

**THE COUNCIL OF MINISTERS
HEREBY DECREES:**

Single article. It adopts the Ordinance on the requirements, which must be met by natural persons who directly conduct transactions in securities and give investment advice on securities under a contract, and also the procedure for acquisition and revocation of the right to carry out such activities.

Transitional and Final Provisions

§ 1. Revocation of Decree No. 3 by the Council of Ministers of 1998 on the adoption of an Ordinance on the requirements that must be met by natural persons who directly conclude and conduct transactions in securities, and also the procedure for acquisition of the right to carry out such activities (promulgated in the Official Gazette, issue No. 8 of 1998; as amended, issue No. 26 of 1998.).

§ 2. The Ordinance on the requirements related to the activities of investment intermediaries, adopted by Decree No. 68 of the Council of Ministers of 2000 (promulgated in the Official Gazette, issue No. 37 of 2000; as supplemented, issue No. 56 of 2000) is amended as follows:

1. Art. 4 has been amended to add a new paragraph 6. Paragraph 6 shall state:
“(6) Any investment intermediary that provides investment advice within the meaning of § 1, item 17 of the Law on Public Offering of Securities or manages individual securities portfolios at its own judgment, without special instructions by the client, must conclude a contract with an investment advisor.”

2. Art. 20, par. 1, item 2 shall replace the following text: “the conditions under Art. 4, par 1, items 1-5 of the Ordinance on the requirements that must be met by natural persons who directly conclude and conduct transactions in securities, and also the procedure for acquisition and revocation of the right to carry out such activities, adopted by Decree No. 3 of the Council of Ministers of 1998 (Official Gazette, issue No. 8 of 1998)” with “the requirements under Art. 3, items 1-6 of the Ordinance on the requirements that must be met by natural persons who directly conduct transactions in securities and give investment advice on securities under a contract, and also the procedure for acquisition and revocation of the right to carry out such activities.”

3. § 1 of the Additional Provisions shall be amended to add a new Item 15. Item 15 shall state:
“15. “Investment adviser” shall be a natural person that carries out investment analyses and gives advice on securities under a contract with an investment intermediary, management company and/or an investment company.

§ 3. The Decree shall become effective as of the day on which it is promulgated in the Official Gazette, with the exception of § 2, item 1 which shall become effective as of January 1, 2002.

PRIME MINISTER: Ivan Kostov

**SECRETARY-GENERAL OF
THE COUNCIL OF MINISTERS: Eliana Maseva**

**The information is true,
FOR THE HEAD OF GOVERNMENTAL OFFICE DEPARTMENT:
SEAL
To the Ministry of Finance
Bulgarian National Securities Commission**

O R D I N A N C E

on the requirements which must be met by natural persons who directly conduct transactions in securities and give investment advice on securities under a contract, and also the procedure for acquisition and revocation of the right to carry out such activities.

Chapter one GENERAL

Art. 1. (1) This Ordinance shall set forth the requirements, which must be met by natural persons who directly conduct transactions in securities and give investment advice on securities under a contract, and also the procedure for acquisition and revocation of the right to carry out such activities.

(2) A broker is a natural person who directly concludes transactions in securities under a contract with an investment intermediary, for the investment intermediary's own account or for the account of his clients on a regulated securities market or outside of it.

(3) An investment advisor shall be a natural person who carries out investment analyses and gives advice on securities under a contract with an investment intermediary, management company and/or an investment company.

(4) A broker and an investment advisor may not carry out commercial activities simultaneously with the operations under par. 2 and 3.

Art. 2. (1) Any person who wants to acquire the right to act as a broker or an investment advisor, must pass an examination before an examination board nominated by the Bulgarian National Securities Commission.

(2) Any person who has passed the examination, shall receive a certificate of his right to act as a broker or an investment advisor.

Chapter two

ACQUISITION OF RIGHT TO ACT AS A BROKER OR INVESTMENT ADVISOR

P a r t I

Requirements which must be met by natural persons who directly conduct transactions in securities and give investment advice on securities under a contract

Art. 3. A broker or an investment advisor may be any person of legal capacity who:

- 1.** has not been sentenced for a premeditated crime of a general nature unless he is rehabilitated ;
- 2.** has not had any administrative sanctions for a gross violation or for systemic violations of the Law on Public Offering of Securities (LPOS) and its enforcement regulations for the past three years;
- 3.** has completed his secondary or higher education in Bulgaria or abroad and it is recognized under the relevant procedure – for a broker, and for an investment advisor – completed higher education in Bulgaria or abroad, recognized under the relevant procedure;

4. has a permanent residence in Bulgaria;
5. has not gone bankrupt and no bankruptcy proceedings have been initiated against him;
6. has not been on a management or supervisory body or an unlimited liability partner in a company wound up for bankruptcy if there are unsatisfied creditors;
7. has passed the examination for acquiring the right to act as a broker, or as an investment advisor respectively.

P a r t II

Procedure for examination admission for acquisition of the right to act as a broker or an investment advisor

Art. 4 (1) Any person who wants to acquire the right to act as a broker or an investment advisor, shall file an application for examination admission with the Bulgarian National Securities Commission.

(2) Attached to the application under par. 1 shall be:

1. a conviction status certificate;
2. a copy of the higher education diploma certified by a notary public;
3. a certificate of address; aliens must also have a certified copy of their permit to stay permanently in the Republic of Bulgaria, issued by the agencies for administrative control over aliens;
4. a declaration about the circumstances under Art. 3, items 2, 5 and 6;
5. a detailed curriculum vitae.

(3) The Bulgarian National Securities Commission may also require other information and documents if they are needed for the decision for examination admission.

Art. 5. (1) The Bulgarian National Securities Commission shall refuse examination admission if:

1. the applicant does not meet the requirements of Art. 3, items 1-6;
2. less than three years have passed since the decision under Art. 12, par. 1, items 1-3 became effective or less than one year – when the grounds for revocation of the right to act as a broker, or an investment advisor respectively, are under Art. 12, par. 1, item 4;
3. it discovers that the applicant has submitted false information or documents with false content.

(2) The Bulgarian National Securities Commission shall adjudicate on the application for examination admission within one month after it was filed, and in case additional information and documents were required – within seven days after they were received. The decision shall be explained in written form and may be appealed against under the terms and conditions of the Administrative Procedure Act.

(3) Applicants shall be notified in writing about the decision within 7 days.

P a r t III

Examination

Art. 6. The organization of an examination for acquiring the right to act as a broker or an investment advisor shall be done by the Bulgarian National Securities Commission.

Art. 7. (1) The Bulgarian National Securities Commission shall publish requirements relating to the range of topics for the examination, the procedure for conducting the examination, and also the assessment rules in its official bulletin at least three months prior to the date of the examination. This information may also be disclosed on the web page of the Bulgarian National Securities Commission as well as in other appropriate way.

(2) The Bulgarian National Securities Commission may set additional requirements relating to the range of topics for the examination in case of specialization in individual fields.

(3) Examinations for acquiring the right to act as a broker, or an investment advisor respectively, shall be written and anonymous.

Art. 8. (1) Examinations shall be conducted by an examination board of no less than three members. The rules of procedure and the composition of the examination board shall be established by a decision of the Bulgarian National Securities Commission.

(2) The examination board shall include persons qualified and experienced in the field of capital markets.

(3) The Bulgarian National Securities Commission shall set the dates for conducting examinations for acquiring the right to act as a broker or an investment advisor respectively.

(4) Examinations for acquiring the right to act as a broker or an investment advisor shall be conducted at least twice a year – in April and October.

(5) The Bulgarian National Securities Commission shall disclose the dates of examinations in its official bulletin as well as by putting up a notice at a specifically designated place in the building where the Bulgarian National Securities Commission is located. The latter shall be certified by a statement drawn up by officials appointed by an order of the Chairman of the Bulgarian National Securities Commission. Dates of examinations may be disclosed on the web page of the Bulgarian National Securities Commission as well as by any other appropriate way.

Art. 9. (1) The results of an examination shall be entered in a statement containing the assessment as per the assessment rules. The statement shall be signed by all members of the examination board. Marks shall be final and are not subject to review.

(2) Within 5 business days after the results under par. 1 were disclosed, any person who has failed the examination for acquiring the right to act as a broker or an investment advisor respectively, may file a request with the Bulgarian National Securities Commission to see the results after the check of his examination paper.

(3) The results after the check of the examination paper shall be seen by persons who sat for the examination– in person and in the presence of a member of the examination board and an official appointed by an order of the chairman of the Bulgarian National Securities Commission.

P a r t I V

Certificate. Register

Art. 10. (1) A certificate of the right to act as a broker or an investment advisor respectively, shall contain:

- 1.** the full name and the ID No. of the person;
- 2.** the activities which the person is entitled to carry out;
- 3.** the specialization in a given field, if any;
- 4.** a signature of the chairman of the Bulgarian National Securities Commission and a seal;
- 5.** date of issue and number of the certificate;
- 6.** regulatory grounds for issuing the certificate.

(2) A certificate shall be issued on paper as per a specimen approved by the Bulgarian National Securities Commission.

(3) A copy of the certificate shall be issued by the Bulgarian National Securities Commission at the request of an interested party if the certificate has been stolen, lost, damaged or destroyed. On receiving the copy, the person shall return the original certificate if it is available.

Art. 11. (1) The Bulgarian National Securities Commission shall keep the register under Art. 18, par. 1, item 6 of the LPOS for natural persons who directly provide investment advice and conduct transactions in securities under a contract.

(2) The register under Art. 18, par. 1, item 6 of the LPOS shall also enter persons who have acquired the right to act as a broker or an investment advisor respectively within 7 days of the issuing of the certificate.

(3) Brokers shall notify the Bulgarian National Securities Commission about the conclusion of a contract with an investment intermediary within 7 days of the conclusion.

(4) Investment advisors shall notify the Bulgarian National Securities Commission about the conclusion of a contract with an investment intermediary, management company and/or an investment company within 7 days of the conclusion.

(5) Brokers and investment advisors shall notify the Bulgarian National Securities Commission about a termination of a contract under par. 1, respectively under par. 2, within 7 days of the termination and they shall also specify the reasons for the termination.

(6) Any notification under paras. 3-5 shall be in writing and brokers and investment advisors shall attach the necessary information and certificates.

(7) The Bulgarian National Securities Commission shall enter officially brokers and investment advisors in the register under Art. 18, par. 1, item 6 of the LPOS within 3 days of a notification under par. 3 or 4.

(8) The Bulgarian National Securities Commission shall remove officially brokers and investment advisors from the register under Art. 18, par. 1, item 6 of the LPOS within 3 days of a notification under par. 5.

Chapter 3

REVOCATION OF THE RIGHT TO ACT AS A BROKER OR AN INVESTMENT ADVISOR

Art. 12. (1) The Bulgarian National Securities Commission shall revoke by a decision the right to act as a broker or an investment advisor of a person who:

1. has submitted false information or documents with false content serving as a basis for his admission to an examination;
2. commits a gross violation or violates systemically the LPOS and its enforcement regulations;
3. no longer meets the requirements relating to the activities of a broker or an investment advisor;
4. has not acted as a broker or an investment advisor for a period of over two consecutive years since the issue of the certificate and has not passed the examination under par. 3.

(2) Before making a decision to revoke the right to act as a broker or an investment advisor under par. 1, items 1-3, the Bulgarian National Securities Commission shall enable the person to submit his written explanations and objections within 3 day of the reception of the letter of the Bulgarian National Securities Commission notifying the person of an initiation of a procedure for revoking the right to carry out the said activities.

(3) Any person who has not carried out activities under Art. 1, par. 2 or 3, may sit for an examination for two consecutive years before his right to carry out activities under par.1, item 4 is revoked, on the first date set for an examination for acquiring the right to act as a broker, or an investment advisor respectively.

(4) Where the right to act has been revoked, the person may apply for acquiring the right to act as a broker or an investment advisor in no less than three years after the decision under par. 1, items 1-3 became effective and in no less than one year after the decision under par. 1, item 4 became effective.

(5) A decision under par. 1 shall be explained in writing and may be appealed against under the terms and conditions of the Administrative Procedure Act.

Art. 13. (1) Any broker or investment advisor whose right to act has been revoked, shall be removed officially from the register under Art. 18, par. 1, item 6 of the LPOS. A notification about the removal shall be published in the official bulletin of the Bulgarian National Securities Commission. The broker or the investment advisor as well as the persons under Art. 11, paras 3 and 4, with whom a contract has been concluded, shall be notified without delay about the decision.

(2) Any broker or investment advisor must return the certificate to the Bulgarian National Securities Commission within 3 days after he learned about the revocation of the right to act. Otherwise, the Bulgarian National Securities Commission shall inform the general public in an appropriate way about the revocation of the right to act.

Chapter 4

ADMINISTRATIVE AND PENAL PROVISION

Art. 14. (1) Any person who has violated the Ordinance and any person who has permitted such violations shall be punished under Art. 221, par. 1 of the LPOS or Art. 32, par. 2 of the Administrative Violations and Sanctions Act.

(2) Statements of violation shall be drawn up by officials empowered by the chairman of the Bulgarian National Securities Commission and penal orders shall be issued by the chairman of the Bulgarian National Securities Commission.

(3) Violations shall be established and penal orders shall be issued, appealed against and enforced under the terms and procedures of the Administrative Violations and Sanctions Act.

Additional provisions

§ 1. (1) Applications for examination admission under Art. 4, par. 1 must be filled out in the Bulgarian language.

(2) Documents that are required by the Ordinance and are drawn up in a language other than Bulgarian must be accompanied by an official (legalized) translation into

Bulgarian. If there is a discrepancy between the texts, the information in the Bulgarian translation shall be deemed true.

§ 2. The Bulgarian National Securities Commission may prepare specimens of declarations and other standard documents in connection with the enforcement of the Ordinance.

Final provisions

§ 3. This Ordinance shall be adopted on the grounds of § 16, par. 1 of the Transitional and final provisions in relation to Art. 61 of the LPOS.

§ 4. The Bulgarian National Securities Commission shall give instructions on the enforcement of the Ordinance.