities.
9. “Market value” of the securities traded in the country is the weighted average price of the transactions in securities – subject to order, executed on a regulated market for the nearest day of the last 30-days period, and the market value of the securities traded in countries with developed capital markets, in accordance with a list, determined by the Commission is the last for the respective period securities price on the market with the largest traded volume. The market value of debt securities with fixed income could be determined by other methods, coordinated with the Commission.
10. “Carrying out transactions in securities by way of occupation” is available when the following exists:
 - a) conclusion of transactions in securities within one year in the name of and for the account of more than three persons that are not relatives in the direct line, without limits, or in the collateral line up to the third degree, or spouse of the person who has concluded the transaction; or
 - b) direct conclusion of transactions in securities (not executed in performance of the orders given to the investment intermediary) within one year, for its own account with more than three persons that are not investment intermediaries, or persons under item 1.
11. “Broker” is an individual, who under a contract with an investment intermediary directly enters into and executes securities transactions for the investment intermediary’s own account or for the account of its clients on a regulated securities market or outside this market.
12. “Settlement” is the discharge of the obligation in relation to securities transactions for their transfer to the client account of the transferee, respectively for the delivery of materialized securities, as well as for the payment of the purchased securities.
13. Custodian is an investment intermediary who:
 - a) keeps securities and client monies with the Central Depository and/or a bank, and the dematerialized government bonds, issued by the Ministry of Finance - in registers of the Bulgarian National bank or of a prime dealer of government securities;
 - b) transfers client orders for execution of securities transactions to another investment intermediary;
 - c) performs management actions agreed with clients, related to the securities, such as receiving information and reports from their issuers, exercising of voting rights at general meetings, receiving of dividends, interest, principal.
14. “Fictitious transactions” are the transactions concluded without the parties thereto wishing such transactions to arise any legal action.

§ 2. This Ordinance is applied accordingly to the investment intermediaries activities, related to the investment bills and compensatory means of payment.

TRANSITIONAL AND CONCLUDING PROVISIONS

§ 3. This Ordinance is issued pursuant to Paragraph 16, para 1, in connection with art. 73, para 2, art. 74, para 10, art. 77 and art. 163 of the LPOS.

§ 4. The Bulgarian National Securities Commission shall issue mandatory guidance on the application of the Ordinance and shall prepare forms of written statements and other standardized documents.