Markets in Financial Instruments Act

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PART ONE
GENERAL PROVISIONS

Chapter One
GENERAL PROVISIONS

Subject Matter

Article 1. This Act shall regulate:

1. the licensing and operations of investment firms and regulated markets in financial instruments;

2. the provision of investment services or activities by companies from third countries through the establishment of a branch;

3. the licensing and operations of data reporting services providers;

4. the requirements to the persons managing and controlling the persons covered under items 1 and 3, as well as to the persons with qualifying holdings in the persons under item 1;

5. the state supervision to ensure compliance with this Act.

Purpose

Article 2. The purpose of this Act shall be:

1. to ensure protection of investors in financial instruments, inter alia by creating conditions to supply them with full and more appropriate information regarding the market in financial instruments;

2. to create conditions for the development of a transparent, open and efficient market in financial instruments;

3. to uphold the stability and the public confidence in the market in financial instruments.

Regulation and supervision

Article 3. (1) Regulation and supervision of the activities of the persons under Article 1 shall be carried out by the Financial Supervision Commission ("the Commission") and by the Deputy Chairperson of the Commission heading the Investment Supervision Division ("the Deputy Chairperson").

(2) The Financial Supervision Commission shall exercise the powers of the competent authority under Article 6, paragraph 4, Article 7, paragraphs 1 – 3, Article 8, paragraphs 1, 2 and 4, Article 9, Article 11, paragraphs 3 and 5, Article 14, paragraph 3, Article 15, Article 18, paragraphs 2, 3, 5 and 6, Article 19, paragraph 2, Article 20, Article 21, Article 24, paragraph 2, Article 26, paragraphs 2 and 3, Article 27, paragraph 1, Article 31, Article 36, paragraph 1, letter "g", Article 41, paragraph 1, letter "b", Article 49, paragraphs 1 and 3, Article 52, paragraph 1, letter "j", Article 56, letter "b", Article 66, letter "b", Article 73, Article 76, Article 77, Article 79, Article 80, Article 83, paragraph 1, paragraph 2, Article 84, paragraph 5, Article 89, paragraph 3,

Article 93, paragraph 6, Article 94, paragraph 3, Article 95, paragraph 2, paragraph 3, Article 97, paragraphs 2 and 3, Article 99, paragraphs 6 and 7, Article 100, first sentence, Article 101, paragraphs 1 – 3, Article 107, paragraph 4, Article 113, paragraphs 6 and 7, Article 124, paragraph 2, Articles 143 – 151, Article 152, paragraph 2, Article 154, paragraph 4, Article 157, Article 161, paragraphs 2 and 3, Article 162, paragraph 2, letters "h" and "i", Article 163, paragraph 3, Article 164, paragraph 2, Article 166, paragraph 8, letter "d", Article 170, paragraph 4, letter "c", Article 175, paragraph 5, Article 178, paragraph 2, letter "d", Article 179, Article 180, paragraphs 1 and 2, Article 181, paragraph 2, letter "c", Article 182, paragraph 2, Article 183, paragraph 1, letter "c", Article 199, paragraph 6, Article 201, paragraph 2, Article 221, Article 225, Article 243, paragraph 6, Article 244, paragraph 6, Article 259, letters "b", "c", "d", paragraph 3, paragraph 5, letter "b", Article 262, paragraphs 2 and 3, Article 263, paragraph 2, Article 264, paragraph 4, Article 282, paragraph 6, Article 283, paragraphs 1 – 3, 5, and Article 284, paragraphs 9 and 11, Article285, paragraph 1, letter "c" and paragraph 3, Article 286, paragraph 3, Article 289, paragraphs 2 and 5, Article 292, paragraphs 3 and 5, Article 293, paragraph 2, Article 294, paragraphs 2 and 3, Article 295, letter "c", Articles 311 – 314, Article 315, paragraph 3, Article 317 paragraph 4, paragraph 2, Article 323, paragraph 1, Article 325, paragraph 2, Article 327, Article 331, paragraph 1, Article 336, paragraph 4, letter "a", third indent, Article 337, paragraph 2, paragraphs 2 and 3, Article 354, paragraph 6, Article 363, Article 365, paragraph 2, Article 366, paragraphs 4 and 5, Article 367, paragraph 1, letter "b", Article 373, sub-paragraph 2, Article 376, paragraph 5, Article 377, paragraphs 1, 4 and 5, Article 380, Article 383, paragraph 4, letter "b", Article 383, paragraph 4, paragraph 1 and paragraph 5, letter "c", Article 385, Article 395, paragraph 1, paragraph 3, Article 396, paragraph 1, Article 400, paragraphs 2 and 3, Article 412, paragraph 5, Article 414, Article 415, paragraphs 5 and 6, Article 420, paragraph 2, sub-paragraph 3, Article 422, paragraph 4, sub-paragraph 2, paragraphs 8 and 9, Article 425, paragraphs 4 and 5, Article 430, paragraph 1, paragraph 3, Article 458, paragraph 1 and paragraph 2, letter "e", Article 465, paragraph 2, Article 471, paragraph 1, Article 478, paragraph 3, Article 486, paragraph 6, Article 493, paragraph 3, letter "i" and Article 495, paragraph 1, paragraphs 1 and 5 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, and amending Regulation (EU) No. 648/2012 (OJ, L 176/1 of 27 June 2013), hereinafter referred to as "Regulation (EU) No. 575/2013", in respect of investment firms or entities subject to supervision in accordance with Chapter Twenty Two.

(3) The Deputy Chairperson shall exercise the powers of the competent authority under Article 99, paragraph 1, Article 105, paragraph 5, Article 129, paragraph 7, Article 178, paragraph 1, letter "b" and paragraph 2, letter "d", Article 194, paragraphs 1, 8 and 9, Article 213, paragraph 2, Article 215, paragraph 2, letter "b", Article 223, Article 227, Article 237, Article 243, paragraphs 2 and 4, Article 244, paragraphs 2 and 4, Article 246, Article 248, Article 256, paragraph 7, Article 296, paragraph 1, paragraph 2, sub-paragraph 1, letter "b" and sub-paragraph 2, Article 298, paragraph 4, Article 322, paragraph 3, letter "b" and paragraph 6, letters "c" and "d", Article 329, paragraph 1, Article 344, paragraph 3, Article 345, paragraph 2, Article 352, paragraph 1, sub-paragraph 2 and paragraph 2, Article 356, paragraph 2, Article 358, paragraph 3, Article 361, Article 382, paragraph 2, Article 386, paragraph 1, Article 394, paragraphs 1 and 2, Article 395, paragraph 5, sub-paragraph 2, Article 398, sub-paragraph 2, Article 399, paragraph 4, Article 401, paragraph 2, sub-paragraphs 1 and 2, Article 406, paragraph 1, Article 407, Article 415, paragraphs 1 – 4, Article 416, paragraph 6, Article 417, letter "b", Article 418, paragraph 4, Article 420, paragraph 2, sub-paragraph 2, Article 423, paragraph 2, Article 427, paragraph 1, Article 428, paragraph 1, Article 430, paragraph 1, sub-paragraphs 1 and 2, Article

438, letter "b", Article 450, paragraph 1, letter "j" of Regulation (EU) No. 575/2013, in respect of investment firms.

(4) The Financial Supervision Commission shall exercise the powers of the competent authority under Articles 4, 5, 7, 9, 11, Article 14, paragraph 6, Articles 21, 24, 26, 35, 36, paragraph 4, Article 39, paragraph 3 (excluding structured deposits), Article 42 (excluding structured deposits) of Regulation (EU) No. 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No. 648/2012 (OJ, L 173/84 of 12 June 2014), hereinafter referred to as "Regulation (EU) No. 600/2014", and the Commission shall take appropriate decisions on a proposal of the Deputy Chairperson.

(5) The Deputy Chairperson shall exercise the powers of the competent authority under Article 16 of Regulation (EU) No. 600/2014.

(6) (Supplemented, SG No. 24/2018, effective 16.02.2018) The notifications under Article 15, paragraph 1, Article 18, paragraph 4, Article 26, paragraph 7, Article 27, paragraph 1, Article 35, paragraphs 2 and 3 of Regulation (EU) No. 600/2014 shall be made to the Commission.

Financial instruments

Article 4. The subject of this Act shall be the following financial instruments:

1. transferable securities;

2. money market instruments;

3. units in collective investment undertakings;

4. options, futures, swaps, forward interest-rate agreements and any other derivative contracts relating to securities, currencies (with the exception of those identified in accordance with Article 10 of the Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive (Delegated Regulation (EU) 2017/565) (OJ, L 87/1 of 31 March 2017), with interest rates or yield, with emission allowances or other derivative instruments, financial indices or financial indicators that may be physically settled or cash settlement may be effected;

5. options, futures, swaps, forward contracts, and any other derivative contracts relating to commodities for which cash settlement shall be made or cash settlement may be made at the request of one of the parties, except for in the cases of non-compliance or other grounds for termination of the contract;

6. options, futures, swaps, and any other derivative contract relating to commodities that may be physically settled when traded on a regulated market, multilateral trading facility (MTF) or an organised trading facility (OTF), except for wholesale energy products traded on OTF which must be physically settled, as determined in accordance with Article 5 of Delegated Regulation (EU) No. 2017/565;

7. options, futures, swaps, forward contracts, and any other derivative contracts relating to commodities that may be physically settled, other than those referred to in item 6, which are not intended for commercial purposes and have the characteristics of other derivative financial instruments under Article 7, paragraphs 1, 2 and 4 of Delegated Regulation (EU) No. 2017/565;

8. derivative instruments for the transfer of credit risk;

9. financial contracts for differences;

10. options, futures, swaps, forward interest-rate agreements and any other derivative contracts related to climate changes, freight rates or inflation rates or other official economic statistic indicators, for which cash settlement must be effected or for which cash settlement may be effected at the request of one of the parties (excluding the cases of non-compliance or other

grounds for termination of the contract), and any other derivative contracts relating to assets, rights, obligations, indices and indicators, other than those referred to in this article, which have the characteristics of other derivative financial instruments, depending on whether they are traded on a regulated market, an MTF or OTF, and determined in accordance with Article 7, paragraph 3 and Article 8 of Delegated Regulation (EU) No. 2017/565;

11. emission allowances, consisting of any units recognised as conforming to the requirements of Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Directive 96/61/EC (emission trading scheme) (Directive 2003/87/EC).

Exceptions

Article 5. (1) This Act shall not apply to the following persons, unless otherwise provided for herein:

1. insurers and reinsurers within the meaning of the Insurance Code and Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (OJ, L 335/1 of 17 December 2009), hereinafter referred to as "Directive 2009/138/EC" when pursuing the business under the Insurance Code and Directive 2009/138/EC;

2. persons providing investment services solely to their parent undertakings, their subsidiaries or other subsidiaries of their parent undertakings;

3. persons providing an investment service incidentally within the meaning of Article 4 of Delegated Regulation (EU) 2017/565 in the course of pursuing their professional activity and such professional activity is regulated by legal or regulatory provisions or by a code of ethics which do not prohibit the provision of such service;

4. the persons that deal on own account in financial instruments, other than commodity derivatives or emission allowances or their derivatives, and do not provide any other investment services or carry out any other financial investment activities in financial instruments which are not commodity derivatives or emission allowances or their derivatives, and this exception shall not apply where the said persons:

a) are market makers;

b) are members of or participants in a regulated market or MTF or have direct electronic access to a place of trade with the exception of non-financial entities which carry out transactions in the place of trade, which are objectively measurable as decreasing the risks associated directly with the trading activity of such non-financial entities or their groups;

c) apply high-frequency method of algorithmic trading, or

d) deal on their own account when executing clients orders;

5. the operators obliged to comply with the requirements of Directive 2003/87/EC, which when trading with emission allowances do not fulfil orders of clients and do not provide investment services or do not perform investment activities other than dealing on own account, provided that such persons do not apply high-frequency method for algorithmic trading;

6. persons providing investment services involving only administration of employee-participation schemes;

7. persons providing investment services involving only administration of employee-participation schemes and provision of investment services solely for their parent undertakings, their subsidiaries or other subsidiaries of their parent undertakings;

8. members of the European System of Central Banks (ESCB) or other national bodies performing similar functions in the Union, other public bodies charged with or intervening in the

management of public debt in the EU, as well as the international financial institutions established by two or more Member States designed to raise funds and provide financial assistance to their members when experiencing or are at risk of serious financial problems;

9. collective investment undertakings and pension funds, whether or not coordinated at European Union level, and depositaries and managers of such undertakings;

10. persons dealing on their own account, including market makers, in commodity derivatives or emission allowances or their derivatives, with the exception of the persons dealing on their account when executing client orders; or persons providing investment services other than dealing on their own account in commodity derivatives or emission allowances or their derivatives to clients or suppliers in the scope of their main business, provided that:

a) in each of these cases, individually and in aggregate, when this appears to be an ancillary activity in accordance with the criteria laid down by Commission Delegated Regulation (EU) 2017/592 of 1 December 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards for the criteria to establish when an activity is considered to be ancillary to the main business, hereinafter referred to as "Delegated Regulation (EU) 2017/592" (OJ, L 87/492 of 31 March 2017), to their main business, when considered on a group level, and provided that their main business is not the provision of investment services within the meaning of this Act and Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (OJ, L 173/349 of 12 June 2014), hereinafter referred to as "Directive 2014/65/EU", or an activity under Article 2 of the Credit Institutions Act or banking activity under Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OB, L 176/338 of 27 June 2013), hereinafter referred to as "Directive 2013/36/EU", or functioning as a market maker in relation of commodity derivatives;

b) such persons do not apply high-frequency method of algorithmic trading, and

c) such persons notify annually the Commission under paragraphs 7 – 9 that they shall exercise the exemption;

11. persons providing investment advice in the course of the performance of another professional activity not covered by this Act, provided that they do not receive separate remuneration for the provision of such advice;

12. the transmission system operators as defined in Article 2, item 4 of Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC (OJ, L 211/55 of 14 August 2009), hereinafter referred to as "the directive 2009/72/EC" or item 4 of Article 2 of Directive 2009/73/EC of the European Parliament and of the Council of July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC (OJ, L 211/94 of 14 August 2009), hereinafter referred to as "Directive 2009/73/EC" when performing their duties as laid down in those directives or in Regulation (EC) No. 714/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the network for cross-border exchanges in electricity and repealing Regulation (EC) No. 1228/2003 (OJ, L 211/15 of 14 August 2009), hereinafter referred to as "Regulation (EC) No. 714/2009", pursuant to Regulation (EC) No. 715/2009 of the European Parliament and of the Council of 13 July 2009 on the conditions for access to the natural gas transmission networks and repealing Regulation (EC) No. 1775/2005 (OJ, L 211/36 of 14 August 2009), hereinafter referred to as "Regulation (EC) No. 715/2009", or according to codes or guidelines adopted pursuant to those regulations,

persons acting as service providers on their behalf for the performance of their tasks in accordance with these legislative acts or codes or guidelines adopted pursuant to those regulations, as well as operators or administrators of a mechanism for energy balancing, pipeline network or system for maintenance of the balance of supplies and energy consumption when performing such tasks – in the cases where the said persons for the purposes of the business pursued thereby carry out investment activities or provide investment services relating to commodity derivatives;

13. central securities depositories within the meaning of Regulation (EU) No. 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No. 236/2012 (OJ, L 257/1 of 28 August 2014), hereinafter referred to as "Regulation (EU) No. 909/2014", except in the cases referred to in paragraph 3.

(2) The exemption under paragraph 1, item 12 shall not apply to the operation of a secondary market, including a platform for secondary trading in financial transmission rights.

(3) In the cases where a central securities depository under paragraph 1, item 13 provides one or more investment services or performs one or more investment activities under Article 6 in addition to the activities referred to in Section A and Section B of the Annex to Regulation (EU) No. 909/2014, the requirements of Regulation (EU) No. 600/2014 and of this Act shall apply, with the exception of Chapter Two and Chapter Three.

(4) The rights conferred hereunder shall not cover the provision of services as a counterparty to transactions with government bodies managing the public debt or by ESCB members in carrying out their tasks as provided for in the Treaty on the Functioning of the European Union (TFEU) and in Protocol No 4 concerning the Statute of the ESCB and the European Central Bank, or in carrying out equivalent functions under national provisions.

(5) The persons referred to in paragraph 1, items 1, 9 and 10 shall qualify for exemption under paragraph 1, without the need to meet the conditions of paragraph 1, item 4.

(6) The provisions of Articles 102 – 108 shall also apply to the persons referred to in paragraph 1, items 1, 5, 9 and 10, where they are members of or participants in a regulated market or MTF.

(7) The persons referred to in paragraph 1, item 10 shall notify the Commission that they will benefit from the exemption under paragraph 1, item 10 on occurrence of grounds therefor and not later than 1 November of the preceding calendar year.

(8) Within two months of submission of the notification referred to in paragraph 7, the Deputy Chairperson shall have the right to require from the persons referred to in paragraph 1, item 10 additional information containing justification of the reasons for which they consider that the activity under paragraph 1, item 10 is ancillary to their main business. If necessary, the Deputy Chairperson shall send a message and set a time limit for the submission of additional information, which may not be less than one month.

(9) The Financial Supervision Commission, on a proposal by the Deputy Chairperson, shall consider whether a ground for the application of the exemption under paragraph 1, item 10 exists in respect of the person, applying the criteria under Delegated Regulation (EU) No. 2017/592, and shall notify the person in writing of its decision within two months of receipt of the notification under paragraph 7 or of receipt of the additional information, or of expiry of the period under paragraph 8, second sentence, as the case may be.

(10) The provisions of Articles 192 – 204 shall also apply to the persons referred to in paragraph 1.

PART TWO
MARKET PARTICIPANTS

TITLE ONE
INVESTMENT FIRMS

Chapter Two
CONDITIONS FOR CONDUCT OF BUSINESS

Section I
General provisions

Investment services and activities

Article 6. (1) An investment firm shall be a person which provides one or more investment services and/or performs one or more investment activities as a regular occupation or business activity.

(2) Investment services and activities shall be:

1. accepting and forwarding instructions in relation to one or more financial instrument;
2. execution of orders on behalf of clients;
3. dealing in financial instruments on own account;
4. portfolio management;
5. investment advices;
6. underwriting of issues of financial instruments and/or offering financial instruments on the basis of an unconditional and irrevocable commitment to subscribe/acquire the financial instruments on own account;
7. offering financial instruments for initial sale without an unconditional and irrevocable commitment to acquire the financial instruments on own account (placement of financial instruments);
8. operation of MTF;
9. operation of OTF.

(3) The investment firm may also provide the following additional services:

1. keeping and administration of financial instruments for the account of clients, including custodian activity and related services such as cash management and collateral management, with the exception of the centralised keeping of securities accounts under Section A, item 2 of the annex to Regulation (EU) No. 909/2014;
2. granting loans to investors to effect transactions in one or more financial instruments, provided that the person granting the loan is involved in the transaction;
3. advice to undertakings on their capital structure, industry strategy and related matters, as well as advice and services relating to mergers and acquisitions of enterprises;
4. provision of foreign exchange services, insofar as they are connected with the investment services provided;
5. investment research and financial analysis or other forms of general recommendations relating to transactions in financial instruments;

6. services relating to underwriting of issues of financial instruments;

7. investment services and activities under paragraph 2 and items 1 – 6 in connection with the underlying instruments of derivative financial instruments under Article 4, items 5, 6, 7 and 10, when relating to the provision of investment and additional services.

Investment firms

Article 7. (1) Investment services may be provided and investment activities may be performed as a regular occupation or business solely by a joint-stock company or a limited liability company which has its seat and registered office on the territory of the Republic of Bulgaria, has obtained licence for conduct of business in an investment-firm capacity under the terms and according to the procedure established herein, unless otherwise provided for by a law or regulation.

(2) Any investment firm shall issue solely dematerialised shares entitling their holder to a single vote. Should the investment firm be a limited liability company, the voting power of each partner shall be proportionate to the participating interest held thereby in the capital.

(3) Provision of investment services and performance of investment activities as a regular occupation or business may also be carried out by investment firms based in other countries, under the terms and procedure of Articles 45, 46 and 49.

Banks acting as investment firms

Article 8. The provision of one or more investment services and the performance of one or more investment activities as a regular occupation or business may also be carried out by a bank, which has obtained licence for the provision of such services and the performance of such activities from the Bulgarian National Bank.

Restrictions related to the subject of activity

Article 9. (1) Investment firms, with the exception of banks acting as investment firms, may not effect any other commercial transactions as a regular occupation or business, with the exception of the cases set out by law.

(2) Investment firms entitled to perform investment activities pursuant to Article 6, paragraph 2, item 3, may offer directly on their own account, and investment firms entitled to perform investment services pursuant to Article 6, paragraph 2, item 2 may offer on account of clients in two-day spot auctions under the terms and following the procedure of Commission Regulation (EU) No. 1031/2010 of 12 November 2010 on the timing, administration and other aspects of auctioning of greenhouse gas emission allowances pursuant to Directive 2003/87/EC of the European Parliament and of the Council establishing a scheme for greenhouse gas emission allowances trading within the Community (OJ L 302/1 of 18 November 2010), hereinafter referred to as "Regulation (EU) No. 1031/2010", upon authorisation from the Commission issued under Article 24.

(3) Investment firms that have obtained authorisation under Article 24 shall perform the activities referred to in paragraph 2 in compliance with the requirements of Regulation (EU) No. 1031/2010.

(4) Investment firms which provide investment services and perform investment activities under Article 6, paragraph 2, items 3 and 6 may furthermore effect foreign exchange transactions if they have obtained a licence under the terms and according to the procedure established by effective legislation.

(5) Investment firms under Article 10, paragraph 1 shall have the right to operate as trustees of bondholders under the Public Offering of Securities Act.

Section II

Requirements to the capital of an investment firm

Initial Capital

Article 10. (1) Investment firms, except for those under paragraphs 2, 3, 5 and 6, shall have initial capital of no less than BGN 1,500,000. Investment firms whose licence covers pursuit of the activity under Article 6, paragraph 2, items 8 and 9, shall have initial capital of no less than BGN 1,500, 000.

(2) An investment firm which does not perform any of the activities referred to in Article 6, paragraph 2, items 3, 6, 8 and 9 but holds money or financial instruments of clients and which offers one or more of the services under Article 6, paragraph 2, items 1, 2 or 4, shall have initial capital of no less than BGN 250,000.

(3) An investment firm whose licence does not cover the holding of money or financial instruments of clients and which does not provide the investment services and the activities under Article 6, paragraph 2, items 3, 6, 8 and 9 shall have initial capital of no less than BGN 100,000.

(4) For the purposes of paragraphs 2 and 3, maintaining positions in financial instruments outside the trading book for the purpose of investing own funds shall not be deemed activity under Article 6, paragraph 2, item 3.

(5) An investment firm which is not licensed to provide ancillary services under Article 6, paragraph 3, item 1 and which provides only one or more of the investment services under Article 6, paragraph 2, items 1, 2, 4 and/or 5 and which is not authorised to hold money or financial instruments of clients and for which no obligations to clients may arise for that reason, shall meet one of the following requirements:

1. shall have initial capital of no less than BGN 100,000;

2. shall have Professional Liability insurance valid across the European Union or another commensurate guarantee which covers the damages that may occur as a result of guilty default on its obligations relating to its activity as investment firm; the minimum insurance amount of the insurance shall amount to the lev equivalent of EUR 1,000,000 for each insurance claim and the lev equivalent of EUR 1,500,000, for all insurance claims per year;

3. a combination of the requirements under items 1 and 2 shall be in place so as to ensure a coverage level equivalent to that under items 1 or 2.

(6) Investment firms willing to perform activities under Article 9, paragraph 2 on behalf of clients shall have initial capital of no less than BGN 1,000,000.

(7) Local companies within the meaning of Article 4, paragraph 1, item 4 of Regulation (EU) No. 575/2013, which for the activity pursued thereby want to be licensed under this Act and benefit from the rights under Article 20, paragraph 2 must have an initial capital of no less than BGN 100,000.

(8) The initial capital of investment firms, except for those referred to in paragraphs 5 and 7, shall be comprised of one or more elements listed in Article 26, paragraph 1, letters "a" – "e" of Regulation (EU) No. 575/2013.

Capital adequacy and liquidity

Article 11. (1) An investment firm shall have its own funds, which shall be adequate to the inherent risks assumed thereby, to be determined in accordance with the requirements of this Act, Regulation (EU) No. 575/2013 and the statutory instruments for their application.

(2) The investment firm licensed to provide investment services under Article 6, paragraph 2, items 3 and 6 shall meet the liquidity requirements hereunder, Regulation (EU) No. 575/2013 and the statutory instruments for their application.

(3) With the authorisation of the Commission at the proposal of the Deputy Chairperson:

1. an investment firm not performing any of the investment services and activities under Article 6, paragraph 2, items 3 and 6 and executing orders of clients involving financial instruments, may hold financial instruments on its own account;

2. an investment firm may set a different ratio of fixed to variable components of remunerations from that referred to in Article 65, paragraph 3;

(4) By a decision of the Commission, on a proposal by the Deputy Chairperson, investment firms may be exempt from one or more of their obligations for maintenance of capital buffers.

(5) The terms and procedure for the granting of authorisation under paragraph 3 and of decision under paragraph 4, and the terms and procedure for the granting of the permissions and approvals under Regulation (EU) No. 575/2013 shall be laid down in an ordinance.

(6) An investment firm which is authorised to pursue business under Article 9, paragraph 2 on account of clients, shall maintain at any time after the granting of the authorisation own funds at least equal to the amount referred to in Article 10, paragraph 6.

(7) Other requirements to investment firms related to their capital, capital adequacy and liquidity, types of liquidity buffers to be maintained, the terms and procedures for their formation and update, and for waiver from the obligation for maintaining capital buffers, the terms and procedures for their waiver from the liquidity requirements, for reporting and disclosure of information by investment firms and supervision over compliance with such requirements are laid down in an ordinance and Regulation (EU) No. 575/2013. The ordinance may also define the financial instruments that investment firms may hold for own account in the cases of performing investment services under Article 6, paragraph 2, item 2.

Section III
Management of the investment firm

Management. Representative Authority

Article 12. An investment firm shall be managed and represented jointly by at least two persons meeting the requirements covered under Articles 13 and 14. The said persons may not delegate the overall management and representation of the investment firm to one of them, but may authorise third parties to perform specific acts.

Requirements for good reputation, professional qualifications and experience

Article 13. (1) The members of the management and supervisory bodies of the investment firm shall be persons with good reputation, with the required knowledge and skills, with various qualifications and professional experience corresponding to the specifics of the activities performed by the investment firm and the major risks to which it is or may be exposed. They shall comply with the requirements of this Article, as well as of Article 14.

(2) Any person who is a member of the management or supervisory body of any investment firm or manages its business shall have higher education.

(3) Any of the persons referred to in paragraph 1 shall meet the following minimum requirements for professional experience:

1. three years in non-banking financial sector or in banks, provided that his responsibilities were connected with the main business of such companies, or

2. three years in government institutions or other public legal entities whose main functions include management and control of national or international public financial assets or management, control and investment of cash in funds established by a statutory instrument, or

3. three years in a regulatory body of the banking and/or non-banking financial sector, or

4. five years on a position with management functions in the financial management of an undertaking from the non-financial sector, during which period the managed assets exceed BGN 1,500,000, or

5. a total of two years at an entity under items 1, 2 and 3, and three years at an entity under paragraph 4, or

6. a total of one year at an entity under items 1, 2 and 3, and four years at an entity under item 4, or

7. a total of three years at an entity under items 1, 2 and 3, and two years at an entity under item 4.

(4) A person who is a member of a management or supervisory body of an investment firm or manages its business shall meet the following conditions:

1. has no conviction for a premeditated offence at public law;

2. not have been a member of a management or supervisory body or a general partner of unlimited liability in a company undergoing bankruptcy proceedings or a company dissolved by bankruptcy if unsatisfied creditors have remained;

3. has not been declared in bankruptcy or is not undergoing bankruptcy proceedings;

4. has not been deprived of the right to hold office of material liability or to carry out professional activity;

5. in the last two years preceding the act of the relevant competent body has held no previous membership of a management or supervisory body in a company whose licence has been withdrawn for conduct of activity subject to licensing by the Commission or by the Bulgarian National Bank or by a relevant body of another country, except in the cases where the licence has been withdrawn at the request of the company, as well as where the act of withdrawal of the licence granted has been duly repealed;

6. no effective administrative penalties have been imposed on him in the last preceding five years for gross or repeated violation of this Act, the Public Offering of Securities Act, the Special Purpose Investment Companies Act, the Collective Investment Schemes and Other Undertakings for Collective Investments Act, the repealed Measures against Market Abuse with Financial Instruments Act, the Measures against Market Abuse with Financial Instruments Act, the Credit Institutions Act, the Insurance Code, the Social Insurance Code, Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC (OJ, L 173/1 of 12 June 2014) (Regulation (EU) No. 596/2014), Regulation (EU) No. 575/2013, Regulation (EU) No. 600/2014 or the statutory instruments for their application, or of the relevant legislation of another country;

7. not has been dismissed from a management or supervisory body of a company under this Act, the Public Offering of Securities Act, the Collective Investment Schemes and Other Undertakings for Collective Investments Act, the Credit Institutions Act, the Insurance Code, the Social Insurance Code, the Special Purpose Investment Companies Act or the relevant legislation of another country on the basis of the enforcement administrative measure imposed, except where the act has been duly repealed.

(5) A person who is a member of a management or supervisory body of the investment firm or manages its business may not be a spouse or relative of direct or collateral descent up to the third degree inclusive, or by marriage up to the third degree to any member of a management or control body of the company, or be in actual spousal cohabitation with such a member.

(6) The requirements under paragraphs 1 – 5 shall furthermore apply to natural persons

who represent legal entities – members of the management and supervisory bodies of the investment firm.

(7) The requirements under paragraphs 1 – 5 shall furthermore apply to any other persons who are authorised to conclude transactions independently or jointly with another person on the account of the investment firm.

Restrictions on participation in the management of other persons

Article 14. (1) Members of the management and supervisory bodies of the investment firm may also be persons who participate in the management of other legal entities, provided this shall not prevent the effective performance of their duties in the management of the investment firm, depending on the nature, scale and complexity of his activity and subject to compliance with the conditions and restrictions under paragraphs 2 – 5.

(2) A member of the management or supervisory body of a major investment firm may hold at the same time not more than one of the following combinations of positions:

1. one position of executive member or procurator, or governor and two positions of a member of the management body without executive functions and/or of supervisory body, or

2. four position of a member of a management body without executive functions and/or supervisory body.

(3) Within the meaning of paragraph 2 one position shall be assumed to mean:

1. director positions with executive or non-executive functions within the same group within the meaning of § 1, item 13 of the additional provisions of the Supplementary Supervision of Financial Conglomerates Act;

2. director positions with executive or non-executive functions within:

a) institutions which are members of the same institutional protection mechanism, if the conditions provided for in Article 113, paragraph 7 of Regulation (EU) No. 575/2013 are met, or

b) companies (including non-financial entities), in which an investment firm holds a qualifying holding.

(4) For the purposes of paragraphs 1 – 3, membership in management and supervisory bodies of non-profit legal persons shall not be taken into account.

(5) A member of a management or supervisory body of a major investment firm may hold up to one additional non-executive position in addition to the permitted ones under paragraphs 1 – 4, provided that this does not hinder the effective and prudent management of the investment firm and subject to the Commission's permission.

(6) For issuing the authorisation referred to in paragraph 5 an application shall be submitted to the Commission with the attached details and documents thereto, certifying compliance with the requirements set. The Financial Supervision Commission, at the proposal of the Deputy Chairperson, shall act on the application under the procedure of Article 15, paragraphs 3 – 5.

(7) The authorisation under paragraph 5 may also be given in the proceedings for the licence granting or extending the existing licence.

(8) The Financial Supervision Commission shall inform the European Securities and Markets Authority (ESMA) of the permissions granted under paragraph 5.

Approval of the members of management and supervisory bodies

Article 15. (1) The members of the management and the supervisory bodies of the investment firm, as well as the persons managing its operations shall be subject to approval by the Commission before their entry into the commercial register, and the natural persons who represent legal entities which are members of the management or supervisory body of an investment firm shall be subject to approval by the Commission before their determination as representatives of the legal entities which are members of the management or supervisory body

of the investment firm.

(2) For the purposes of issuing the approval under paragraph 1, the investment firm shall submit an application to the Commission with the attached details and documents thereto, certifying compliance with the requirements laid down for such persons, in accordance with Delegated Regulation (EU) 2017/1943 of 14 July 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards on information and requirements for the authorisation of investment firms (OJ, L 276/4 of 26 October 2017), hereinafter referred to as "Delegated Regulation (EU) No. 2017/1943", Commission Implementing Regulation (EU) 2017/1945 of 19 June 2017 laying down implementing technical standards with regard to notifications by and to applicant and authorised investment firms according to Directive 2014/65/EU of the European Parliament and of the Council (OJ, L 276/22, 26 October 2017), hereinafter referred to as "Implementing Regulation (EU) 2017/1945", and an ordinance.

(3) If the details and documents submitted are incomplete or additional information or evidence is necessary, the Deputy Chairperson shall send a communication to the investment firm and shall set a time limit for removal of the deficiencies and non-conformities established or for provision of additional information and documents, which shall not be shorter than one month.

(4) When the communication under paragraph 3 is not received at the correspondence address specified by the applicant, the time limit for their submission shall be effective from posting the communication at a specially designated place in the Commission’s building or from its publication on the website of the Commission. These circumstances shall be certified by means of a statement drawn up by officials assigned by order of the Chairperson of the Commission.

(5) The Financial Supervision Commission, at the proposal of the Deputy Chairperson, shall deliver its decision within 15 days of the filing of the application, and when additional information and documents were requested, within 15 days of their receipt or of the expiry of the time limit referred to in paragraph 3 respectively.

(6) For the purposes of delivery of a decision under paragraph 5, the Deputy Chairperson shall also make enquiries in the databases of administrative sanctions, maintained by the European Banking Authority (EBA) and by ESMA.

(7) The Commission shall refuse to grant approval if any of the persons under paragraph 1 does not meet the requirements of this Act or if with his/her/its activities or influence on decision-making he/she/it may jeopardise the security of the investment firm or its operations, or jeopardise the interests of his/her/its clients or the integrity of the market.

Qualifying holding in an investment firm

Article 16. A person having a qualified holding in an investment firm shall have good reputation, professional experience and financial stability corresponding to the amount of its qualified holding and subject to compliance with the other requirements set forth in this Act.

Section IV
Granting an authorisation to an investment firm

Requirement for authorisation. Documents for granting an authorisation

Article 17. (1) For the performance of services and activities under Article 6, paragraphs 2 and 3 as a regular occupation or business by persons other than banks an authorisation shall be granted by the Commission.

(2) For the granting of the authorisation under paragraph 1 an application shall be

submitted to the Commission, attaching details and documents as set out in Delegated Regulation (EU) No. 2017/1943, Implementing Regulation (EU) 2017/1945 and an ordinance.

(3) Where an investment firm wishes to perform services and activities under Article 6, paragraphs 2 and 3 which are not covered by its authorisation, the investment firm shall submit an application to the Commission for extension of the scope of its authorisation, attaching the documents under paragraph 2.

(4) No less than 25 per cent of the capital under Article 10, paragraphs 1 – 7 shall be paid in upon filing the application for obtaining an authorisation and the remaining amount shall be paid in within 14 days from receipt of a written notification under Article 18, paragraph 10.

Ruling on the application form

Article 18. (1) The Deputy Chairperson shall deliver a decision on the completeness of the application within 15 working days of receipt thereof.

(2) Where the application and the attached details and documents thereto are complete, within the time limit referred to in paragraph 1 the Deputy Chairperson shall send the applicant a written confirmation that the application filed thereby is complete.

(3) Where not all necessary details and documents are attached to the application, within the time limit referred to in paragraph 1, the Deputy Chairperson shall notify the applicant in writing that the application filed thereby is incomplete, shall indicate the details and documents to be produced and the time limit for their submission, and this period may not be shorter than 20 working days and longer than 30 working days and may not be extended further.

(4) Where, within the time limit fixed by the Deputy Chairperson under paragraph 3, the applicant provides all additionally required details and/or documents, the Deputy Chairperson shall send the applicant a written confirmation that the application filed thereby is complete, within 10 working days of the submission of the details and documents referred to in paragraph 3.

(5) Where, within the time limit fixed by the Deputy Chairperson under paragraph 3, the applicant does not submit any additionally required details and/or documents, the application proceedings shall be terminated by a decision of the Commission at the proposal of the Deputy Chairperson.

(6) The Financial Supervision Commission, at the proposal of the Deputy Chairperson, shall examine and rule on the merits within 6 months of submission of the complete application. If the details and documents submitted are incomplete, incorrect, non-compliant with statutory requirements or additional information or evidence of their authenticity is required, the Commission shall send a communication to the applicant of the deficiencies and non-conformities established or the additional information and documents required within three months of confirmation of the completeness of the application under paragraph 2 or paragraph 4 respectively. The applicant shall submit to the Commission the additional details, information and documents within a period fixed by the Commission, which may not be less than one month and longer than two months, and this period may not be extended further.

(7) The Financial Supervision Commission shall take a decision to grant the authorisation for the pursuit of business as an investment firm or for extension of the scope of the licence respectively, only if it determines that the applicant meets the requirements of this Act, the acts for its application and requirements applicable to the activities of investment firms under EU law.

(8) In the cases under Article 262, paragraphs 1 and 2, the Commission shall request the opinion of the relevant competent authority. In this case, the Commission shall take a decision after receiving the opinion of the competent authority, but not later than 6 months from the submission of the complete application.

(9) The Financial Supervision Commission shall take a decision on the application by

deciding on whether to grant an authorisation for the pursuit of business as an investment firm within:

1. three months from the confirmation of the completeness of the application provided for in paragraph 2 or under paragraph 4 in the event that no additional details, information and documents under paragraph 6 have been requested;

2. one month of the submission of additional data, information and documents under paragraph 6 or from the expiry of the time limit for their submission.

(10) If the Commission has decided to grant an authorisation, it shall notify in writing the applicant that for the granting of the authorisation or for the extension of the scope thereof, within 14 days of receipt of the notification, the applicant shall certify to the Commission that:

1. the entry contribution has been paid to the Investor Compensation Fund;

2. the capital required under Article 10 herein has been fully paid in.

(11) Article 7 of the Act Restricting Administrative Regulation and Administrative Control over Economic Activity shall not apply in the cases referred to in Paragraph 6.

Granting of the authorisation. Notification

Article 19. (1) The Financial Supervision Commission, at the proposal of the Deputy Chairperson, shall grant the authorisation or extend the scope of the authorisation and shall inform the applicant thereof within 14 days of receipt of the documents certifying the conformity with the requirements under Article 18, paragraph 10.

(2) An investment firm shall at all times comply with the conditions under which the authorisation under paragraph 1 was granted.

(3) The investment firm shall immediately inform the Commission of material changes in the conditions under which the authorisation under paragraph 1 was granted.

Scope of the authorisation

Article 20. (1) The authorisation under Article 19 shall specify in detail the investment services and investment activities which the investment firm is authorized to perform. The authorisation may include the right to perform one or more of the additional services under Article 6, paragraph 3. No authorisation may be granted only for the provision of additional services under Article 6, paragraph 3.

(2) The authorisation under Article 19 gives the right to perform the services and activities under Article 6, paragraphs 2 and 3 within the European Union through the establishment of a branch or under the freedom to provide services.

Notification of the European Securities and Markets Authority

Article 21. The Financial Supervision Commission shall notify the ESMA of the authorisation granted to an investment firm.

Grounds for refusal

Article 22. (1) The Financial Supervision Commission may refuse to grant authorisation or to extend the scope of the granted authorisation where:

1. the capital of the applicant does not meet the requirements under Articles 10 and 11;

2. any of the persons under Article 12 and Article 13, paragraphs 1 and 6 has not a sufficiently good reputation, does not possess sufficient knowledge, skills and experience or cannot allocate enough time for the performance of his/her duties in the investment firm, does not meet other requirements of the law or if it can be reasonably assumed that the person will endanger the effective, sound and prudent management of the investment firm, the interests of its clients or the integrity of the market;

3. a person holding, directly or indirectly, a qualifying holding in the applicant company does not have a sufficiently good reputation, professional experience or financial standing

corresponding to his/her qualifying holding, or with his/her activities or influence on decision-making could harm the security of the investment firm or of its operations;

4. the applicant has submitted false data or documents with untrue or misleading content;

5. the entry contribution to the Investor Compensation Fund has not been paid in;

6. close links exist between the applicant and other persons which might cause serious difficulties in the exercise of effective supervision of the investment firm;

7. the laws, regulations or administrative provisions of a third country governing the activity of a person closely linked with the applicant, or difficulties involved in their enforcement, prevent the effective exercise of the supervisory functions of the Commission or its Deputy Chairperson, as the case may be;

8. the programme for the operations or other documents of the applicant reveal that the main part of the activity will be performed on the territory of another Member State and the application for granting authorisation by the Commission aims to evade the stricter requirements for investment firms in said Member State on whose territory the applicant intends to conduct business;

9. the content of the programme for the operations is unclear and/or contradicts the contents of other documents in the proceedings, in view of which the business model to be applied by the investment firm cannot be identified;

10. in its opinion, the amount of the property owned by the persons who/which have subscribed 10 and over 10 per cent of the capital, and/or their operations in their scale and financial results do not correspond to the requested shareholding in the applicant and raise doubts about the reliability and capability of these persons to provide capital support to the applicant;

11. the origin of the funds used by the persons who/which have subscribed 10 and over 10 per cent of the capital is not clear or is not legal;

12. the beneficial owners of a shareholder with a qualifying holding cannot be identified;

13. appropriate premises and/or the required technical equipment for the pursuit of the business have not been procured;

14. the applicant does not comply with the requirements of the Act, the instruments for its implementation, and with other legislation or regulations applicable to the activities of investment firms;

15. the general terms and conditions or rules of internal organisation do not provide sufficiently the interests of the investors.

(2) In the cases under paragraph 1, items 1, 9, 14 and 15, the Commission may refuse to grant an authorisation only if the applicant has not removed the irregularities or has not submitted the required documents within the time limit set.

(3) A refusal by the Commission to issue an authorisation shall be justified in writing.

Subsequent filing of an application

Article 23. In the cases of refusal the applicant may submit a new application for granting of authorisation for performance of the services and activities under Article 6, paragraphs 2 and 3 no earlier than six months after the entry into effect of the decision on the refusal.

Authorisation to carry out activities under Regulation (EU) No. 1031/2010

Article 24. (1) Where an investment firm wishes to perform the activities referred to in Article 9, paragraph 2, it shall file an application to the Commission and shall attach to it the documents referred to in Article 17, paragraph 2, as well as other documents set out in an ordinance.

(2) Based on the documents submitted, the Deputy Chairperson shall determine whether the requirements for granting the authorisation have been satisfied. If the data and documents

submitted are incomplete, incorrect, non-compliant or additional information or evidence of their authenticity is necessary, the Commission shall send a communication thereof and shall set a time limit for removal of the deficiencies and non-conformities established or for provision of additional information and documents, which shall not be shorter than one month and shall not exceed two months.

(3) If the communication under paragraph 3 is not accepted at the correspondence address specified by the applicant, the time limit for their submission shall be effective from posting the communication at a special place in the premises of the Commission or from its publication on the website of the Commission. The latter circumstances shall be ascertained by a protocol drawn up by officials appointed by an order of the Deputy Chairperson.

(4) The Financial Supervision Commission, at the proposal of the Deputy Chairperson, shall issue a decision on the application within one month from receipt thereof, and where additional details and documents have been demanded, within one months from receipt thereof or expiry of the term under paragraph 3, second sentence, respectively.

(5) The applicant shall be notified in writing of the decision taken within 7 days.

(6) The application under paragraph 1 may be made together with the application referred to in Article 17, paragraph 2 or 3; in such a case the Commission shall issue separate decisions on each of the applications within the time limits under Articles 18 and 19.

(7) The Financial Supervision Commission shall refuse to grant authorisation under Article 9, paragraph 2 in the cases under Article 22, paragraph 1, items 1, 4, 8 and 14, or if the applicant does not comply with the relevant requirements of Regulation (EU) No. 1031/2010. Article 22, paragraphs 2 and 3 herein shall apply mutatis mutandis.

Restrictions on use of the name "investment firm"

Article 25. (1) A person which does not hold an authorisation for performance of the services and activities under Article 6, paragraphs 2 and 3 herein may not include in the business name thereof or use in advertising or for any other purpose words in Bulgarian or in another language denoting performance of activities as investment firm.

(2) No authorisation for the pursuit of the business of investment firm shall be granted to an applicant whose name is similar to the name of an existing investment firm in Bulgaria.

(3) On finding violations of the paragraph 1, the Deputy Chairperson may apply the measure under Article 276, paragraph 1, item 1 and/or the Commission, at the proposal of the Deputy Chairperson, may apply a measure under Article 276, paragraph 1, item 3.

Entry into the commercial register

Article 26. (1) A person authorised to perform services and activities under Article 6, paragraphs 2 and 3, shall submit an application for entry in the Commercial Register at the Registry Agency within 7 days of receipt of the authorisation.

(2) The Registry Agency shall enter in the commercial register the company or the right to perform the services and activities under Article 6, paragraphs 2 and 3 in its subject of activity, as the case may be, after it is presented with the authorisation granted by the Commission.

Section V
Revocation of a licence or authorisation of an investment firm

Grounds for revocation of an authorisation of an investment firm

Article 27. (1) The Financial Supervision Commission, at the proposal of the Deputy

Chairperson, may revoke the authorisation granted, where the investment firm:

1. does not commence performing the authorised services and activities under Article 6, paragraph 2 within 12 months from the granting of the authorisation;

2. expressly waives the authorisation granted;

3. has not performed any of the authorised services and activities under Article 6, paragraph 2 more than six months;

4. has provided false details which served as a ground for granting the authorisation or has used any other irregular means therefor;

5. no longer meets the conditions under which the authorisation was granted;

6. the financial condition of the person is sustainably impaired and it cannot perform its obligations;

7. ceases to meet the requirements for capital adequacy or liquidity set out herein, in Regulation (EU) No. 575/2013 and the instruments for the implementation thereof;

8. and/or persons under Article 12 or 13 have committed and/or have caused commitment of infringement of Article 32, paragraphs 1 and 2 of the Financial Supervision Commission Act or under Articles 14 and 15 of Regulation (EU) No. 596/2014;

9. and/or persons under Article 12 or 13 have committed and/or have caused the commitment of gross or systematic violations of this Act, the Public Offering of Securities Act, the Measures Against Market Abuse with Financial Instruments Act, the Special Purpose Investment Companies Act, the Collective Investment Schemes and Other Undertakings for Collective Investments Act, Regulation (EU) No. 596/2014, Regulation (EU) No. 600/2014, Regulation (EU) No. 575/2013, Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No. 648/2012 (OJ, L 337/1 of 23 December 2015), hereinafter referred to as "Regulation (EU) 2015/2365" and the statutory instruments for its application;

10. has not fulfilled an enforcement measure applied under this Act or in the cases under Article 77n, paragraph 1 of the Public Offering of Securities Act, the Implementation of the Measures against Market Abuse with Financial Instruments Act and the Recovery and Resolution of Credit Institutions and Investment Firms Act.

(2) the Financial Supervision Commission may also revoke the authorisation granted where:

1. the reorganisation measures undertaken under Articles 136 and 137 have yielded no result;

2. for more than three months, the number of members of the management or supervisory body of the investment firm is smaller than the minimum number prescribed in the Commerce Act and/or on failure to comply with the requirement of Article 12;

3. the activity performed by the investment firm reveals that the greater part of the activity is performed in another Member State, and an authorisation has been obtained from the Commission in order to avoid more stringent requirements for investment firms in the other Member State;

4. has taken a decision under Article 776, paragraph 1, item 3 of the Public Offering of Securities Act.

Actions relating to the withdrawal of the authorisation the request of the investment firm

Article 28. (1) The investment firm shall, within 7 days from the decision of the general meeting on its dissolution or discontinuation of activity, upon expiry of the term for which it was established, as well as upon occurrence of other grounds for dissolution prescribed in its articles

of association or memorandum of association, request from the Commission to withdraw the authorisation granted.

(2) Together with the request under paragraph 1 the investment firm shall enclose a plan for settling its relations with clients. The plan shall include transfer of client financial instruments, money and other assets to an investment firm designated by the client, upon its consent.

(3) Where the condition under paragraph 2, sentence two is not in place, the plan shall provide for transfer of client financial instruments, money and other assets to a depositary institution, including by opening new accounts of individual clients.

(4) The costs for implementation of the plan for settlement of relations with clients shall be at the expense of the investment firm, including the costs for maintenance of clients' accounts. In cases where the client has not received the notification under Article 29, paragraph 1, the costs for a period of 5 years shall be borne by the investment firm.

(5) In the cases under Article 28, paragraph 1, the Commission shall withdraw the authorisation of the investment firm upon submission by the latter of evidence that it has settled its relations with the clients and following the submission of a certificate issued by the Investor Compensation Fund of the absence of liabilities of the investment firm to the Fund.

Transfer of client assets

Article 29. (1) Outside the case under Article 28, paragraph 1, within seven working days from becoming aware of the decision on withdrawal of the authorisation, the investment firm shall notify its clients of the decision and of the possibility to designate another investment firm to which their financial instruments, money and other assets may be transferred.

(2) Within five working days from the expiry of the period referred to in paragraph 1 the investment firm shall transfer the client's financial instruments, cash and other assets to the investment firm designated by the client and which has given its consent, or to a depository institution. Article 28, paragraphs 3 and 4 herein shall apply accordingly.

(3) On taking the decision on withdrawal of the authorisation the Commission may oblige the investment firm to perform the actions under paragraph 2 within a shorter period of time. The Financial Supervision Commission and the Deputy Chairperson accordingly may oblige the investment firm under the terms of Articles 276 – 279 to also take other specific measures to protect the interests of its clients.

(4) The investment firm shall notify of its actions under paragraphs 2 and 3:

1. its clients, within five working days from performance thereof;

2. the Commission, within three working days from expiry of the time limit under paragraph 2 or from expiry of the time limit set by the decision under paragraph 3.

Notification of the decision on the withdrawal of authorisation

Article 30. (1) The Financial Supervision Commission shall notify in writing the company within 7 days from taking the decision on withdrawal of the authorisation.

(2) Upon entry into force of the decision on withdrawal of the authorisation, the Commission shall file immediately a request to the Registry Agency for institution of liquidation proceedings against the company and where it has also another subject of activity, for deletion of the relevant part of its activity, or to the competent court for institution of bankruptcy proceedings.

(3) the Financial Supervision Commission shall notify ESMA and the competent authority of each Members State in which the respective investment firm operates of the decision for the withdrawal of the authorisation.

(4) An extract from the decision of the Commission on the withdrawal of the authorisation of an investment firm shall be published in the Official Journal of the European Union.

(5) The decision under Article 28, paragraph 1 of the investment firm shall not be an obstacle for undertaking reorganisation measures under Articles 136 and 137 or for opening liquidation proceedings.

(6) An investment firm, whose authorisation was revoked on the grounds of Article 27, paragraph 1, item 2, may carry out other business, in the event that the general meeting of the company has taken a decision to change the subject matter of its activity.

Withdrawal of authorisation

Article 31. (1) The Financial Supervision Commission, at the proposal of the Deputy Chairperson, may revoke the authorisation under Article 9, paragraph 2, where the investment firm:

1. does not commence performing the services and activities in accordance with the granted authorisation under Article 9, paragraph 2 within 12 months from its granting;

2. expressly waives the authorisation granted;

3. does not perform any activity under the authorisation for more than 6 months;

4. provided inaccurate information which served as grounds for issuing the authorisation;

5. no longer meets the conditions under which authorisation was granted or the requirements for performing the activity in accordance with the authorisation and for a period of three months does not achieve compliance with these requirements;

6. seriously and systematically infringes and/or allows another to infringe seriously or systematically the requirements for performing the activity in accordance with the authorisation.

(2) The Financial Supervision Commission shall notify in writing the company within 7 days from taking the decision on withdrawal of the authorisation.

Prohibition for conduct of business

Article 32. (1) An investment firm my not carry out the services and activities under Article 6, paragraphs 2 and 3 after the withdrawal of the licence issued thereto. The investment firm my not carry out the services and activities under Article 9, paragraph 2 after the withdrawal of the licence therefor.

(2) Until deletion of the company from the commercial register or, should the said company have other subject of activity, until final settlement of relations with the clients of the said company, inspections may be carried out under Article 19 of the Financial Supervision Commission Act and forcible administrative measures may be imposed under Article 276.

(3) All documents and any other information regarding the services provided and activities performed by the investment firm under Article 6, paragraphs 2 and 3 and Article 9, paragraph 2 herein, shall be kept for a period of five years:

1. by the investment firm where it is not deleted from the commercial register and the term shall be effective from the withdrawal of the authorisation;

2. by another person of which the Commission shall be notified and the term shall be effective from the deletion of the investment firm from the commercial register; the notification shall be made by the investment firm whose authorisation is withdrawn, within 14 days from withdrawal of the authorisation.

Chapter Three
TIED AGENTS

Tied agents

Article 33. (1) A tied agent is an individual or a company, who/which for the purposes of promoting the sales of the services of an investment firm shall provide and perform against

consideration on his/her/its behalf and under his/her/its full and unconditional responsibility one or more of the following investment services and activities:

1. inviting clients for conclusion of transactions;

2. reception and transmission of orders from clients;

3. offering of financial instruments;

4. provision of investment advice to clients or potential clients in respect of transactions in financial instruments and providing advice in respect of the services offered by the investment firm.

(2) The tied agent shall provide investment advice under paragraph 1, item 4 only through a person who holds a certificate of investment adviser.

Agreement

Article 34. (1) The relationship between the investment firm and the tied agent shall be governed by a written contract. The contract shall define the services under Article 33, paragraph 1 to be provided by the tied agent on behalf of the investment firm.

(2) The tied agent may act on behalf of only one investment firm.

Requirements to a tied agent

Article 35. An individual tied agent or each member of a management body of a company tied agent, as well as any other person authorised to manage or represent the tied agent shall meet the following requirements:

1. shall have higher education and shall meet the following minimum requirements for professional experience:

a) one year in a company from the non-banking financial sector or in banks, provided that his responsibilities were connected with the main business of such companies, or

b) one year in a regulatory body of the banking and/or non-banking financial sector, provided that his duties were associated with the supervisory activity of that body, or

c) one year in total in an entity under letters "a" and "b";

2. shall possess appropriate general, commercial and professional knowledge and competences for the performance of his duties as a tied agent;

3. shall have good reputation, and in particular:

a) shall not have not been sentenced to imprisonment for premeditated criminal offence of general nature, unless he/she has been rehabilitated;

b) shall not have been deprived of the right to hold a position of material accountability;

c) shall not have been within the last three years, preceding the initial date of the insolvency set by the court, a member of a management or a supervisory body or a general partner in a company for which bankruptcy proceedings have been initiated or in a company which has been dissolved due to bankruptcy, if unsatisfied creditors have remained;

d) shall not have been declared bankrupt, if unsatisfied creditors have remained, and is not undergoing bankruptcy proceedings;

e) no administrative penalties have been imposed on him with enforced penal decrees in the last three years for gross violation or for systematic violations of this Act, the Public Offering of Securities Act, the Implementation of the Measures against Market Abuse with Financial Instruments Act, the Special Purpose Investment Companies Act, the Collective Investment Schemes and Other Undertakings for Collective Investments Act, Regulation (EU) No. 575/2013, Regulation (EU) No. 600/2014 and the statutory instruments for their implementation or of the relevant legislation of another Member State.

Entry in the register

Article 36. (1) For entry in the register under Article 30, paragraph 1, item 3 of the

Financial Supervision Commission Act the person who/which will carry on activity as a tied agent, shall submit an application to the Commission. The application may also be filed by the investment firm on whose behalf the person will carry on activity as a tied agent.

(2) The following documents certifying the circumstances under Article 35 shall be attached to the application under paragraph 1:

1. a copy of the diploma for completed higher education;

2. curriculum vitae, declaration and other documents specified by an ordinance.

(3) The Financial Supervision Commission, at the proposal of the Deputy Chairperson, shall issue a decision on the application for entry in the register under Article 30, paragraph 1, item 3 of the Financial Supervision Commission Act within 15 days of its filing.

(4) Article 15, paragraphs 3 and 4 shall apply mutatis mutandis where irregularities have been found or additional information is needed, and the time limit for removing said irregularities or providing additional information shall not be exceed 15 days.

(5) In the cases referred to in paragraph 4, the time limit for pronouncing on the application shall be suspended until the discrepancies are removed or the additional information is submitted or until expiry of the period referred to in paragraph 4 if the discrepancies are not removed and no additional information is presented.

(6) The investment firm shall conclude a contract under Article 34 with tied agents entered in the register under Article 30, paragraph 1, item 3 of the Financial Supervision Commission Act or entered in the register of another Member State.

Refusal of entry of the tied agents

Article 37. (1) The Financial Supervision Commission, at the proposal of the Deputy Chairperson, shall refuse entry in the register under Article 30, paragraph 1, item 3 of the Financial Supervision Commission Act in the event that the applicant does not comply with the requirements under Article 35 when the details and documents are incomplete or incorrect or when the latter have not been removed within the time limit under Article 36, paragraph 4.

(2) The Financial Supervision Commission shall also refuse registration where it finds that the application for entry in the register under Article 30, paragraph 1, item 3 of the Financial Supervision Commission Act is submitted in order to avoid the more stringent requirements for tied agents in the Member State in whose territory the person intends to carry on business.

Pursuit of other commercial activity by a tied agent

Article 38. A tied agent may carry out another commercial activity in addition to the services under Article 33. The investment firm which has concluded a contract with a tied agent, shall take measures the other commercial activity not to affect negatively the services the tied agent provides on behalf and for the account of the investment firm.

Liability of the investment firm

Article 39. (1) The investment firm shall be fully and unconditionally liable for any action or inaction of the tied agent when the latter acts on behalf of the investment firm.

(2) In carrying out its activity, the tied agent expressly indicates to its clients or potential clients that it acts as a tied agent and the investment firm represented thereby.

Control of the tied agent

Article 40. (1) The investment firm shall control the activities of tied agents with which it has concluded a contract, in order to ensure compliance with the requirements of this Act and its implementing acts in carrying out the activities of a tied agent.

(2) The investment firm shall ensure that tied agents with which it has concluded a contract meet the requirements of Article 35.

(3) In the event of a change in the circumstances under Article 35 the tied agent and the

investment firm shall notify the Commission within three days of occurrence or of becoming aware of the relevant circumstance.

Grounds for deregistration from the register

Article 41. The Financial Supervision Commission, at the proposal of the Deputy Chairperson, shall issue a decision on the deregistration of the tied agent from the register under Article 30, paragraph 1, item 3 of the Financial Supervision Commission Act where:

1. an application for deregistration has been submitted by the tied agent;

2. it is established that the tied agent no longer meets the requirements under Article 35;

3. it is established that false information or forged documents have been submitted;

4. it is established that an application for entry in the register under Article 30, paragraph 1, item 3 of the Financial Supervision Commission Act is submitted in order to avoid the more stringent requirements for tied agents in the Member State in whose territory the person carries on business;

5. a gross violation is found to have been committed by the tied agent in the performance of its contractual relationships with the investment firm;

6. with its actions endangers the interests of the investors;

7. upon death of the tied agent or a decision for dissolution of the company tied agent.

Chapter Four
CARRYING ON ACTIVITY IN ANOTHER STATE

Section I
Carrying on activity in another Member State by an investment firm with a seat in the Republic of Bulgaria

Carrying on activity under the conditions of the right of establishment

Article 42. (1) An investment firm which is licensed to provide services and perform activities covered under Article 6, paragraphs 2 and 3 herein and which plans to establish a branch in a Member State, hereinafter referred to as a "host Member State" or to carry on activity through tied agents established in a Member State other than the Republic of Bulgaria shall inform in advance the Commission thereof. The additional services under Article 6, paragraph 3 may be granted only jointly with the services under Article 6, paragraph 2.

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

1. an indication of the Member State in which the investment firm intends to establish a branch or in which it will operate through a tied agent established within its territory;

2. a programme of the operations, setting out, inter alia, information about the services and activities covered under Article 6, paragraphs 2 and 3 herein which the investment firm is to carry on in the host Member State;

3. the organisational structure of the branch and information whether in carrying out the activities of the branch tied agents will be used, and listing of those tied agents;

4. where an investment firm will operate through tied agents in a State in which there is no established branch, the activity to be carried out by the tied agents within the organizational structure of the investment firm shall be described, including the responsibilities of the tied agent to report and its place within the organizational structure of the investment firm;

5. correspondence address of the branch or of the tied agent of the investment firm in the

host country;

6. the names of the managing director of the branch, and the persons responsible for the management of the tied agent;

7. other information as defined in Commission Delegated Regulation (EU) 2017/1018 of 29 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments with regard to regulatory technical standards specifying information to be notified by investment firms, market operators and credit institutions (OJ, L 155/1 of 17 June 2017), hereinafter referred to as "Delegated Regulation (EU) 2017/1018".

(3) Within three months after a notification under paragraph 2 or, where additional details and documents have been requested, within three months after receipt of the said details and documents, the Commission shall communicate to the relevant competent authority of the host Member State the information under paragraph 2, as well as information about the currently effective in the country scheme for compensation of investors in financial instruments of which the investment firm is a member. At the same time, the Commission shall notify the investment firm of the provision of the information to the relevant competent authority.

(4) Within the time limit referred to in paragraph 3, the Commission may refuse to communicate the information covered under paragraph 2 to the relevant competent authority in the host Member State by a decision, if the administrative structure or the financial circumstances of the investment firm in relation to the planned activities do not safeguard the interests of the investors, and the Commission shall forthwith notify the investment firm thereof. The Financial Supervision Commission shall provide the investment firm with the motives for its decision within three months from receipt of the full information under paragraph 2.

(5) The investment firm may establish a branch and commence the conduct of business within the territory of the host Member State upon receipt of a communication from the relevant competent authority of the host Member State or, failing such communication from the latter, at the latest after two months from the date of transmission of the communication referred to in paragraph 3 to the relevant competent authority of the host Member State.

(6) The investment firm, which has established a branch within the territory of a host State, shall notify the Commission in writing of any change in the details and documents referred to in paragraph 2 not later than one month prior to such change.

(7) The Financial Supervision Commission shall communicate the changes referred to in paragraph 6 to the relevant competent authority of the host State, as well as any change relating to the compensation scheme for investors in financial instruments which operates in Bulgaria and of which the investment firm is a member.

(8) A bank investment firm that intends to carry on business under the right of establishment through a tied agent established in a host country, shall notify the Bulgarian National Bank and shall provide it with information under the Credit Institutions Act. Within the time limit under paragraph 3, second sentence, the BNB shall inform the Commission of the provision of the information to the relevant competent authority.

(9) The notifications referred to in paragraph 2 shall be drafted according to templates and subject to Delegated Regulation (EU) 2017/1018.

Carrying on activity under conditions of freedom to provide services

Article 43. (1) An investment firm which intends to perform services and activities covered under Article 6, paragraphs 2 and 3 herein in a host State under the freedom to provide services without establishing a branch within the territory of the said State, including through a tied agent, shall give the Commission an advance notification thereof. The additional services under Article 6, paragraph 3 may be granted only jointly with the services under Article 6, paragraph 2.

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

1. an indication of the host State wherein the investment firm plans to carry on business;

2. a programme of operations, setting out, inter alia, the services and activities covered under Article 6, paragraphs 2 and 3 herein which the investment firm is to offer in the host Member State;

3. an indication of whether the investment firm will operate through tied agents, established in the Republic of Bulgaria, and information about them;

4. other information determined by Delegated Regulation (EU) 2017/1018.

(3) Within one month after receipt of the information covered under paragraph 2, the Commission shall communicate the said information to the relevant competent authority of the host State, notifying the investment firm thereof.

(4) The investment firm may commence to carry on business within the territory of the host State upon receipt of a notification from the Commission of the provision of the information under paragraph 3.

(5) The investment firm shall notify the Commission in writing of any change in the details and documents referred to in paragraph 2 no later than one month prior to any such change. The Financial Supervision Commission shall communicate the changes referred to in sentence one to the relevant competent authority of the host State.

(6) Where a bank investment firm intends to perform services and activities under Article 6, paragraphs 2 and 3 through tied agents, it shall notify the BNB and shall submit the notification pursuant to the Credit Institutions Act. Within the time limit under paragraph 3, the BNB shall inform the Commission of the provision of the information to the relevant competent authority.

(7) The notifications referred to in paragraph 2shall be drafted according to templates in accordance with the procedures laid down by Delegated Regulation (EU) 2017/1018.

(8) An investment firm which intends to provide remote access to the MTF and OTF organized thereby to participants established on the territory of another Member State, shall notify the Commission in advance of the Member State wherein it intends to conduct such activity.

(9) The Financial Supervision Commission shall provide the information under paragraph 8 to the relevant competent authority of the host country within one month from receipt thereof and shall furthermore provide on request information about the participants in the multilateral trading facility organized by the investment firm.

Oversight

Article 44. (1) The Financial Supervision Commission and the Deputy Chairperson shall exercise supervision over the business of the investment firm carried on in the host State through a branch or under the conditions of the freedom to provide services.

(2) Where the relevant competent authority in the host State notifies the Commission of any violations committed by the investment firm under paragraph 1, the Deputy Chairperson shall take the appropriate measures and the Commission shall inform the competent authority in the host State thereof.

(3) In the exercise of the supervisory powers thereof, the Deputy Chairperson may carry out on-site inspections in the branch of the investment firm, after informing in advance the relevant competent authority in the host State.

Section II
Carrying on activity in the Republic of Bulgaria by an

investment firms with a seat in a Member State

Carrying on activity under the conditions of the right of establishment

Article 45. (1) An investment firm which has its seat in a Member State and which has been licensed to carry on business in an investment-firm capacity in accordance with the law of the European Union by the relevant competent authority of the said Member State, hereinafter referred to as "investment firm originating in a Member State," may carry on the business for which the license has been granted thereto within the territory of the Republic of Bulgaria through a branch or through a tied agent, under the conditions of the right of establishment. The additional services under Article 6, paragraph 3 may be granted only jointly with the services under Article 6, paragraph 2.

(2) Within two months after receipt of communication from the relevant competent authority regarding an investment firm originating in a Member State which plans to establish a branch or carry on business through a tied agent established within the territory of the Republic of Bulgaria, the Commission shall notify the said investment firm of the receipt of said communication.

(3) The investment firm originating in a Member State may establish a branch and commence business within the territory of the Republic of Bulgaria through a tied agent upon receipt of a notification from the Commission under paragraph 2 or, failing such notification, after the lapse of the time limit referred to in paragraph 1.

(4) Where an investment firm operates through a branch and through a tied agent established on the territory of the Republic of Bulgaria, the tied agent shall be considered part of the branch. When carrying on business only through a tied agent established in the Republic of Bulgaria, the requirements for a branch shall apply to the tied agent.

(5) When carrying on business under this Article, the investment firm shall comply with the requirements set out in Articles 70 – 75, Articles 77 – 82, Articles 84 – 88 and in accordance with Articles 14 – 26 of Regulation (EU) No. 600/2014 and the instruments for the implementation thereof.

Carrying on activity under the conditions of freedom to provide services

Article 46. (1) An investment firm of a Member State may carry on the services and activities under Article 6, paragraphs 2 and 3, included in the scope of the licence granted thereto, under the conditions of the freedom to provide services, without creating a branch, as well as through a tied agent established within the territory of its Member State of origin. The additional services under Article 6, paragraph 3 may be granted only jointly with the services under Article 6, paragraph 2.

(2) The investment firm of a Member State which organises a MTF and OTF in another Member State may provide a remote access to the MTF and OTF organized thereby to participants established on the territory of the Republic of Bulgaria.

(3) An investment firm of a Member State may commence to carry on business after the Commission has received information from the relevant competent body about the programme of activities of the investment firm, details of the tied agents and any other information as set out in Delegated Regulation (EU) 2017/1018.

(4) The Financial Supervision Commission shall publish the information about the tied agents that the investment firm of a Member State intends to use.

(5) The Financial Supervision Commission shall provide the information referred to in paragraph 4 to the ESMA on request and subject to the provisions of Article 35 of Regulation

(EU) No. 1095/2010.

(6) The Financial Supervision Commission may request from the competent authority of the Member State of origin of the MTF the names of the remote members or participants in the MTF established in the territory of the Republic of Bulgaria.

Access to regulated market. Access to central counterparty, clearing and settlement system and the right of choice of settlement system

Article 47. (1) An investment firm under Articles 45 and 46, which executes orders of clients or deals on its own account, has the right to access to a regulated market on the territory of the Republic of Bulgaria under the same terms and conditions as those provided to the investment firms licensed in the Republic of Bulgaria. Access shall be provided by the regulated market in one of the following ways:

1. directly through a branch within the territory of the Republic of Bulgaria;

2. on a remote basis, when the trading procedures and systems on the regulated market do not require physical presence for the conclusion of transactions on the market.

(2) An investment firm under Articles 45 and 46 shall have the right to direct and indirect access to central counterparty and clearing and settlement systems under the same clear, non-discriminatory, transparent and objective criteria applicable to investment firms licensed in the Republic of Bulgaria, with the aim to ensure completion of transactions in financial instruments, irrespective of whether they are entered into the place of trade in the territory of the Republic of Bulgaria. The central counterparty and clearing and settlement systems may refuse access under sentence one if there is a legal ground therefor.

Oversight

Article 48. (1) The Financial Supervision Commission and the Deputy Chairperson shall exercise supervision and the Deputy Chairperson shall conduct checks of the branch under Article 45 for compliance with the requirements under Articles 70 – 75, 77 – 82, 84 – 88 and pursuant to Articles 14 26 of Regulation (EU) No. 600/2014 and the instruments for the implementation thereof.

(2) An investment firm originating in a Member State shall submit to the Commission and shall publish in Bulgarian in the Republic of Bulgaria all documents and information according to the requirements of this Act and the instruments for the implementation thereof.

(3) When conducting business in the Republic of Bulgaria, any investment firm originating in a Member State shall use the business name used to carry on business in the Member State in which its seat is situated, specifying the originating Member State.

(4) In the exercise of the supervisory powers thereof, the competent authority in the Member State where the investment firm under Article 45 herein is licensed, may conduct on-site inspections in the branch of the investment firm, after informing in advance the Commission.

Section III
Carrying on activity in the Republic of Bulgaria by an investment firm from a third country

Application for granting a licence

Article 49. (1) An investment firm from a third country may provide services or perform activities under Article 6, paragraphs 2 and 3 for professional clients within the meaning of section II of the annex or for retail clients on the territory of the Republic of Bulgaria only through a branch and after obtaining a licence, issued by the Commission, except for in cases

where the services and activities are performed at the initiative of the client.

(2) The Financial Supervision Commission, at the proposal of the Deputy Chairperson, shall issue a licence under paragraph 1 on a filed application and subject to the following conditions:

1. the investment firm has obtained a licence for the services and activities under paragraph 1 and is subject to supervision by the competent authority of the third country where it is established;

2. the competent authority under paragraph 1 complies with the recommendations of the Financial Action Task Force (FATF) on the measures against money laundering and terrorism financing;

3. between the Commission and the competent authority under paragraph 1 a cooperation and information exchange agreement has been concluded to safeguard the integrity of the market and protect investors;

4. the branch has sufficient own funds in accordance with the requirements laid down by an ordinance;

5. the person or persons who manage the branch shall comply with the requirements of Articles 13 and 14;

6. the investment firm is a member of an investor-compensation system, authorised or recognised in accordance with Directive 97/9/EC of the European Parliament and of the Council of 3 March 1997 on investor-compensation schemes, hereinafter referred to as "Directive 97/9/EC";

7. an agreement is concluded between the Republic of Bulgaria and the third country where the investment firm is incorporated, in accordance with the standards established in Article 26 of the Model Tax Convention on Income and on Capital of the Organisation of Economic Cooperation and Development (OECD) which provides effective information exchange on tax matters.

(3) The application referred to in paragraph 2 shall contain:

1. an indication of the relevant competent authority or authorities of the third country which carry out supervision over the investment firm, as well as information on the scope of the supervision exercised;

2. the investment firm details – name, legal form, seat and registered address, information about the members of the management and supervisory bodies, about the persons who are shareholders or partners, as well as about all persons who have the right to represent the investment firm;

3. the programme of the activity, including information about the services and activities covered under Article 6, paragraphs 2 and 3 herein, which the investment firm will carry on in the Republic of Bulgaria;

4. the organisational structure of the branch, including a description of important operational functions assigned to third parties;

5. details about the persons who manage and represent the branch, as well as evidence of compliance with the requirements of Articles 13 and 14;

6. information about the resources available to the branch;

7. any other information as shall be specified by ordinance.

(4) The Financial Supervision Commission, at the proposal of the Deputy Chairperson, shall issue a license to a branch of an investment firm in accordance with Articles 18 – 20, paragraph 1 and Article 21.

(5) When carrying on activity in the territory of the Republic of Bulgaria the branch shall

comply with the requirements of Article 65, Articles 69 – 74, Articles 76 – 82, Articles 84 – 87, Article 89, Articles 92 – 98, Articles 102 – 108, Articles 109 – 121 and Articles 3 – 26 of Regulation (EU) No. 600/2014 and the instruments for the implementation thereof.

(6) In the cases under Article 46, paragraph 4, subparagraph 5 of Regulation (EU) No. 600/2014 an investment firm from a third country may carry on activity in the territory of the Republic of Bulgaria in accordance with the requirements of this section.

(7) In the cases where a particular service or activity is provided at the initiative of the client by an investment firm from a third country, which has not created a branch within the territory of the Republic of Bulgaria, such investment firm may not offer such client other investment products and services categories except through a branch, licensed under paragraph 1.

Refusal to issue a licence

Article 50. (1) The Financial Supervision Commission shall refuse to grant a licence where it finds that:

1. one or more of the requirements under Article 49, paragraph 2 have not been complied with and the details and documents referred to in paragraph 3 have not been submitted;

2. the interests of the investors and the stability of the market have not been sufficiently ensured;

3. the normative acts applicable in a third country and governing the activity of the investment firm or difficulties involved in their enforcement, prevent the effective exercise of the supervisory functions of the Commission or its Deputy Chairperson, as the case may be;

4. the supervision exercised over the investment firm on a consolidated basis by the relevant competent authority in the country of its seat does not comply with the requirements set out herein and in the its implementing acts;

5. the applicant has submitted false details or documents with untrue content;

Licence withdrawal

Article 51. (1) The Financial Supervision Commission, at the proposal of the Deputy Chairperson, may revoke the licence granted under Article 49, paragraph 1, where the investment firm:

1. does not commence performing the authorised services and activities under Article 6, paragraph 2 within 12 months from the granting of the authorisation;

2. expressly waives the authorisation granted;

3. has ceased to perform the authorised services and activities under Article 6, paragraph 2 for more than six months;

4. has provided false data which served as a ground for granting the authorisation or has used any other irregular means therefor;

5. no longer meets the conditions under which the authorisation was granted;

6. grossly or systematically violates the provisions of this Act and the applicable EU regulations governing the conditions for the pursuit of the business of investment firms and which apply to investment firms from third countries.

(2) Articles 28 – 30 and 32 shall be applied accordingly.

Equal rights and obligations

Article 52. The branch of an investment firm from a third country shall have the rights and obligations of an investment firm for which the Republic of Bulgaria is the home Member State, unless the Act provides for otherwise.

Chapter Five
QUALIFYING HOLDINGS

Notification of planned acquisition

Article 53. (1) Any natural person or legal entity, or persons acting in concert, who/which have made the decision to acquire, directly or indirectly, a qualifying holding in an investment firm, shall notify the Commission in writing prior to the acquisition.

(2) The requirement under paragraph 1 shall also apply to a natural person or legal entity, or persons acting in concert, who/which have made the decision to subsequently increase, directly or indirectly, their qualifying holding in such a way that it would reach or exceed the thresholds of twenty per cent, thirty per cent or fifty per cent of the capital or of the votes in the general meeting of an investment firm, or in such a way that as a result of the increase the investment firm becomes their subsidiary.

(3) The persons under paragraphs 1 and 2 3 shall submit a notification to the Commission, indicating the holding in the capital and the votes in the general meeting, respectively, which they intend to acquire, as well as the holding they will have after the acquisition. The persons shall attach to the notification other details and documents, as defined by a delegated act, which the European Commission adopts on the grounds of Article 12, paragraph 8 of Directive 2014/65/EU.

(4) The voting rights or the shares the investment firms or credit institutions hold as a result of providing the services under Article 6, paragraph 2, item 6 shall not be taken into account in determining the amount of the qualifying holding, provided that such rights are not exercised or used in any other way to influence the management of the investment firm, and provided that these rights are transferred within one year after the acquisition.

(5) The persons referred to in paragraphs 1 and 2 may not acquire or increase directly or indirectly a qualifying holding in an investment firm before an evaluation of the acquisition in accordance with Articles 56 – 60 has been carried out.

Notification of planned transfer or reduction of the holding as a result of third party actions

Article 54. (1) Any natural person or legal entity, who/which has made a decision to transfer, directly or indirectly, his/her/ its qualifying holding in an investment firm, shall notify the Commission in writing before executing the transfer. The requirement under sentence one shall also apply to the cases where, as a result of the transfer, the voting right or the holding of such person/entity in the investment firm's capital will fall below fifty per cent, thirty per cent or twenty per cent or the investment firm will no longer be a subsidiary of such person/entity.

(2) Persons whose holding in an investment firm falls below the thresholds under paragraph 1 as a result of a third-party action or of some other circumstance, of which they were not aware and could not have been able to learn prior to seeing their holdings decreased, shall notify the Commission immediately upon becoming aware thereof.

(3) The persons shall attach to the notice under paragraph 1 and 2 details on their effective holdings before and after the transfer, as well as any other details and documents, required by an ordinance.

Confirmation of a notification made under Article 53, paragraph 3

Article 55. (1) The Deputy Chairperson, within two business days of receipt of the notification referred to in Article 53, paragraph 3, shall send the person a written confirmation of receipt of the request.

(2) In the cases where to the notification under Article 53, paragraph 3 are attached all required information and documents, in a written confirmation referred to in paragraph 1 the Deputy Chairperson shall state that the notification is complete and the date of expiry of the time limit for the Commission's issuing a decision on the notification.

(3) In the cases where not all details and documents are attached to the notification under Article 53, paragraph 3, in the written confirmation referred to in paragraph 1 the Deputy Chairperson shall notify in writing the person of the details and documents which need to be attached. On any subsequent filing of documents by the person, the first sentence shall apply accordingly, as well as paragraphs 1 and 2.

Procedure for carrying out an assessment

Article 56. (1) The Commission, on a proposal of the Deputy Chairperson, shall evaluate the acquisition based on the details in the notification, within 60 business days of the date of the written confirmation under Article 55, paragraph 1.

(2) If the documents presented are incomplete, inaccurate, not compliant with the regulatory requirements, or any additional proofs or information about the accuracy of the details presented is needed, the Commission, within the time limit for carrying out the assessment but not later than the 50th business day of this period, shall send a written notice to the person, indicating the identified deficiencies and discrepancies, or the required information and documents.

(3) The time limit under paragraph 1 for carrying out the assessment by the Commission shall be suspended for the period between the day of requesting the information and documents under paragraph 2 until receipt of reply from the person. The suspension may not last longer than 20 business days, except for the cases under Paragraph 4.

(4) The suspension of the period for assessment by the Commission may last up to 30 business days in the cases when the person under Article 53, paragraph 1:

1. has a seat and registered office or a permanent address, or is subject to regulation outside the European Union, or

2. is a natural person or legal entity, not subject to oversight under Directive 2014/65/EU, Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (OJ, L 302/32 of 17 November 2009), hereinafter referred to as "Directive 2009/65/EC", Directive 2008/138/EC, or Directive 2002/83/EC, Directive 2013/36/EU.

(5) Except in the cases under Paragraph 2 – 4, any subsequent request to the person for additional information, related to the evaluation by the Commission, shall not result in suspension of the period.

Valuation

Article 57. (1) The Commission shall assess the acquisition or the increase of the qualified holding, respectively, in order to ensure the stable and prudent management of the investment firm.

(2) When performing the assessment, the Commission shall take into account the expected influence of the person on the investment firm and shall decide whether the person is suitable and financially stable. The evaluation shall be performed by applying the following criteria:

1. person’s reputation;

2. reputation and professional experience of the persons, who will manage the activities of the investment firm as a result of the acquisition;

3. the financial stability of the person, relevant for the types of activities the investment firm performs or intends to perform;

4. whether the investment firm will be capable of meeting or to keep meeting the requirements of this Act, Regulation (EU) No. 575/2013, Regulation (EU) No. 600/2014 and of Regulation (EU) No. 596/2014 and the instruments for the implementation thereof, of the

Supplementary Supervision of Financial Conglomerates Act, and more specifically, whether the group, part of which it will become after the acquisition, has a structure allowing efficient supervision and efficient exchange of information between the competent authorities and definition and allocation of the responsibilities among them;

5. whether well-grounded assumptions may be made that, in relation to the acquisition, money laundering or terrorism financing is or will be performed under the Measures Against Money Laundering Act or the Measures Against the Financing of Terrorism Act, or that the risk of such action will be increased.

(3) The Commission may not impose preconditions in connection with the amount of the holding to be acquired, nor shall it consider the acquisition from the standpoint of the economic needs of the market.

(4) In case of two or more notifications of planned acquisitions or increases of qualifying holdings in one and the same investment firm, the Commission shall treat the persons in a non-discriminatory manner.

(5) The additional requirements for the conditions and procedures for the assessment of the acquisition or the increase of the qualifying holdin, as the case may be, shall be determined by an ordinance.

Exchange of information with the competent authorities of Member States in carrying out the assessment of a qualifying holding

Article 58. (1) When carrying out an assessment of a qualifying holding the Commission shall hold preliminary consultations and shall demand information in connection with the acquisition by the relevant competent authority responsible for the supervision of the person referred to in Article 53 when the person is:

1. a credit institution licensed in the Republic of Bulgaria or in another Member State, or an insurer, a reinsurer, an investment firm or a management company licensed in another Member State;

2. a parent company of a credit institution licensed in the Republic of Bulgaria or in another Member State, or a parent company of an insurer, a reinsurer, an investment firm or a management company licensed in another Member State;

3. a natural person or a legal entity, controlling a credit institution licensed in the Republic of Bulgaria or in another Member State, an insurer, a reinsurer, an investment firm or a management company licensed in another Member State.

(2) The information received from the preliminary consultations under paragraph 1 shall be indicated in the decision of the Commission under Article 59, paragraph 1 or 7.

(3) The Financial Supervision Commission shall provide, on a request by a competent authority from another Member State, information which is essential or relevant for the assessment, when an acquisition of a qualifying holding in an investment firm is requested by:

1. an investment firm, a management company, an insurer or reinsurer having its seat in the Republic of Bulgaria;

2. a parent undertaking of a person under item 1;

3. a natural or legal person who/which controls a person under paragraph 1.

(4)In the cases referred to in paragraph 3, when a holding in an investment firm is requested by a credit institution with a seat in the Republic of Bulgaria, the Commission shall exchange information with the Bulgarian National Bank and with the competent authority under paragraph 3.

Powers of the Commission in relation to qualifying holdings

Article 59. (1) The Financial Supervision Commission may issue a ban on the acquisition

under Article 53 should it find that the requirements of Article 57 have not been met or if the information provided by the person is incomplete, the applicant has submitted incorrect details or untrue documents, or if the actual owners of a shareholder with a qualifying holding cannot be identified, if the stable management and the security of the investment firm is threatened, or if the interests of the investment firm's clients are not secured in some other way.

(2) The Financial Supervision Commission shall notify the person in writing on its decision under paragraph 1 within two business days of decision-making and within the period under Article 56, paragraph 1, or under Article 56, paragraphs 2 – 5, attaching the grounds for its decision.

(3) By person's request or on Commission's initiative, the grounds for the decision under paragraph 1 shall be made public.

(4) If the Commission does not issue a ban under paragraph 1, it may set a deadline for executing the acquisition, and may also extend this deadline, as needed.

(5) If, within the deadline under Article 56, paragraph 1, respectively Article 56 paragraphs 2 – 5 the Commission does not issue a ban on the acquisition and does not notify in writing the person thereof, the person may acquire the requested holding in the investment firm.

(6) The persons who have acquired or increased their qualifying holding, before the Commission has announced its decision on the notification submitted, or, respectively, before expiration of the announcement deadline, as well as in the cases when they have not submitted a notification under Article 53 prior to acquisition, shall not be allowed to exercise their voting right in the general meeting of the investment firm.

(7) If persons who have a qualifying holding in the investment firm may harm the stable management and stability of the investment firm, the Commission may impose a ban on these persons' voting rights in the general meeting of the investment firm.

(8) The Financial Supervision Commission may bring a claim under Article 74 of the Commerce Act to cancel the decision of the general meeting when such a decision was passed with the votes of individuals who were not entitled to exercise their voting right under paragraphs 6 and 7.

Submission of information by an investment firm

Article 60. (1) The investment firm shall notify the Commission of any acquisition or transfer of a holding in accordance with Articles 53 and 54 within one day of becoming aware thereof.

(2) The investment firm shall provide to the Commission twice a year – at 30 June and 31 December – within 10 days from the specified dates, a list of the persons holding a direct or indirect qualifying holding as well as particulars of their votes in the general meeting.

Chapter Six
MANAGEMENT AND ORGANISATION OF THE ACTIVITIES OF INVESTMENT FIRMS

Section I
General provisions

Requirements to a significant investment firm

Article 61. (1) Identification of significant investment firms shall take place once a year

on the basis of the data of the annual financial statements for the preceding financial year and the other documents.

(2) The investment firms which are significant in view of the amount, internal organisation, nature, scope and complexity of the activity performed thereby shall:

1. set up a committee for the selection of candidates;

2. set up a risk committee;

3. set up a remuneration committee;

4. meet other requirements as laid down in an ordinance.

(3) With the authorisation of the Commission, on a proposal by the Deputy Chairperson, a significant investment firm may be exempted from the requirement for the establishment of a risk committee. The terms and procedure of granting the authorisation under the first sentence shall be laid down in an ordinance.

Section II
Requirements for the management of an investment firm

Requirements for the selection and nomination of the management and supervisory bodies

Article 62. (1) The investment firm as well as the committee for the selection of candidates in the cases under Article 63 shall ensure a wide range of qualities, knowledge and skills in the selection of candidates and the nomination of the members of the management and supervisory bodies, and to this end shall apply a policy for promotion of the diversity in the management and supervisory bodies. Additional requirements for the selection and designation of the members of the management and supervisory bodies shall be laid sown in an ordinance.

(2) Investment firms carrying on activity on the territory of the Republic of Bulgaria shall provide to the Commission the information about the policy for promotion of diversity under Article 435, paragraph 2, letter "c" of Regulation (EU) No. 575/2013 within three days from the date of disclosure thereof. The Financial Supervision Commission shall analyse the information for the purposes of comparing the practices in terms of diversity. The Financial Supervision Commission shall provide the information referred to in the first sentence to EBA.

Committee for the selection of candidates

Article 63. (1) The selection of the candidates for the management and supervisory bodies of a significant investment firm shall be carried out by the Committee for the selection of candidates. The members of the committee may be only members of the supervisory board or of the board of directors, or the management board, a the case may be, who are not executive members.

(2) The Committee referred to in paragraph 1 shall nominate and recommend for approval by the management and supervisory bodies, or for approval by the general meeting candidates to fill the vacancies in the management and supervisory bodies, taking into account the knowledge, skills, diversity and experience of the members of the management and supervisory bodies, shall prepare a description of the functions and requirements for a given appointment and shall calculate the time that is expected to be devoted by the future member of the management or supervisory body.

(3) The Selection Committee shall define a target level of representation of the under-represented sex in the management, respectively, in the supervisory body and shall develop policies to increase the number of representatives of the under-represented sex in the management and in the supervisory control bodies to achieve the stated objective. The target level, the policy and its implementation shall be made public in accordance with Article 435,

paragraph 2, letter "c" of Regulation (EU) No. 575/2013.

(4) The Committee for the selection of candidates shall:

1. analyse at least annually the structure, the size, the composition and the performance of the management and supervisory bodies and shall make recommendations for potential changes;

2. analyse at least annually the knowledge, skills and experience of the management and supervisory bodies as a whole and of their members individually and shall report to the management and/or supervisory body;

3. periodically review the policy applied by the management and the supervisory bodies for the selection and appointment of the senior management staff, and shall make recommendations to them.

(5) In the performance of their duties, the Committee for the selection of candidates shall take into account the need to ensure that the decision-making process of the management and supervisory bodies is not affected by an individual or a small group of individuals in a way that harms the interests of the investment firm.

(6) The investment firm shall provide the to members of the Committee for the selection of candidates all the necessary resources, including financial, for the performance of the assigned functions. In the performance of its functions, the Committee for the selection of candidates may consult with external experts.

Duties and responsibilities of management and supervisory bodies

Article 64. (1) The members of the management and supervisory bodies of the investment firm shall dedicate sufficient time to ensure the proper performance of their functions.

(2) The management or the supervisory body of the investment firm, as the case may be depending on the internal allocation of functions:

1. shall be responsible for the effective and reliable management of the investment firm in accordance with statutory requirements, including the proper allocation of duties and responsibilities and duties for defining the organisational structure, for adoption of the rules under Article 69 and for controlling their implementation, as well as for prevention and detection of conflicts of interest;

2. shall approve and control the implementation of the strategic goals of the investment firm and the strategy regarding risk and internal management;

3. shall ensure the integrity and continuous operation of the accounting and financial reporting systems, including financial and operating controls, and compliance with the statutory requirements and applicable standards;

4. shall manage and control compliance with the requirements hereunder as regards detection and provision of information;

5. shall be responsible for the efficient control over senior management staff;

6. shall be responsible for the efficiency of the management systems in the investment firm and where necessary shall take the necessary measures for eliminating the identified inconsistencies;

7. taking into account the nature, scope and complexity of the activity carried out by the investment firm and any applicable regulations shall adopt and approve and control the implementation of:

a) the organisational structure of the investment firm to carry out the services and activities under Article 6, paragraphs 2 and 3;

b) the requirements for knowledge, skills and experience of employees in respective units;

c) the allocation of resources necessary for carrying out the services and activities under Article 6, paragraphs 2 and 3;

d) the policies, rules and procedures of the investment firm, governing the provision of services and the performance of activities under Article 6, paragraphs 2 and 3;

e) the policy on the offered or provided services, activities, products and operations in accordance with the permitted risk level for the investment firm and the characteristics and needs of the clients of the investment firm to whom they will be offered or provided, and shall perform stress tests, where necessary;

f) the remuneration policy of staff involved in the provision of services to the clients of the investment firm, which should promote responsible business conduct, fair treatment of clients, including in the event of a conflict of interest;

8. monitor and assess at least once annually:

a) the adequacy of the strategic objectives of the investment firm in terms of performing the services and activities under Article 6, paragraphs 2 and 3 and their implementation;

b) the effectiveness of the organisation and management of the investment firm;

c) the adequacy of the policies, rules and procedures of the investment firm, governing the provision of services and the performance of activities under Article 6, paragraphs 2 and 3;

9. upon infringements and discrepancies found in the cases referred to in item 8, letters "a" – "c", shall take measures for their removal.

(3) The members of the management and supervisory bodies of the investment firm shall perform their duties honestly, with integrity and independently for the purpose of making their own accurate assessment of the decisions of the employees performing management functions, and for the purpose of the exercise of effective control and monitoring on decision-making.

(4) The members of the management and the supervisory bodies of the investment firm shall possess collectively sufficient knowledge, skills and experience, as may be necessary for the management of the activities of the investment firm.

(5) The investment firm shall have the necessary human and financial resources to ensure the initial and current understanding of the members of the management and supervisory bodies with its activity, and their training.

(6) The members of the management and of the supervisory bodies shall have access to the information and documents necessary for the performance of their functions and duties.

(7) Additional requirements for the management of the investment firm shall be set out in an ordinance.

Section III
Requirements for the internal organisation of investment firms

Internal organisation of investment firms

Article 65. (1) Any investment firm shall establish and maintain internal organisation which shall meet at all times the requirements of the law and shall be in compliance with the nature, scope and complexity of the activity performed thereby and shall put in place:

1. an organisational structure with clearly set, transparent and consistent responsibility levels;

2. appropriate and secure administrative and accounting procedures, including the keeping of accounting records;

3. effective systems of internal control;

4. effective control and safeguard arrangements for information systems;

5. reliable and efficient information protection systems, to ensure its authenticity and integrity in transfer and storage, to minimize the risks of loss, alteration and unauthorised access to the information or the risks of unauthorised dissemination of information, as well as to ensure the confidentiality of the information;

6. appropriate and proportionate resources, including qualified personnel, material, technical and software procurement, as well as systems and procedures to ensure continuous and regular provision of services and activities under Article 6, paragraphs 2 and 3, in accordance with the requirements of the law;

7. conditions to prevent and identify conflicts of interest and where such conflicts of interest arise - to ensure fair treatment of clients, disclosure of information and protection of clients' interests from being adversely affected;

8. conditions for compliance with existing rules for proprietary transactions of the investment firm;

9. conditions for storage of the information about services and activities performed under Article 6, paragraphs 2 and 3 and operations of the investment firm, which is necessary to establish the obligations of the investment firm in accordance with the requirements of the law, including Regulation (EU) No. 600/2014, Regulation (EU) No. 596/2014, Regulation (EU) No. 575/ 2013, the Recovery and Resolution of Credit Institutions and Investment Firms Act, including fulfilment of obligations to clients and potential clients and obligations related to the integrity of the market;

10. conditions for compliance with the requirements of Articles 92 – 95 in the cases where the investment firm holds financial instruments and cash of clients;

11. conditions for immediate and accurate execution of client orders, for execution of identical orders in the sequence of their receipt, as well as conditions for safeguarding the client's interest in the case of aggregation of orders;

12. effective systems and mechanisms for identification, management, monitoring, assessment and reporting of risks to which the investment firm is or may be exposed;

13. effective mechanisms to limit the operational risk in the assignment of the implementation of important operational functions to a third party, including for ensuring the proper internal controls for the implementation of legal requirements in relation to the investment firm;

14. the application of policies and practices for the remunerations of persons working for the investment firm, such as the requirements to the policy on the remunerations and its disclosure shall be laid down in an ordinance;

15. appropriate and effective procedures for internal whistle-blowing by employees of the investment firm about actual and potential violations of the investment firm, which shall ensure:

a) protection against unfair treatment of employees of the investment firm whistle-blowing about infringements;

b) personal data protection in accordance with the Personal Data Protection Act for the whistle-blower signalling about an infringement, and of the personal data of the persons in respect of whom the signal is wistleblowed;

c) ensuring confidentiality in all cases for the persons whistle-blowing about infringements, unless the infringement of confidentiality is required by law in case of subsequent pre-trial or trial proceedings.

(2) The requirements under paragraph 1, item 9 shall also apply to branches of investment firms operating on the territory of the Republic of Bulgaria, for transactions and operations carried out via the branch.

(3) The investment firm shall set appropriate ratios between the fixed and variable remunerations of the persons working for the investment firm, and the variable components of the remunerations shall not exceed 100 per cent of the fixed components.

(4) The internal control systems, as well as the administrative and accounting procedures applied by the investment firm allow at any time checks on the conformity of the activities of the investment firm with the requirements of this Act and the instruments for its implementation, with the requirements of Regulation (EU) No. 600/2014, Regulation (EU) No. 596/2014, Regulation (EU) No. 575/2013 and of the instruments for implementing them, as well as with the rules adopted by the investment firm in accordance with the above statutory instruments.

(5) The systems and mechanisms for identification, assessment and management of the risks to which the investment firm is or may be exposed shall furthermore include the risks arising from the macroeconomic environment of operation of the investment firm in the relevant stage of the economic cycle.

Review of the systems, rules and procedures of the Commission

Article 66. The Financial Supervision Commission shall review the rules, strategies, processes and mechanisms introduced by the investment firm in accordance with this Act, Regulation (EU) No. 575/2013, Regulation (EU) No. 600/2014, Regulation (EU) No. 596/2014 and of the instruments for implementing them, taking into account the technical criteria for supervisory review and evaluation, and shall assess the risks to which the activity of the investment firm is exposed or causes. The procedure, manner and the technical criteria for the review and evaluation shall be laid down in an ordinance.

Function for compliance with the regulatory requirements

Article 67. (1) The investment firm shall create and maintain a permanent compliance function, which shall operate independently and shall exercise ongoing control over the compliance of this Act and the regulatory requirements for the activity by the persons charged with the management of the investment firm and all the other persons working under contract for the investment firm.

(2) The structure, organisation, powers and relationships of the compliance function with the other bodies and persons working for the investment firm shall be set out in rules approved by the management body of the investment firm.

Other requirements to the internal organisation

Article 68. Additional requirements to the internal organisation under Article 65, including internal reporting, the compliance function, risk management, internal audit, responsibilities of the senior management staff, handling of complaints, remuneration policies and practices, personal transactions, outsourcing of important operational functions to third parties, management of conflicts of interest are determined by Delegated Regulation (EU) No. 2017/565, and with an ordinance.

Internal rules

Article 69. (1) The investment firm shall adopt and apply internal policies, rules and procedures to ensure the enforcement of the requirements established in law by the investment firm and its management and supervisory bodies, employees and tied agents. The investment firm shall adopt rules for personal transactions of the persons referred to in the first sentence.

(2) The internal organisation under Article 65 shall be laid down in rules adopted by the management body of the investment firm, whose minimum content shall be stipulated in an ordinance.

(3) The investment firm shall periodically review the rules under paragraphs 1 and 2 but at least once annually, and where necessary, within a shorter period of time.

Chapter Seven
REQUIREMENTS TO THE ACTIVITY OF INVESTMENT FIRMS AND RELATIONSHIPS WITH CLIENTS

Section I
General Requirements

General Requirements

Article 70. (1) In the performance of investment services and activities, as well as additional services for clients the investment firm shall act fairly, honestly and professionally in the best interest of the client.

(2) An investment firm that creates financial instruments for the purpose of selling them to clients, shall take action to ensure that:

1. the financial instruments were created to meet the needs of a specific target market for the relevant category of final clients;

2. the strategy for distribution of the financial instruments is adequate for the target market;

3. the financial instruments are distributed to the appropriate target group of final clients.

(3) An investment firm which offers or recommends to clients financial instruments under paragraph 2 shall:

1. understand the nature of the financial instruments offered or recommended;

2. assess whether the financial instruments continue to meet the needs of the clients to whom it provides investment services, taking into account the target group of final clients;

3. ensure that the financial instruments are offered or recommended only when it is in the interest of the client.

Provision of information to clients

Article 71. (1) The information that the firm provides to its clients, and potential clients, including in its advertising materials, shall be correct, clear and not misleading. The advertising materials of the investment firm shall be clearly designated as such.

(2) The investment firm shall provide to its clients and potential clients in a timely and appropriate manner and in compliance with the requirements of paragraph 1 the following information:

1. details about the investment firm and the services provided thereby, including whether it performs activity or deals in financial instruments on own account;

2. the financial instruments which are the subject of the investment services provided by the investment firm and the investment strategies offered;

3. the venues of execution of transactions;

4. the types of client costs and fees and their amount.

(3) An investment firm shall inform the client in good time before the provision of investment advice:

1. whether the advice is independent;

2. whether the advice is based on a wide or limited analysis of the different types of financial instruments, and in particular whether the scope is limited to financial instruments issued or offered by persons related to the investment firm or by persons who are in other legal,

economic or contractual relationships with the investment firm as a result of which there is a risk that the advice given is not independent;

3. whether the investment firm will provide the client with a periodic evaluation of whether the recommended financial instruments continue to meet the needs of the client.

(4) The information on the financial instruments and the proposed investment strategies shall include appropriate guidelines and warnings of the risks associated with investments in those instruments or in respect of particular investment strategies, as well as whether the financial instrument is intended for retail or professional clients, taking into account the target group of clients defined under Article 70, paragraphs 2 and 3.

(5) The information on the costs and fees shall include:

1. any costs and fees for investment and additional services, including for advice;

2. the costs associated with the financial instrument recommended, offered or sold to the client;

3. the method of payment of the costs and fees;

4. all payments to third parties.

(6) The investment firm shall provide to the client once annually in summary form the information under paragraph 5, including the costs and fees in connection with the investment service and the financial instrument which do not arise from occurrence of the market risk on the underlying market, in order to enable the client to understand the total costs, as well as their overall effect on the return on the investment. The investment firm shall inform the client about the possibility on request to provide a detailed breakdown of the costs.

(7) The information under paragraphs 2 – 6 and under Article 73, paragraph 3 shall be provided in a way that allows clients or potential clients to understand the nature of the investment service, the type and the characteristics of the particular type of financial instrument and the specific risks associated with it, in order to take informed investment decisions. The investment firm may provide the information referred to in the first sentence in a standardised format as well.

(8) The provisions of paragraphs 1 – 7 shall not apply where the investment service is offered as part of a financial product regulated by the law of the European Union or by common European standards in relation to credit institutions or consumer credits for assessment of the risk for clients and/or the requirements for provision of information.

Obligations in providing independent investment advice

Article 72. (1) Where an investment firm informs the client that it provides an independent investment advice, an investment firm shall analyse a wide range of financial instruments available on the market and offered by a variety of issuers or suppliers of products, to ensure that the investment objectives of the client can be achieved in an appropriate manner and are not limited to financial instruments issued or offered by the investment firm itself, its related persons or by persons in other legal, economic or contractual relationships therewith, whereby a risk exists that the advice given is not independent.

(2)Iin the cases referred to in paragraph 1 the investment firm shall not have the right to receive remuneration, commission or any other monetary or non-monetary benefit from a third party in connection with the provision of the investment services to the client. An exception is allowed for minor non-monetary benefits that improve the quality of the services provided to the client and their provision is without prejudice to the obligation of the investment firm to act honestly, fairly and as a professional in the best interest of the client. An investment firm shall disclose the information about all minor non-monetary benefits received.

(3) The requirements under paragraph 2 shall also apply to the cases where an investment

firm carries out portfolio management.

Restrictions on the provision and receipt of remunerations, commissions and non-monetary benefits of and from third parties

Article 73. (1) The investment firm shall not have the right to pay or provide or receive remuneration, commission or any other non-monetary benefit in connection with the provision of investment services or additional services to a client, with the exception of:

1. remuneration, commission or non-monetary benefit paid or provided by or to the client or his representative;

2. remuneration, commission or non-monetary benefit paid or provided by a third party or his representative, if the following conditions apply:

a) the payment or the provision of the remuneration, commission or non-monetary benefit is with a view to improving the quality of the service, and does not violate the obligation of the investment firm to act honestly, fairly and professionally and in the best interest of the client;

b) the existence, nature and amount of the remuneration, commission or non-monetary benefit are clearly indicated to the client in an accessible, correct and understandable way prior to the provision of the relevant investment or ancillary service, and where the amount cannot be determined, the method of its calculation is indicated;

3. inherent fees that provide or are necessary for the provision of the investment services, such as trust services costs, fees for settlement and currency exchange, fees for legal services and public fees, and which by their nature do not lead to a conflict with the obligation on the investment firm to act honestly, fairly and professionally in the best interest of the client.

(2) An investment firm that provides investment services to clients, does not provide remuneration and does not assess the results of the work of its employees in a way that is contrary to its obligation to act in the best interest of its clients. The investment firm may not provide incentives to its employees for recommending to a retail client a specific financial instrument, where the investment firm may offer another financial instrument which more closely meets the needs of the client.

(3) The investment firm shall inform the client about the procedure and the manner in which the client will receive a fee, commission, a monetary or non-monetary benefit, where the investment firm has received such in relation to an investment or ancillary service for the client.

Requirements for the provision of an investment service with another service or product

Article 74. (1) Where an investment service is provided together with another service or product as part of a package or as a condition on the same contract or package, the investment firm shall inform the client whether it is possible to buy individual parts separately and shall submit information on the costs and fees for each part separately.

(2) Where there is a likelihood that the risks arising from the provision of the service with any other service or product as part of a package or as a condition on the same contract or package offered to a retail client are different from the risks associated with individual parts, the investment firm shall provide an appropriate description of the individual parts and the way in which their interaction affects the risks.

(3) Additional requirements for cross-selling practices are defined in an ordinance.

Additional requirements

Article 75. Additional requirements for the provision of information by the investment firm to clients are set out in Delegated Regulation (EU) 2017/565.

Measures for prevention, identification and management of conflicts of interests

Article 76. (1) In the performance of investment services and activities as well as additional services the investment firm shall take the necessary measures to identify and prevent

or manage conflicts of interests between:

1. the investment firm, including individuals managing the investment firm, persons working under a contract for him, tied agents or any person directly or indirectly connected with the investment firm by a control relationship, on the one hand, and its clients, on the other hand;

2. its individual clients.

(2) The investment firm shall furthermore take actions under paragraph 1 in cases where conflicts of interest may arise as a result of remuneration received by the investment firm in the case of provision of incentives by third parties or other incentive mechanisms.

(3) Where despite the application of the rules for prevention of conflicts of interest still there is a risk for the interests of the client, the investment firm may not conduct activity on behalf of a client, if it has not informed the client of the general nature and/or the sources of potential conflicts of interest and the measures taken to limit the risk for the interests of the client.

(4) For the purposes of paragraph 3 the investment firm shall provide sufficient details in a durable medium to each single client to enable him to make an informed decision about the service in respect of which a conflict of interest has arisen.

(5) Additional measures and criteria for prevention, identification and management of potential conflicts of interest in relation to the provision of different types of investment services are set out in Delegated Regulation (EU) 2017/565.

Section II
Assessment for relevance and suitability. Provision of information to clients

Requirements for knowledge and competence

Article 77. (1) An investment firm shall ensure that the persons providing investment advice to the client or information about financial instruments, as well as investment or additional services on behalf of the investment firm possess the necessary knowledge and competence to carry out their duties under Articles 70 – 75 and Articles 78 – 81.

(2) The services referred to in Article 6, paragraph 2, items 4 and 5 may only be provided through investment advisors, and the services and activities under Article 6, paragraph 2, item 2, and the activities under Article 6, paragraph 2, item 3 may be provided only through brokers in financial instruments.

(3) The requirements to be met by the persons referred to in paragraph 2, as well as the terms and procedures for the acquisition, recognition and withdrawal of legal capacity of an investment adviser and broker of financial instruments are laid down in an ordinance.

(4) The investment firm shall periodically evaluate the knowledge and competence of the persons referred to in paragraph 1 on the basis of the criteria laid down in the ordinance referred to in paragraph 3.

Score for relevance

Article 78. (1) When providing services under Article 6, paragraph 2, items 4 and 5 the investment firm shall require from the client or the potential client information about his knowledge and experience about the services under Article 6, paragraph 2, items 4 and 5, his financial position and capacity to suffer losses, and his investment purposes, including the acceptable level of risk.

(2) On the basis of the information referred to in paragraph 1 the investment firm shall carry out an assessment of the relevance, including on whether the financial instruments which

are the subject of investment advice correspond to the client's acceptable level of risk and his ability to suffer losses.

(3) The investment firm may not perform the services under Article 6, paragraph 2, items 4 and 5 for a client who has not submitted the information under paragraph 1.

(4) Where an investment firm provides investment advice with a recommendation for sale of a package of services or products according to Article 74, each individual part, as well as the overall package must be suitable for the client.

(5) When providing investment advice to a client the investment firm, before the executing the order resulting from the investment advice, shall provide to the client, in a durable medium, a notification of whether the advice corresponds to the preferences, needs and other features of the retail client.

(6) Upon the provision of investment advice for the purchase or sale of a financial instrument where the transaction is concluded by means of distance communication which prevents the prior presentation of the notification under paragraph 5, the investment firm may provide it immediately after the conclusion of the transaction, provided that the following two conditions are met:

1. the investment firm has provided the client with the possibility to postpone the transaction in order to obtain in advance the notification of compliance, and

2. the client has given his consent to the receipt of the notification under paragraph 5 promptly after the conclusion of the transaction.

(7) Where an investment firm provides a portfolio management service or has informed the client that it will carry out periodic evaluation, the periodic report shall contain an updated statement and justification of the way the investment complies with the preferences, needs and other characteristics of the retail client.

Assessment of suitability

Article 79. (1) In the provision of investment services other than those referred to in Article 6, paragraph 2, items 4 and 5, the investment firm shall demand from the client or the potential client information about his knowledge and experience in relation to the investment services relating to the specific type of product or service offered or demanded, so that the investment firm shall be able to assess whether the investment service or product envisaged is suitable for the client.

(2) Where an investment firm provides a sale of a package of services or products according to Article 74, it shall assess whether the package as a whole is suitable for the client.

(3) If on the basis of the information received under paragraph 1 the investment firm assesses that the product or service is not suitable, it shall warn the client or the potential client thereof in writing. The warning may be made in a standardised format.

(4) If the client or the potential client does not provide the information under paragraph 1 or provides insufficient information about his knowledge and experience, the investment firm shall warn the client or the potential client in writing that it cannot determine whether the investment service or product is suitable for him. The warning may be made in a standardised format.

(5) The investment firm providing investment services under Article 6, paragraph 2, item 1 and/or 2 with or without additional services, may provide such services without receiving from the client the information under paragraph 1 or without conducting the assessment of suitability, where the following conditions apply simultaneously:

1. the subject of the services shall be the following financial instruments:

a) shares admitted to trading on a regulated market or on an equivalent market in a third country, or in an MTF, where these are shares of companies, with the exception of shares of

undertakings other than collective investment schemes, and shares including a derivative instrument;

b) bonds or other forms of securitised debt, admitted to trading on a regulated market or an equivalent market in a third country, or in an MTF, with the exception of those bonds or other forms of securitised debt with an embedded derivative instrument or having a structure inhibiting the client to understand the risk involved;

c) money market instruments, with the exception of those with an embedded derivative instrument or having a structure inhibiting the client to understand the risk involved;

d) shares or units of collective investment schemes, with the exception of structured collective investment undertakings referred to in Article 36, paragraph 1, second subparagraph of Regulation (EU) No. 583/2010;

e) structured deposits, with the exception of those having a structure inhibiting the client to understand the risk for the return or the costs of an early exit from the investment;

f) other simple financial instruments, similar to those in "a" – "e";

2. the service is provided at the initiative of the client or a potential client;

3. the client or the potential client has been notified in writing that the investment firm will not make assessment for suitability, and the notification may be in a standardised format;

4. the investment firm complies with the requirements of Article 76.

(6) Paragraph 5 shall not apply in the cases of granting of credits or loans under Article 6, paragraph 3, item 2, other than existing credit limits of loans, current accounts and client overdrafts.

(7) For the purposes of paragraph 5, item 1, the market of a third country shall be considered equivalent to a regulated market, where the European Commission has taken a decision on equivalence in compliance with the requirements and procedure laid down in Article 25, paragraph 4, sub-paragraphs 3 and 4 of Directive 2014/65/EU.

(8) The Financial Supervision Commission may make a request to the European Commission for the adoption of a decision on equivalence under paragraph 7. The request shall state the reasons why the Commission considers that the legal and supervisory framework of the third country concerned are considered to be equivalent, and shall present information thereon.

(9) Within the meaning of paragraph 8, the legal and supervisory framework of a third country shall be considered as equivalent, if it meets the following conditions:

1. the markets are subject to a licensing regime and effective current supervision;

2. the markets have clear and transparent rules for the admission of securities to trading, so that the securities are traded in a proper, orderly and efficient manner and are freely transferable;

3. the issuers of securities are required to submit periodic and current information so as to ensure a high level of investor protection;

4. transparency and integrity of the market are ensured through measures for prevention of market abuse in the form of insider dealing and market manipulation.

Exceptions

Article 80. The requirements of Articles 77, 78, 79 and 82 shall not apply in respect of an investment service provided to a consumer in connection with mortgage bonds linked to a credit agreement for a residential property made to the same consumer who is subject to the provisions for assessment of the creditworthiness of consumers as referred to in Directive 2014/17/EU of the European Parliament and of the Council of 4 February 2014 on credit agreements for consumers relating to residential immovable property and amending Directives 2008/48/EC and 2013/36/EU and Regulation (EU) No. 1093/2010 (OJ, L 60/34 of 28 February 2014). The mortgage bonds under the first sentence shall be issued specifically to ensure the financing of the credit agreement

for residential property and shall have the same conditions as the credit agreement in order to allow the loan to be repaid, refinanced, bought back or repurchased.

Additional requirements

Article 81. Additional requirements for making assessment of the relevance and suitability, as well as for provision of current and periodic information to the clients of the investment firm are set out in Delegated Regulation (EU) 2017/565.

Section III
Agreement. Execution of orders

Agreement. General terms. Tariff

Article 82. (1) The investment firm shall perform the services and activities under Article 6, paragraphs 2 and 3 on behalf of a client based on a written contract therewith. The contract shall regulate the rights and obligations of the parties, as well as other conditions under which the investment firm shall provide investment services to the client.

(2) The investment firm shall establish a record of each client, in which it shall keep the contract under paragraph 1 and all the documents relating to the investment services provided to the client.

(3) The investment firm may conclude contracts with their clients under general terms and conditions, which shall contain the basic rights and obligations of the investment firm and the client under Delegated Regulation (EU) 2017/565. The content of the general terms and conditions shall be determined on the basis of the services and activities for which a licence has been obtained, and they may contain the information that the investment firm must provide to retail clients in accordance with the requirements of this Act.

(4) The investment firm shall include in the general terms and conditions and/or in the contract with the client information about the ways for reasonable and equitable settlement of disputes.

(5) The general terms and conditions and/or the contract with the client shall indicate the procedure, the ways and time limits for settlement of relations with the client upon:

1. an order by the client for payment of funds and/or for transfer of financial instruments during the validity of the contract;

2. termination of contractual relationships.

(6) Included in the general terms and conditions and/or the contract with the client shall be the conditions for the transfer of the client financial instruments in a depository institution in accordance with the rules of the depository institution to a sub-account of client at another person designated by the client in advance or after the termination of the contractual relationship, within a time limit set out in the general terms and conditions or in the contract, or to a personal account of the client, including by opening a new account.

(7) (Amended, SG No. 24/2018, effective 16.02.2018) The investment firm shall notify the Commission of any change in its general terms and conditions under paragraph 3. Enclosed to the notification shall be the full wording of the general terms and conditions, as amended and supplemented at the relevant date, and the minutes of the management body of their adoption. Where the adopted changes do not meet the requirements herein or the instruments for its implementation, the Commission on a proposal by the Deputy Chairperson shall have the right to require removal of the deficiencies, non-conformities and discrepancies established.

(8) The investment firm shall announce in a tariff its standard commission remuneration by various types of contracts with clients, as well as the type and amount of the costs to the clients, if

they are not included in the remuneration.

(9) The general terms and conditions and the tariff shall be displayed in a visible and easily accessible place in the premises where the investment firm accepts clients and shall be published on the website of the investment firm.

(10) Upon conclusion of a contract, the investment firm shall provide the client with the general terms and conditions and the tariff, and the client shall certify that he has been introduced to them and accepts them. The accepted general terms and conditions and the tariff shall form an integral part of the contract concluded between the investment firm and the client.

(11) The investment firm shall publish in a visible place on its website any amendment and supplement to the general terms and conditions and/or the tariff, containing the information about the date of their adoption and the date of their entry into force. The publication of the general terms and conditions/the tariff, as well as the amendments and supplements thereof shall be carried out within a period of not less than one month before the entry into force of the amendments and supplements. The investment firm shall include in the contract information about the manner of adopting amendments and supplements to its applicable terms and conditions and/or tariff.

(12) In case of disagreement with the amendments and supplements to the general terms and conditions and/or the tariff, the client may terminate the contract without any notice before the date of entry into force of the general terms and conditions and/or the tariff without bearing responsibility for penalties and costs, with the exception of costs relating to the assets held thereby.

(13) Upon the termination of the contract under paragraph 12 the investment firm shall settle its relations with the client within 7 days of receipt of the statement of termination.

(14) The additional requirements in connection with the conclusion of the contract shall be set out in an ordinance.

(15) The provisions of the Obligations and Contracts Act, the Commerce Act and the Consumer Protection Act shall apply to the general terms and conditions of the investment firm, unless otherwise provided for herein.

Provision of services through the mediation of another investment firm

Article 83. (1) The investment firm performing investment or other services on behalf of a client on the order of another firm shall have the right to receive the information about the client as gathered by the investment firm on whose order the services are performed.

(2) The investment firm on whose order the services under paragraph 1 are performed shall be responsible for the completeness and correctness of the information provided.

(3) An investment firm performing services under paragraph 1 on the order of another firm shall have the right to receive and refer to investment advice given to the client by the other firm in respect of the service or the transaction.

(4) The investment firm whose order services under paragraph 1 are provided shall be responsible for the relevance of the advices and for the suitability of the recommendations made to the client.

(5) The investment firm performing services under paragraph 1 in accordance with an order by another firm, shall be responsible for the execution of the service or the conclusion of the transaction based on the information and advice received under paragraphs 1 and 3 and in accordance with the requirements of Part Two, Title One.

Execution of orders under the most favourable conditions for the client

Article 84. (1) When executing client orders, the investment firm shall take all adequate steps to obtain the best possible result for the client, taking into account the price, the costs, the

speed of execution of the order, the likelihood of execution and settlement, the size, nature, and any other circumstances relating to the execution of the order. In case of specific instructions by the client the investment firm shall execute the order following such instructions.

(2) In the execution of an order made by a retail client, the best possible result shall be determined by the total value of the transaction, including the price of the financial instrument and the costs for the execution. The costs for the execution shall include all expenses directly related to the execution of the order, including fees for the execution venue, clearing and settlement fees, as well as other charges and fees paid to third parties involved in the execution of the order.

(3) In order to achieve the best possible result in cases where there are more than one competitive venues for execution of orders relating to financial instruments and for making assessment and comparison of the results that can be achieved for the retail client upon execution of the order from each of the execution venues listed in the order execution policy of the firm, which are suitable for its execution, account shall be taken of the firm's commission and the costs for the execution of the order for each of the possible execution venues.

(4) The investment firm shall not be entitled to receive a fee, discount or non-monetary benefit for the transmission of an order to a specific trading venue or for the execution of an order if in this way violates the requirements of paragraphs 1 – 3, Article 65,paragraph 1, item 7, Articles 70 – 74, Articles 76 – 82 and Article 99.

(5) Additional requirements for the execution of the client's order are laid down in Article 64 of Delegated Regulation (EU) 2017/565.

Disclosure of Information

Article 85. (1) The investment firm shall provide to the client reports on the services provided in a durable medium in accordance with Delegated Regulation (EU) No. 2017/565. The reports shall include information that is consistent with the type and complexity of the financial instruments concerned and with the nature of the service provided, as well as information on the costs associated with the transactions and services undertaken on behalf of the client.

(2) Any trading venue and systematic internaliser shall provide to the public free of charge on an annual basis and no later than 31 January information about the quality of the execution of orders in the trading venue and in the venues concluded by the investment firm as a systematic internaliser, when the subject of these transactions are financial instruments subject to the obligation for trading under Articles 23 and 28 of Regulation (EU) No. 600/2014.

(3) Any trading venue shall also have the obligation under paragraph 2 in respect of financial instruments other than those subject to the obligation for trading under Articles 23 and 28 of Regulation (EU) No. 600/2014.

(4) The information referred to in paragraph 2 shall include data about the price, costs, speed of execution and the probability of execution of individual financial instruments.

(5) The investment firm shall, at the latest within the business day following the day on which the order is fulfilled, inform the client about the venue of order execution.

(6) An investment firm which executes orders of clients shall summarise and publish annually by 31 January info5rmation about each class of financial instruments for:

1. the first five venues for execution of orders in terms of volume of transactions, on which it performed orders of clients during the previous year, and

2. information about the quality of the execution.

(7) The content and format of the information under paragraphs 2 – 4 shall be set out by Commission Delegated Regulation (EU) 2017/575 of 8 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments

with regard to regulatory technical standards concerning the data to be

published by execution venues on the quality of execution of transactions (OJ, L 87/152 of 31 March 2017), hereinafter referred to as "Delegated Regulation (EU) 2017/575". (7) The content and format of the information under paragraph 5 shall be set out by Commission Delegated Regulation (EU) 2017/576 of 8 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards for the annual publication by investment firms of information on the identity of execution venues and on the quality of execution (OJ, L 87/166 of 31 March 2017), hereinafter referred to as "Delegated Regulation (EU) 2017/576".

(8) The information stored by the investment firm about the transactions concluded in financial instruments on behalf of a client shall contain at least details about the identity of the client and of the measures taken in performance of the Measures Against Money Laundering Act and the Measures Against Financing of Terrorism Act.

Policy on execution of client orders

Article 86. (1) The investment firm shall adopt and apply in its operations a policy on execution of client orders. The policy shall contain rules for the execution of the orders, which shall provide for the best execution of client orders in accordance with Article 84, paragraphs 1 – 3.

(2) The policy under paragraph 1 shall include in respect of each class of financial instrument information about the execution venues of client orders, advantages and disadvantages of individual execution venues (according to volume, price and execution costs) and about the venues on which the firm can achieve the best execution. Included in the policy shall be at least the execution venues which allow the investment firm to receive continuously the best possible results for the execution of its client orders.

(3) The investment firm shall provide its clients with appropriate information in writing about its policy under paragraph 1. The information shall clearly indicate in detail and intelligibly for the client the manner in which the investment firm will execute the orders of the client.

(4) The investment firm may not execute orders on behalf of clients if they have not granted their prior consent on the policy under paragraph 1.

(5) The investment firm shall execute client orders in accordance with the policy under paragraph 1 and shall inform promptly the client of any changes in such policy. Paragraphs 3 and 4 shall apply mutatis mutandis.

(6) Where the policy under paragraph 1 provides for the possibility that client orders may be executed outside a trading venue, orders may be executed this way provided that the clients of the investment firm have been informed in advance thereof and have given their express consent therefor. The consent referred to in the first sentence may be general or in respect of individual transactions.

(7) The investment firm shall monitor the effectiveness of the policy under paragraph 1 and in case of deficiencies it shall remove them. The investment firm shall check whether the execution venues included in the policy under paragraph 1 provide for the best possible result of the client order and whether changes are required in accordance with the terms and procedure of Delegated Regulation (EU) 2017/565.

(8) At the request of a client or the Deputy Chairperson the investment firm shall demonstrate at any time that it has executed the orders in accordance with the policy under paragraph 1.

(9) Additional requirements to the policy under paragraph 1 are laid down in Delegated Regulation (EU) 2017/565.

Rules and procedures for processing of client orders

Article 87. (1) An investment firm which performs investment services under Article 6, paragraph 2, item 2 shall adopt and apply in its activity rules and procedures that provide for immediate, fair and accurate execution of client orders, including observance of the order of receipt of identical orders.

(2) Additional requirements to the rules and procedures under paragraph 1 are laid down in Delegated Regulation (EU) 2017/565.

Publication of an outstanding limited client order

Article 88. (1) Where a limited client order in respect of shares admitted to trading on a regulated market or traded elsewhere is not executed immediately in the current market conditions, the investment firm shall take measures, unless the client expressly gives another instruction, for as quick as possible execution of such order and shall disclose publicly the client order in accordance with Article 70 of Delegated Regulation (EU) 2017/565.

(2) The Financial Supervision Commission, at the proposal of the Deputy Chairperson, may by a decision to exempt investment firms from the obligation for public disclosure of limited orders under paragraph 1, when the order made is of large volume as compared to the normal market size set out in Article 4 of Regulation (EU) No. 600/2014.

(3) The procedure for exemption under paragraph 2 shall be determined in an ordinance.

Eligible counterparties

Article 89. (1) An investment firm performing investment services under Article 6, paragraph 2, items 1, 2 and 3 may conclude transactions with eligible counterparties without being obliged to comply with the requirements of Article 70, Article 71, paragraph 1, Articles 72, 73, 74, 77, 78, 82, 84, 85, 86 and Article 87 in respect of specific orders or in respect of any relevant additional service directly related to those transactions.

(2) An eligible counterparty shall be an investment firm, credit institution, insurance company, a collective investment scheme, a management company, a pension insurance company, a pension fund, other financial institutions, which have license or are governed by the laws of the European Union and of the Member States, the national governments, public bodies that manage public debt, central banks and international institutions, as well as such persons from third countries in respect of which requirements equivalent to the requirements of the laws of the European Union apply.

(3) As eligible counterparties may also be considered other persons meeting the requirements set out in Article 71 of Delegated Regulation (EU) 2017/565, including persons from third countries.

(4) In case of an order of a client who is a person of another jurisdiction, an investment firm shall take into account whether the client is defined as an eligible counterparty under the legislation of the state in which the client is established.

(5) Any person defined as an eligible counterparty hereunder may request expressly not to be treated as such party in general or in respect of an individual transaction.

(6) In the conclusion of a transaction with or for an eligible counterparty under paragraphs 3 and 4 the investment firm shall have the express confirmation of the person that he agrees to be treated as an eligible counterparty.

(7) In the conclusion of transactions with or eligible counterparties, the investment firm shall comply with the requirements of Article 71 of Delegated Regulation (EU) 2017/565.

Section IV
Protection of commercial secret

Obligation to protect commercial secret

Article 90. (1) In performing its activity the investment firm shall keep the commercial secret of its clients and their business reputation.

(2) The members of the management and supervisory bodies of the investment firm and the employees working under employment contract for it may not may disclose, unless authorised therefor, and use to their own benefit or to the benefit of any other persons any facts and circumstances regarding the balances and accounts for the operations in the financial instruments and funds held for clients of the investment firm, or any other facts and circumstances constituting commercial secret, which may have come to the knowledge thereof in the performance of the official and professional duties thereof.

(3) All persons under paragraph 2, upon assumption of position or commencing activity for the investment firm, shall sign a confidentiality declaration to safeguard the secret under paragraph 2.

(4) The provision of paragraph 2 shall furthermore apply to the cases where the said persons are off duty or have been suspended.

Disclosure of commercial secret

Article 91. (1) Except to the Commission, to the Deputy Chairperson and empowered officials of the administration of the Commission for the purposes of their supervisory activity and within the framework of the order for inspection, and on the regulated market of which it is a member, the investment firm may give details under Article 90, paragraph 2 only:

1. with the consent of the client thereof;

2. in accordance with Title Two, Chapter Sixteen, Section IIIa of the Tax and Social Insurance Procedure Code, or

3. in pursuance of a judgment rendered under the terms and procedure of paragraphs 2 and 3.

(2) Any court of law may order disclosure of the details covered under Article 90, paragraph 2 on the request of:

1. a public prosecutor, should there be reason to believe that a criminal offence has been committed;

2. the minister of finance or a person authorised thereby, in the cases referred to in Article 143, paragraph 4 of the Tax and Social Insurance Procedure Code;

3. the director of the territorial directorate of the National Revenue Agency where:

a) should it be proven that the person inspected has frustrated the conduct of an audit or inspection or has failed to keep accounts as required, or that there are material deficiencies in the said accounts;

b) a competent public authority has established by a written statement the occurrence of a fortuitous event which has led to the destruction of the accounting records of the person inspected;

4. the Commission for Counter-Corruption and Unlawfully Acquired Assets Forfeiture and the directors of the territorial directorates thereof;

5. the director of the Public Financial Inspection Agency, where a public financial inspection agency officer has established by a written statement that:

a) the management of the organization or person inspected frustrates the conduct of a financial inspection;

b) the organization or person inspected fails to keep accounts as required, or the said accounts are deficient or false;

c) there is reason to believe that a deficiency has occurred or a criminal offence has been committed;

d) bank accounts must be distrained in order to secure any claims ascertained by the financial inspection;

e) a public authority has established by a written statement the occurrence of a fortuitous event which has led to the destruction of accounting records of the organisation or person inspected;

6. (amended, SG No. 98/2018, effective 7.01.2019) the Director of the Customs Agency and the directors of the territorial directorates in the Customs Agency, where:

a) it has been established by a written statement drawn up by the customs authorities that the person inspected has frustrated the conduct of a customs inspection and has failed to keep the required records, or the said records are deficient or false;

b) any customs violations have been established by a written statement drawn up by the customs authorities;

c) bank accounts must be distrained to secure any claims ascertained by the customs authorities and collectible thereby, as well as to secure the payment of fines, legal interest and other such;

d) a competent public authority has established by a written statement the occurrence of a fortuitous event which has led to the destruction of the accounting records of the entity inspected by the customs authorities;

7. the director of the National Police Directorate General or the director of the regional directorate of the Ministry of Interior, for the purposes of investigation under instituted criminal proceedings;

8. the Chairperson of the State Agency for National Security or an official duly authorised thereby where this is necessary for national security protection;

9. the executive director of the National Revenue Agency or an official authorised thereby, in the cases under Article 143f, paragraph 6 of the Tax and Social Insurance Procedure Code.

(3) The regional judge shall rule on the request in camera by a reasoned judgment within 24 hours after filing of the said request, setting a time limit for disclosure of the information covered under Article 90, paragraph 2. Any such judgment of the court shall be unappealable.

(4) The investment firm shall provide the director of the National Investigation Service, the Chairperson of the State Agency for National Security or the Secretary General of the Ministry of Interior with information regarding balances and movements in the accounts of the companies with over 50 per cent state and/or municipal participation.

(5) Upon available details about organised criminal activity or money laundering the prosecutor general or a deputy authorised thereby may require from investment firms to provide the particulars under Article 90, paragraph 2.

(6) In addition to the cases referred to in paragraphs 1 – 5, the investment firm shall provide information on financial instruments and monetary funds of clients to receivers appointed by the Court for the purposes of performing their duties in insolvency proceedings, and to the resolution bodies under the Recovery and Resolution of Credit Institutions and Investment Firms Act. The information that may be provided for in accordance with the first sentence shall be determined in an ordinance.

Section V
Keeping of client assets

Keeping of client assets. Restrictions on use of client assets

Article 92. (1) An investment firm holding financial instruments and monetary funds of clients shall take measures to protect the rights of ownership in such assets of their clients.

(2) The investment firm shall separate its financial instruments and funds from those of its clients. The investment firm shall not be liable to its creditors with the financial instruments and funds of its clients. No enforcement on the cash and the financial instruments of clients shall be allowed for obligations of the investment firm.

(3) The investment firm may not use financial instruments of its clients for its own account, for the account of its other clients or for the account of nay other person, except with the express consent of the client and under conditions laid down in an ordinance.

(4) The investment firm may not use for own account monetary funds of clients, except with the express consent of the client. The requirement in the first sentence shall not apply to bank investment firms.

(5) Invalid in respect of a client shall be any set-off, any established collateral, as well as any other actions undertaken in respect of his financial instruments and/or monetary funds as a result of which a third party acquires the right to dispose of the financial instruments and/or the monetary funds of the client to meet a claim which is not associated with the client or with the services provided by the investment firm to the client. The first sentence shall not apply in cases where such actions result from the applicable legislation in a third country where the financial instruments and/or monetary funds of the client are held.

Keeping monetary funds of clients

Article 93. (1) The investment firm shall deposit the monetary funds of its clients at:

1. a central bank;

2. a credit institution licensed to carry on business in accordance with the Credit Institutions Act and in accordance with the requirements of Directive 2013/36/EU;

3. a credit institution licensed in a third country;

4. a qualified money market fund.

(2) The requirement under paragraph 1 shall not apply to bank investment firms, in connection with deposits within the meaning of the Credit Institutions Act, pet therewith.

(3) The investment firm may deposit the monetary funds of its clients at persons under paragraph 1 which are related thereto, under the terms and procedure set out in an ordinance.

(4) When a credit institution under paragraph 1, item 2 or 3 carries on activity in the territory of the Republic of Bulgaria, the investment firm shall keep the monetary of funds in individual client accounts or client accounts to the account of the investment firm.

(5) Other requirements for the terms and procedure for keeping monetary funds of clients shall be determined in an ordinance.

Keeping client financial instruments

Article 94. (1) The investment firm shall keep the financial instruments of its clients in a depositary institution on client accounts to the account of the investment firm or on accounts opened to the account of a third party.

(2) Other requirements for the terms and procedure for keeping of financial instruments of clients shall be determined in an ordinance.

Restrictions on the establishment of financial collateral

Article 95. (1) The investment firm may not conclude with retail clients financial collateral contracts with transfer of ownership in the collateral in order to secure current, future, defined, contingent or expected obligations of the client.

(2) Other requirements for the terms and procedure for establishing financial collaterals

shall be determined in an ordinance.

Section VI
Methods of receiving client orders. Recordings of telephone conversations and electronic communications

Methods of receiving client orders

Article 96. (1) Reception and initiation by the investment firm of phone calls and communications or conversations or of calls and communications via electronic means of communication, which concern the conclusion of transactions for own account or where the receipt, transmission and execution of orders of clients shall be carried out by technical means and equipment designated for that purpose by the investment firm and/or made available to the relevant employees or other individuals engaged in these actions for investment firm.

(2) The investment firm shall take the necessary measures in order to prevent the receipt and initiation of telephone calls and electronic communications under paragraph 1 through the use of technical means and equipment, other than those laid down for that purpose by the investment firm.

(3) The investment firm shall notify its clients that the telephone calls and electronic communications via them under paragraph 1 will be recorded. The obligation laid down in the first sentence shall be deemed to be fulfilled where the investment firm has notified the client one-off before the start of provision of investment services. An investment firm that fails to meet the requirement in the first sentence, shall not have the right to perform investment services and activities by means of telephone or other communications in accordance with paragraph 1, relating to reception, transmission and enforcement of client orders.

(4) client orders may be submitted by the clients to the investment firm also by means other than those referred to under paragraph 1, provided that they are made in a durable medium or are documented in a durable medium, when they are submitted in the presence of the client. Orders under the first sentence shall be considered equivalent to the orders made pursuant to paragraph 1.

Records of telephone calls and electronic communications

Article 97. (1) The investment firm shall establish and keep records of all phone calls and communications or conversations and messages via electronic means of communication, which concern the conclusion of transactions for own account or the receipt, transmission and execution of client orders, regardless of whether the transaction is concluded.

(2) The documents and records made under paragraph 1 and Article 96, paragraph 3 shall be made available to the client upon request and shall be stored by the investment firm for a period of not less than 5 years of creation thereof. The Deputy Chairperson may determine under Article 276 a longer period for the storage of documents and records, which may not be longer than 7 years since their creation.

Application of the requirements to branches of investment firms

Article 98. The requirements under Articles 96 and 97 shall also apply to branches of investment firms operating on the territory of the Republic of Bulgaria, for the transactions and operations carried out through the branches.

Section VII
Creation and offering of financial instruments

Internal organisation in the creation of financial instruments

Article 99. (1) An investment firm which issues, develops or otherwise creates financial instruments for the purpose of selling them to final clients shall implement and support processes and internal organisational mechanisms for the approval of any new financial instrument or a significant change in an existing financial instrument before offering it for sale to clients.

(2) Subject to approval under paragraph 1 shall be the designation of the target group of final clients within the respective category of clients for each financial instrument, as well as the assessment of all relevant risks for that target group and the strategy for distribution of these financial instruments, which shall be consistent with the characteristics of the target client group.

(3) The financial instruments created by an investment firm shall be subject to periodic review in order to establish newly emerging circumstances that could have a significant impact on potential risks for the clients of the target group. The investment firm shall make assessment of whether the financial instrument continues to meet the needs of the target group of clients, and whether the specified dissemination strategy is adequate.

(4) The investment firm shall provide to any person who distributes financial instruments created thereby, the whole relevant information on financial instruments and on the process of approval under paragraph 1, including the designated target group of clients for the given financial instrument.

Offering of financial instruments created by third parties

Article 100. When the investment firm offers or recommends financial instruments which have not been created thereby, it shall take all the necessary measures to obtain the appropriate information under Article 99, paragraph 4 and shall be duly acquainted with the characteristics of the financial instrument and with the designated target client group for that instrument.

Other requirements

Article 101. Other requirements in connection with the creation and distribution of financial instruments shall be laid down in an ordinance.

Chapter Eight
TRADING SYSTEMS

Section I
Requirements for algorithmic trading

Requirements for trading systems

Article 102. (1) An investment firm performing algorithmic trading shall have effective systems and mechanisms for risk control in accordance with its activity to ensure that its trading systems:

1. are steady and have the necessary capacity;

2. have in place certain appropriate thresholds and limits for trade;

3. do not allow submission of false orders or otherwise do not allow interference in the functioning of the market;

4. may not be used for purposes which are contrary to Regulation (EU) No. 596/2014 or to the rules of the relevant trading venue with which they are associated.

(2) The investment firm shall adopt and implement effective rules to ensure the continuity of activities in case of collapse of its trading systems. The investment firm shall perform full

testing and appropriate monitoring of its trading systems in order to comply with the requirements of this Article.

Notification to the competent authority

Article 103. (1) An investment firm based in the Republic of Bulgaria, which intends to carry out algorithmic tradinge in another Member State, shall notify in advance the Commission and the competent authority of the trading venue where the investment firm will carry out algorithmic trading in its capacity as a member or a participant in the trading venue.

(2) An investment firm of a Member State, which intends to carry out algorithmic trading in a trading venue in the Republic of Bulgaria, shall notify in advance the Commission and the competent authority of its Member State of origin.

(3) In the cases referred to in paragraphs 1 and 2, the prior notification to the Commission shall contain the following information:

1. a description of the nature of algorithmic trading strategies;

2. data on the parameters or limits for trading embedded in the trading system;

3. data on the main risk control mechanisms and for compliance with the requirements under Article 102, and

4. detailed information about the tests conducted of the systems of the investment firm.

(4) The Financial Supervision Commission may require from the investment firm under paragraph 1 to regularly or occasionally provide the information under paragraph 3, and at any time to request from it additional information about its algorithmic trading and the systems used to that end.

(5) At the request of the competent authority of the trading venue in which the investment firm from the Republic of Bulgaria performs algorithmic trading in its capacity as a member or a participant in the trading venue, the Commission shall make available the information referred to in paragraphs 3 and 4, received from the investment firm engaged in algorithmic trading.

Storage of information on algorithmic trading

Article 104. (1) The investment firm shall store all the information relevant to the fulfilment of the requirements under Article 103, which is necessary to verify compliance with the requirements of the law.

(2) An investment firm applying a high-frequency method for algorithmic trading shall store in a format determined by Commission Delegated Regulation (EU) 2017/589 of 19 July 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the organisational requirements of investment firms engaged in algorithmic trading (OJ, L 87/417 of 31 March 2017), hereinafter referred to as "Delegated Regulation (EU) 2017 /589", accurate information in chronological order on all submitted orders, including the cancellation of order, on executed orders and quotations in the trading venues.

(3) The investment firm shall provide, at the request of the Deputy Chairperson, the information under paragraphs 1 and 2.

Algorithmic trading following a market-making strategy

Article 105. (1) An investment firm performing algorithmic trading following a market-making strategy shall meet the following requirements:

1. shall act as a market-maker continuously during a certain interval of business hours in the trading venue (except in exceptional circumstances) to ensure regular and foreseeable liquidity in that trading venue;

2. shall have concluded a contract with the trading venue, stating at least its obligations under item 1, and

3. shall have effective control systems and mechanisms in place to ensure that it meets its obligations at any time under the contract referred to in item 2.

(2) For the purposes of this section, the investment firm shall follow a market-making strategy, when in its capacity as a member or as a participant in one or more trading venues in transactions for its own account simultaneously announces fixed "buy" and "sell" quotations for a comparable volume and at competitive prices for financial instruments in one or more trading venues, thereby providing a regular and constant liquidity to the market.

(3) Other requirements relating to the obligation of the investment firm to conclude a contract under paragraph 1, item 2 wit the trading venue, the content of the contract, the cases where the trading venue is required to apply a market-making scheme, as well as the cases where exceptional circumstances under paragraph 1 exist are set out in Commission Delegated Regulation (EU) 2017/578 of 13 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments with regard to regulatory technical standards specifying the requirements on market making agreements and schemes (OJ, L 87/183 of 31 March 2017), hereinafter referred to as "Delegated Regulation (U) 2017/578".

Obligations in providing direct electronic access to a trading venue

Article 106. (1) An investment firm which provides direct electronic access to a trading venue shall have effective control systems and mechanisms in place to ensure compliance with the following requirements:

1. assessment and regular review of the assessment of the clients is made to find out whether the service is relevant and suitable for them;

2. clients using the service may not exceed the corresponding preset thresholds for trading and credit limits;

3. the investment firm shall duly monitor the trading effected by the clients using the service;

4. the risk control mechanisms shall not allow execution of transactions that may pose risks to the investment firm, cause disturbances in the functioning of the market, or of transactions that are contrary to Regulation (EU) No. 596/2014 or to the rules of the trading venue.

(2) An investment firm failing to meet one or more of its obligations under paragraph 1 may not provide direct electronic access to a trading venue.

(3) The investment firm shall be responsible for the compliance with the legal requirements and the rules of the relevant trading venue by the clients to whom it provides the service for the provision of direct electronic access to the a trading venue. The investment firm shall monitor the transactions closed by such clients in order to establish violations of the requirements under the first sentence, any unauthorised trade or conduct which could involve market abuse and shall notify the Commission thereof.

(4) The investment firm shall provide direct electronic access of the client to the trading venue on the basis of a written contract. The contract shall establish the main rights and obligations in relation to the provision of the service, as well as the condition that the investment firm shall be responsible for the client’s compliance with the legal requirements and with the rules of the trading venue.

(5) The investment firm providing direct electronic access to a trading venue shall inform the Commission thereof within three days from the granting of access, as well as the competent authority of the trading venue to which the firm provides direct electronic access. With the notification referred to in the first sentence, the investment firm shall provide the Commission with a description of the systems and control mechanisms under paragraph 1, as well as evidence

of their implementation. The description and evidence under the second sentence shall be made available to the Commission on any subsequent change in systems and control mechanisms under paragraph 1 within three days of the change.

(6) At the request of the competent authority of the trading venue to which the investment firm provides direct electronic access, the Commission shall submit the information referred to in paragraph 5.

(7) The investment firm shall store all the information necessary to establish compliance with the requirements of this Article, under the conditions and within the time limits laid down in Delegated Regulation (EU) 2017/589.

Obligations in providing a clearing service

Article 107. (1) An investment firm which acts as the main clearing member for others, shall apply effective systems and control mechanisms which ensure the provision of the clearing service only to persons for whom the service is suitable and who meet certain criteria and requirements set in advance by the investment firm in order to limit the risks for the investment firm and the market.

(2) The investment firm under paragraph 1 shall conclude a written contract with the persons to whom it provides the clearing service, stipulating the rights and obligations for the provision of the service.

Other requirements in connection with algorithmic trading

Article 108. Other requirements to the internal organisation of the activities of the investment firm in algorithmic trading, including high-frequency algorithmic trading, in providing direct access to a trading venue, requirements for sponsored access to trading venue, as well as in providing the clearing service shall be determined with the Delegated Regulation (EU) No. 2017/589 and Commission Delegated Regulation (EU) 2017/584 of 14 July 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying organisational requirements of trading venues (OJ, L 87/350 of 31 March 2017), hereinafter referred to as "Delegated Regulation (EU) 2017/584".

Section II
Trading and completion of transactions on MTF and OTF

Additional organisational requirements

Article 109. (1) An investment firm that organises an MTF or OTF, in addition to the requirements under Article 65, Article 69, Articles 92 – 98 shall adopt and apply clear rules and procedures to ensure fair and proper trading, and shall set and apply objective criteria for the efficient execution of the orders.

(2) The investment firm under paragraph 1 shall meet the following requirements:

1. shall create conditions for proper management of the technical operations of the trading system, including adoption and implementation of a plan for the continuity of trading in order to manage the risks of failure in the system;

2. shall adopt clear rules, setting out the criteria to be met by the financial instruments to be traded on an MTF or OTF organised thereby;

3. shall take the necessary measures to ensure access to the publicly available information, when such information is available and which is necessary for making informed investment decision by participants in the trading system, according to the type of the participants and the financial instruments traded through the system;

4. shall adopt and apply clear and non-discriminatory rules, based on objective criteria,

governing the access to the trading system and which shall be made available on its website;

5. shall take measures to establish and manage the potential adverse consequences for the functioning of an MTF or OTF or for the members, participants or users of the trading system, arising from conflicts of interest between the interests of the MTF or OTF, their holders or the investment firm organising the MTF or the OTF, and the proper functioning of the MTF or the OTF;

6. shall comply with the requirements of Articles 170 – 179, for the purpose of which it has taken the necessary measures and has created and maintains the necessary effective systems, procedures and mechanisms;

7. shall ensure the presence of at least three actually active members or users of MTF or OTF, and each of them may interact with the others in relation to the setting of the price of the traded financial instruments.

(3) Where transferable securities admitted to trading on a regulated market are also traded on MTFs or OTFs without the issuer's consent, the issuer may not be required to disclose initially, subsequently or accidentally information relating to the trading on the respective MTF or OTF.

Obligations in relation to the settlement of closed transactions

Article 110. (1) The investment firm shall clearly inform the members or participants of MTF or OTF organised thereby of their responsibility for the settlement of the transactions executed via the trading system.

(2) The investment firm shall take the necessary measures to facilitate the settlement of the transactions concluded via the MTF or OTF organised thereby.

Provision of information on MTF and OTF

Article 111. (1) Upon submission of a request for the granting a licence for the operation of MTF or OTF, and at the request of the Deputy Chairperson, the investment firm operating the MTF or OTF shall submit to the Commission:

1. a detailed description of the operation of the MTF or OFT, including information about any connection to or participation in a regulated market, another MTF, OTF or a systematic internaliser, owned by the same investment firm;

2. a list of the members, participants and/or users of the MTF or OTF.

(2) The Financial Supervision Commission shall notify ESMA of each licence granted for the operation of MTF or OTF.

(3) The investment firm shall notify the Commission of any change in the circumstances under paragraph 1.

(4) The Financial Supervision Commission shall provide the information under paragraphs 1 and 3 to ESMA, upon request.

(5) The content and format of the information referred to in paragraph 1, and the notification under paragraph 3 shall be determined by Implementing Regulation (EU) 2016/824.

(6) The Financial Supervision Commission, upon request, shall provide the Minister of Finance with information about the transactions in government securities concluded on a trading venue.

Section III
Specific requirements for MTFs

Specific requirements

Article 112. (1) An investment firm operating an MTF, in addition to the requirements

under Article 65, Article 69, Articles 92 – 98 and Articles 109 – 111 shall meet the following requirements:

1. shall adopt and apply the rules for access to the system for trading on an MTF under Article 109, paragraph 2, item 4, which comply with the requirements under Article 183, paragraph 1;

2. shall adopt and apply non-discretionary rules for execution of orders through the trading system, which do not allow for discretion on the part of the investment firm how to meet orders and as a result of the meeting a transaction is concluded in accordance with the rules of the MTF;

3. shall have the necessary resources to manage the risks to which the MTF is exposed, and shall implement appropriate measures and systems to identify and limit all significant risks to its operation;

4. shall apply effective measures to facilitate the smooth and timely completion of transactions which are executed through the MTF systems, and

5. shall have at any time sufficient financial resources for the proper functioning of the trading system in accordance with the nature and scope of the transactions concluded on the MTF, and the risks to which it is exposed.

(2) The requirements of Articles 70 – 74, Articles 77 – 80, Article 82, Article 84, Article 85, paragraph 5 and Articles 86 – 88 shall not apply to transactions closed on an MTF in accordance with the rules of the system, as well as in the relationship between the participants in the system and between such persons and the operator of the MTF in connection with the use of the MTF. The participants in the facility shall not be exempt from compliance with the above requirements in the relations with their clients where they deal on their own account through such a facility.

(3) An investment firm operating an MTF, when executing orders of clients, may not deal on its own account, nor may it participate in matched principal trading.

(4) The investment firm under paragraph 1 shall have the right to use a central counterparty, a clearing house or a settlement system of another Member State in order to provide clearing and settlement of transactions concluded through the system operated thereby, subject to a prior approval by the Commission.

(5) For issuance of approval under paragraph 4 an application shall be filed and documents and particulars shall be enclosed thereto as set out in an ordinance.

(6) The Financial Supervision Commission on a proposal by the Deputy Chairperson shall issue or shall refuse to issue approval under paragraph 4 within one month from receipt of the application, and where additional particulars and documents are requested, within one month from their receipt. Article 18, paragraph 6, second and third sentences shall apply mutatis mutandis.

(7) The Financial Supervision Commission shall refuse to issue approval, if the action under paragraph 4 would disturb the functioning of the multilateral trading facility operated by the investment firm, no fast and efficient settlement is provided or the technical conditions do not allow proper functioning of the system.

(8) To operate a government securities multilateral trading facility on the territory of the Republic of Bulgaria a prior approval shall be obtained from the Minister of Finance and from the Governor of the Bulgarian National Bank of the rules for admission to trading, the criteria for order execution, the registration and settlement of government securities.

(9) The approval or the refusal of the prior approval referred to in paragraph 8 shall be issued and submitted to the Commission within one month of receipt of the request by the Commission.

Section IV
Specific requirements for OTFs

Restrictions on concluding transactions on own account

Article 113. (1) An investment firm operating an OTF shall take measures to prevent the conclusion of transactions on its own account in the execution of client orders through the system, nor on account of persons that are part of the same group or the same legal person as the investment firm.

(2) The investment firm may engage in trading for its own account, bonds matched principal trading, structured financial products, emission allowances and derivatives, with the exception of derivatives that are subject to mandatory clearing under Article 5 of Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (OJ, L 201/1 of 27 July 2012), hereinafter referred to as "Regulation (EU) No. 648/2012", provided that the client has given consent to conclude a deal this way. In this case paragraph 1 shall not apply.

(3) (Amended, SG No. 24/2018, effective 16.02.2018) The investment firm operating the OCT may conclude transactions for own account, other than matched principal trading, when the transactions have as subject public debt securities for which there is no liquid market in the meaning of § 1, item 19 of the additional provisions. In this case Paragraphs (1) and (2) shall not apply.

Restrictions when interacting with systematic internaliser, another OTF and market maker

Article 114. (1) One and the same legal entity may not operate an OTF and carry on business as a systematic internaliser.

(2) The investment firm shall not allow the OTF operated thereby:

1. to be associated with a systematic internaliser in a way that allows interaction between the orders submitted in the OTF and the orders and quotations at the systematic internaliser;

2. to be connected with another OTF so that the orders made in the two systems interact.

(3) An investment firm operating an OTF, may conclude a contract with another investment firm, which shall act as market maker of the OTF operated thereby, provided that the latter is not a related party to the investment firm operating the OTF.

Execution of orders on a discretionary basis

Article 115. (1) The investment firm operating the OTF shall provide for the execution of the orders on the OTF at its sole discretion in accordance with paragraphs 2 – 4.

(2) Discretion under paragraph 1 shall be allowed only in one or in both of the following cases:

1. whether to enter a client-submitted order for execution, and whether to fulfil a request for withdrawal of an order submitted to the OTF, and/or

2. when it decides not to meet a specific order of a client with other orders available in the system at a given time, provided that this is in accordance with the specific instructions of the client and with the requirements of Articles 84 – 86.

(3) With the OCT that meets orders of clients, an investment firm has the right to discretion whether, when and how to meet two or more orders submitted in the system.

(4) An investment firm operating an OTF via which transactions are concluded in non-equity securities, including public debt securities, may assist the parties in the conduct of negotiations leading to the conclusion of a transaction as a result of the match of two or more potentially compatible interests. The first sentence shall apply in compliance with the

requirements of Articles 84 – 86, Articles 109 – 111, Article 113 and Article 114.

Provision of information about OTF

Article 116. Upon submission of an application for the granting a licence for the operation of OTF, and at the request of the Deputy Chairperson, the investment firm shall submit the following information in addition to the information under Article 111:

1. a detailed explanation of why the system does not constitute and may not act as a regulated market, an MTF or a systematic internaliser;

2. the terms and procedure for the exercise of discretion under Article 115, including the cases in which an order may be withdrawn, entered in the OTF, and when and how two or more orders of clients will meet within the OTF;

3. a description of the way in which the investment firm uses principal matching trading in the operation of the OTF.

Compliance with the requirements for the protection of investors

Article 117. The investment firm shall execute orders of clients through the OTF operated thereby subject to the requirements under Articles 70 – 74, Articles 77 – 80, Article 82 and Articles 84 – 88.

Section V
Control on the compliance with the rules of MTF and OTF

Monitoring and control systems and rules

Article 118. (1) The investment firm operating an MTF or OTF shall apply effective systems, rules and procedures for ongoing monitoring and control on the compliance with its rules under Article 109, paragraph 2, item 2 by the members and participants in the trading system.

(2) The investment firm shall monitor and control the orders submitted to the facility, including the cancelled orders and operations executed by the members, participants or users in the trading system, in order to establish violations of the rules under Article 109, paragraph 2, item 2, unlawful trading conditions, actions that may be indicative of prohibited behaviour under Regulation (EU) No. 596/2014, or a breakdown in the system for trading in a given financial instrument.

(3) The investment firm shall ensure the necessary resources for the effective functioning of the monitoring and control systems under paragraph 1.

Notification of violations

Article 119. (1) The investment firm shall notify the Deputy Chairperson immediately, but no later than the end of the business day, and in compliance with the requirements of Articles 81 and 82 of Delegated Regulation (EU) 2017/565 of the violations found thereby of the rules under Article 109, paragraph 2, item 2, unlawful trading conditions, actions indicative of prohibited behaviour under Regulation (EU) No. 596/2014, or a breakdown in the system for trading in a given financial instrument.

(2) In case of available data of a committed crime related to market abuse, the investment firm shall immediately inform the Prosecutor's Office.

(3) Upon receipt of information about actions that may indicate prohibited behaviour under Regulation (EU) No. 596/2014, the Deputy Chairperson shall launch an inquiry not later than the end of the next business day.

(4) The Financial Supervision Commission shall submit immediately, but no later than the end of the next business day, the information referred to in paragraph 1 to ESMA and to the

competent authorities of the Member States. In case of information about actions that are indicative of prohibited behaviour under Regulation (EU) No. 596/2014, the Commission shall provide the relevant information, if the Deputy Chairperson has established the presence of such behavior as a result of the enquiry under paragraph 3.

Section VI
Suspension of trading and removal from trading on MTF and OTF

Suspension of trading in financial instruments and removal of financial instruments from trading on MTF or OTF

Article 120. (1) The investment firm may suspend or remove from trading a financial instrument which no longer complies with the rules of the MTF or OTF, unless such suspension or removal may harm substantially the interests of the investors or the smooth functioning of the market pursuant to Article 80 of Delegated Regulation (EU) 2017/565.

(2) The investment firm shall also suspend or remove relevant derivatives under Article 4, paragraphs 4 – 10, which according to Article 1 of Delegated Regulation (EU) 2017/569 of 24 May 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards for the suspension and removal of financial instruments from trading (OJ, L 87/122 of 31 March 2017), hereinafter referred to as "Delegated Regulation (EU) 2017/569", are connected with or refer to the financial instrument referred to in paragraph 1, if it is necessary for the purposes of the suspension or removal of the underlying financial instrument.

(3) The investment firm shall publish on its website the decisions to suspend, remove from trading financial instruments under paragraphs 1 and 2, and for cancellation of the suspension or removal from trading and shall notify the Commission thereof by the end of the business day and in compliance with the requirements of Delegated Regulation (EU) 2017/569.

Suspension and removal from trading other trading venues

Article 121. (1) Where the suspension or removal from trading of a financial instrument and derivative under Article 120 is due to a suspicion of market abuse, is related to a tender offer or to a violation of the requirements for disclosure of inside information as per Articles 7 and 17 of Regulation (EU) No. 596/2014, the Commission on the proposal of the Deputy Chairperson shall decide on the suspension or removal from trading of that financial instrument and relevant derivatives from all trading venues and systems of systemic internalisers operating on the territory of the Republic of Bulgaria on which such financial instruments have been admitted to trading, unless the suspension or removal may harm substantially the interests of the investors or the smooth operation of the market pursuant to Article 80 of Delegated Regulation (EU) 2017/565.

(2)The Financial Supervision Commission shall notify immediately, but not later than the end of the business day, ESMA and the competent authorities of the Member States of its decision under paragraph 1, as well as of the subsequent decision of the Commission taken on the proposal of the Deputy Chairperson e-President, to cancel the suspension or removal from trading. If the Commission does not decide on a suspension or removal, the notification shall also state reasons therefor.

(3) When the Commission receives notification from a competent authority of a Member State to suspend or remove from trading financial instruments due to the presence of the grounds

referred to in paragraph 1, in the event that these financial instruments are traded in a trading venue or via a systematic internaliser acting in the territory of the Republic of Bulgaria, the Commission on a proposal of the Deputy Chairperson shall take a decision to suspend or remove from trading those financial instruments in accordance with paragraph 1. Paragraph 2 shall apply accordingly.

Section VII
Growth markets

Market growth concept

Article 122. (1) A growth market shall be an MTF for which the condition is satisfied of not less than 50 per cent of the issuers whose financial instruments are admitted to trading on such MTF to be small and medium-sized enterprises as defined in Article 77 of Delegated Regulation (EU) No. 2017/565, and which has effective systems, rules and procedures ensuring compliance with the requirements of this Act, including Delegated Regulation (EU) 2017/565.

(2) The rules and procedures referred to in paragraph 1 shall meet the requirements of Article 123.

(3) A multilateral trading system may not act as a growth market before it is registered under Article 123, and should it no longer meet the requirements under paragraph 1.

Conditions for registration of MTF as a growth market

Article 123. (1) The Financial Supervision Commission, at the proposal of the Deputy Chairperson, shall decide on the registration of MTF as a growth market on the basis of an application filed by the investment firm operating the respective MTF, if the requirements for the operation of MTF hereunder are met, as well as upon compliance with at least the following requirements:

1. the MTF meets the conditions under Article 122 at the time of filing the application;

2. the rules of Article 122 meet the requirements under Article 78 of Delegated Regulation (EU) 2017/565 and include at least the following:

a) clear criteria for admission and subsequent trading of the financial instruments;

b) a requirement upon the initial admission to trading of the financial instruments the investors to have sufficient information to make an informed decision on whether to invest in the financial instrument, and in the case of public offering of securities an appropriate document has been prepared for admission to trading or a prospectus in accordance with the requirements of Chapter Six of the POSA;

c) a requirement for current disclosure in the market of periodic financial reports or other financial information by the issuer or on behalf of the issuer pursuant to Article 78 of Delegated Regulation (EU) No. 2017/565;

d) a requirement within the meaning of Article 3, paragraph 1, item 21 of Regulation (EU) No. 596/2014, whose financial instruments are traded on an MTF concerned, the persons with managerial functions under Article 3, paragraph 1, item 25 of Regulation (EU) No. 596/2014, as well as the closely related persons under Article 3, paragraph 1, item 26 of Regulation (EU) No. 596/2014 to comply with the relevant requirements of Regulation (EU) No. 596/2014;

e) a requirement that the relevant regulated information about issuers whose financial instruments are admitted to trading on such MTF to be stored and publicly disclosed;

3. the investment firm has created and applies effective systems and controls for the prevention and detection of market abuse on such MTF in accordance with the requirements of Regulation (EU) No. 596/2014.

(2) Compliance with the conditions under paragraph 1, item 1 shall be assessed in compliance with the requirements under Article 78, paragraph 1 of Delegated Regulation (EU) 2017/565.

(3) The investment firm may provide for additional requirements to those under paragraph 1 for admission of financial instruments to trading on MTF, registered as a growth market for growth, as well as for the functioning of the growth market.

(4) The investment firm shall submit evidence to the Commission on the compliance with the requirement under paragraph 1, item 1 for each calendar year until 31 January of the following calendar year.

Entry in the register of growth markets

Article 124. (1)The Financial Supervision Commission, at the proposal of the Deputy Chairperson, shall make a decision on the application for registration within two months of receipt thereof, together with all the documents attached thereto, as defined by an ordinance, and when additional data and documents were requested, within one month of receipt of the required documents. Article 15, paragraphs 3 – 5 shall apply mutatis mutandis.

(2) The Financial Supervision Commission shall enter the MTF in the Register of Growth Markets when the requirements under Article 123 have been complied with.

(3) The Financial Supervision Commission shall refuse to enter an MTF in the Register of Growth Markets when any of the requirements referred to in Article 123 has not been complied with.

Deregistration from the Register of Growth Markets

Article 125. (1) The Financial Supervision Commission, at the proposal of the Deputy Chair[erson, shall make a decision to deregister the MTF from the Register of Growth Markets where:

1. the investment firm has not fulfilled the requirement under Article 122, paragraph 1 within the time limit set by the Commission and has not submitted a plan for the implementation of the requirement for the following calendar year; or

2. the investment firm does not meet the condition under Article 122, paragraph 1 for three consecutive calendar years; or

3. the MTF no longer meets one of the other requirements under Article 123, paragraph 1, items 2 and 3;

4. the investment firm has requested deregistration of the MTF from the Register of Growth Markets.

(2) In the cases referred to in paragraph 1, item 4 the investment firm shall submit an application, applying data and documents set out in an ordinance. The Financial Supervision Commission shall decide on the application within 14 business days. The Financial Supervision Commission may refuse to deregister the MTF from the Register of Growth Markets, if this could compromise the interests of investors or the smooth operation of the market.

Trading a financial instrument on more than one growth market

Article 126. (1) Financial instruments admitted to trading on a growth market, may be traded on another growth market, where the issuer has been notified in advance thereof and has not objected within the time limit set in the notification.

(2) The admission of financial instruments to trading on another growth market under paragraph 1 shall not lead to additional obligations for the issuer on its corporate management or for a prior, current or accidental disclosure of information.

Notification of ESMA

Article 127. The Financial Supervision Commission shall notify ESMA. not later than by

the end of the business day, of each entry of an MTF in the Register of Growth Markets, and of each deregistration on an MTF from such Register.

Chapter Nine
REPORTING AND DISCLOSURE OF INFORMATION BY INVESTMENT FIRMS

Financial reporting. Capital adequacy and liquidity reporting

Article 128. (1) The investment firm shall draw up capital adequacy and liquidity reports under Regulation (EU) No. 575/2013.

(2) The investment firm shall prepare annual financial statements in accordance with the requirements of the International Financial Reporting Standards.

(3) The annual financial statements of an investment firm shall be certified by a registered auditor. The results of the audit of the annual financial statements as conducted by the auditor shall be shown in a separate report, compiled in a standard form endorsed by the Deputy Chairperson, which shall be included in the annual report.

(4) The investment firm shall submit to the Commission the financial statements under paragraph 2 within 90 days of the end of the financial year.

(5) The investment firm shall rectify the deficiencies and any other non-conformities with the legal requirements found by the Commission, including the International Financial Reporting Standards, as may have been committed in the capital adequacy and liquidity reports, as well as in the financial statements, ledgers and other accounting records, within a reasonable time limit as shall be set by the Commission.

Provision of information by a registered auditor

Article 129. (1) A registered auditor who carries out statutory financial audit of the financial statements of an investment firm, a regulated market or a data reporting services provider shall notify the Commission in writing of any information found in the conduct of the statutory financial audit and which may constitute:

1. a material breach of the laws, regulations and administrative provisions;

2. a threat to the activities of the investment firm, the regulated market or the reporting services provider;

3. constitute grounds for refusal of an auditor opinion, a negative or qualified audit opinion under Article 51, paragraph 3, item 5 of the Independent Financial Audit Act.

(2) The auditor under paragraph 1 shall furthermore notify the Commission in writing of any information under paragraph 1, which was established thereby during the conduct of the statutory financial audit of a related party to the investment firm.

(3) The notification referred to in paragraphs 1 and 2 shall be made within 7 days from the date of the audit report.

(4) The good-faith notification to the Commission or the Deputy Chairperson, as the case may be, by the registered auditor of the information under paragraphs 1 and 2 shall not constitute a violation of a contractual or legal restriction on the disclosure of information.

Notification of the Commission of corporate changes

Article 130. (1) The investment firm shall notify the Commission of:

1. opening and closing of a branch;

2. change of the name specified in the granted authorisation, as well as of a change in the seat and registered address;

3. amendments and supplements in the articles of association or the memorandum of association that have served as grounds for granting the licence to the investment firm;

4. changes in the composition of the persons under Article 13;

5. other circumstances specified in an ordinance.

(2) The obligations under paragraph 1 shall be performed by the investment firm within 7 days from taking the decision, making the amendment or becoming aware of the amendment or supplement, and in the cases where the circumstance is subject to entry in the commercial register, from entry thereof.

Notification of concluded transactions in financial instruments

Article 131. The investment firm shall the Commission with information about the transactions in financial instruments concluded thereby under the conditions and within the time limits laid down in Regulation (EU) No. 600/2014.

Notification of the National Revenue Agency

Article 132. (1) The investment firm shall notify the National Revenue Agency of the revenues on the transactions for acquisition of shares in public companies from companies registered in preferential tax regime jurisdictions and their beneficial owners within the meaning of the Economic and Financial Relations with Companies Registered in Preferential Tax Regime Jurisdictions, the Persons Controlled by Them and Their Beneficial Owners Act.

(2) The obligation under paragraph 1 shall be performed by the investment firm electronically, within 7 days from the transaction conclusion.

Identification of clients of foreign persons performing investment services and activities

Article 133. Foreign persons entitled under their national law to perform the services and activities under Article 6, paragraph 2, and which have acquired financial instruments in their name but on the account of other foreign persons under the terms of Article 49 or as clients of an investment firm for which the Republic of Bulgaria is the home country, shall identify before the Commission their clients and the transactions effected on their account within three business days from the written request.

Annual disclosure of information on the activities

Article 134. (1) All investment firms, except for the investment firms under Article 10, paragraph 5, shall disclose on an annual basis, separately for the Republic of Bulgaria, the Member States and third countries in which they have subsidiaries or have established branches, the following information on a consolidated basis:

1. name/s, description of the activities and geographic location;

2. turnover amount;

3. number of full-time employees (equivalent basis);

4. pre-tax financial result from operations;

5. taxes charged on the financial result from operations;

6. state subsidies received, if any;

7. profitability of assets, being the ratio of net profit to total assets.

(2) The information under paragraph 1 shall be subject to independent financial audit and shall be published as notes to the annual financial statements on a stand-alone or on a consolidated basis, if applicable.

Chapter Ten
TRANSFORMATION, REORGANISATION AND DISSOLUTION OF AN INVESTMENT FIRM

Section I
Transformation of an investment firm

Transformation of an investment firm

Article 135. (1) An investment firm may be transformed subject to the prior approval by the Commission.

(2) To issue approval under paragraph 1 an application shall be filed to the Commission, enclosing documents and particulars as set out in an ordinance.

(3) The Financial Supervision Commission, at a proposal by the Deputy Chairperson, shall issue or refuse to issue approval under paragraph 1 within one month from receipt of the application, and where additional particulars and documents were requested, from their receipt. Article 15, paragraphs 3 – 5 shall apply mutatis mutandis.

(4) The Financial Supervision Commission shall refuse to issue approval if the reorganisation under paragraph 1 does not meet the requirements of the law, the applicant has submitted false details or documents with incorrect content or the interests of the clients of the investment firm are not protected.

(5) The Registry Agency shall enter the change under paragraph 1 in the commercial register after it is presented with the approval issued by the Commission.

Section II
Reorganisation programme. Reorganisation measures

Reorganisation programme

Article 136. An investment firm, with the exception of those referred to in Article 1, paragraph 1, item 2 of the Recovery and Resolution of Credit Institutions and Investment Firms Act, shall submit to the Commission for approval a reorganisation programme upon a significant deterioration of its financial position. The requirements to the rehabilitation programme and the procedure for its approval shall be set out in an ordinance.

Reorganisation measures

Article 137. (1) Reorganisation measures shall be measures aimed to preserve or restore the financial position of an investment firm under Article 10, paragraphs 1 and 2, and which might affect the existing rights of third parties, including measures related to the possibility of suspension of payments, suspension of enforcement actions or reduction of claims. Those measures shall furthermore include application of the recovery measures and actions and the resolution tools and exercise of the resolution powers under the Recovery and Resolution of Credit Institutions and Investment Firms Act or under the relevant applicable law of another Member State.

(2) The measures under paragraph 1 shall be those applied by the Commission or by the Deputy Chairperson, as the case may be, and by the competent authorities of another Member State applied in their capacity as supervisory authorities and resolution authorities.

(3) In case Article 114 of the Recovery and Resolution of Credit Institutions and Investment Firms Act applies, the provisions of Article 138, paragraph 3 shall not apply.

(4) In case of application of the resolution tools under the Recovery and Resolution of Credit Institutions and Investment Firms Act, the provisions of this section shall apply to the persons under Article 1, paragraph 1, item 3 – 7 of the Recovery and Resolution of Credit

Institutions and Investment Firms Act.

Application of reorganisation measures and competent authorities

Article 138. (1) The Financial Supervision Commission or its Deputy Chairperson, as the case may be, shall be the competent authorities for the application of reorganisation measures in relation to an investment firm under Articles 136 and 137, including in relation to its branches in other Member States.

(2) The terms and procedure for the application of such measures and their legal consequences shall be governed by Bulgarian law, unless otherwise provided.

(3) When the Commission applies reorganisation measures in relation to an investment firm under Article 10, paragraphs 1 and 2, which has branches in other Member States, the Commission shall notify immediately, prior to the application of the measures, the competent authorities of such Member States of its decision, and where this is not possible, simultaneously with their application. In the notification the Commission shall indicate the consequences of the application of the measure.

(4) Extracts from the acts of the Commission or the Deputy Chairperson, as the case may be, for the application of the reorganisation measures shall be published on the Commission's website and in two central dailies in the Republic of Bulgaria within two business days from the date of issue thereof.

(5) An excerpt from the acts of the Commission or the Deputy Chairperson, as the case may be, for the application of reorganisation measures, including the acts for the application of reorganisation measures in relation to a branch of an investment firm of a Member State, shall be published in the Official Journal of the European Union to ensure a possibility for appeal.

(6) The extract of the act under paragraph 4 shall contain a description of the legal and factual grounds for the issuance of the act, the name and address of the court in which the act may be appealed, as well as the timeframe for appeal.

Reorganisation measures against a branch from a third country

Article 139. Before applying reorganisation measures to a branch of an investment firm of a third country which has branches on the territory of one or more Member States, the Commission shall inform the competent authorities of those Member States of its intention to apply reorganisation measures against that branch, as well as of the consequences thereof. In cases where prior notification of the competent authorities is not possible, the Commission shall notify them immediately after the application of the measures.

Reorganisation measures against an investment firm from a Member State

Article 140. (1) The reorganisation measures taken by the competent authority of a Member State in relation to an investment firm authorised in that Member State shall be recognised directly and without formalities in the Republic of Bulgaria and of the moment they are subject to enforcement, shall have effect in relation to the branch of such investment firm carrying out activity in the Republic of Bulgaria, as well as against third parties in the Republic of Bulgaria. The legal consequences of the reorganisation measures shall be governed by the law of the Member State concerned, unless this Act provides for otherwise.

(2) The persons who administer reorganisation measures on the territory of the Republic of Bulgaria, undertaken by the competent authority of a Member State, shall enjoy the same status and powers as they may have under the law of such Member State. Those persons shall apply the Bulgarian law in the disposal of assets of the investment firm in the territory of the Republic of Bulgaria and in the settlement of employment relationships arising within the territory of the Republic of Bulgaria.

(3) The reorganisation measures undertaken by the competent authority of a Member State

in relation to a branch of an investment firm licensed in a third country shall be recognised directly and without formalities in the Republic of Bulgaria and as of the moment they are subject to enforcement, they shall have effect in relation to the third parties in the Republic of Bulgaria.

Section III
Dissolution procedures

Competent authorities and applicable law to winding-up and bankruptcy proceedings

Article 141. (1) Dissolution procedures shall be the winding-up and bankruptcy procedures for an investment firm under Article 10, paragraphs 1 and 2, including the firm's branches in other Member States, as well as any similar procedure relating to the termination of activity and collective proceedings for conversion into cash and distribution of the assets of the investment firm, openly and under the supervision of the relevant administrative or judicial authorities of a Member State, including where the proceedings end with an agreement or in any other similar way.

(2) Competent for the liquidation or for the opening of bankruptcy proceedings against an investment firm licensed in the Republic of Bulgaria shall be the Bulgarian judicial or administrative authorities. The decision of those authorities shall furthermore have effect on the investment firm's branches in other Member States.

(3) Unless otherwise provided for in this Act, in case of liquidation proceedings and bankruptcy proceedings against an investment firm licensed in the Republic of Bulgaria, the Bulgarian law shall apply, including in reference to:

1. the chattels that are subject of the proceedings and the legal regime governing the chattels acquired by the investment firm after the opening of the proceedings;

2. the investment firm's rights and the powers of its liquidator or assignee in bankruptcy, as the case may be;

3. the conditions under which set-offs are permitted;

4. the effects of the opening of the proceedings on current contracts to which the investment firm is a party;

5. the effects of the proceedings on the law suits brought by individual creditors against the investment firm;

6. the claims lodged against the investment firm, as well as their legal regime, if they arise after the opening of the proceedings;

7. the terms and requirements for lodgement and acceptance of the claims on the investment firm;

8. the rules for the allocation of funds raised from the conversion of assets into cash, the ranking of the claims of the investment firm’s creditors, as well as the rights of creditors which have obtained partial satisfaction after the opening of the bankruptcy proceedings as a result of the liquidation of property collateral or through set-off;

9. the conditions for termination of the bankruptcy proceedings and the consequences thereof;

10. the creditors’ rights after the termination of the proceedings;

11. the arrangements concerning the costs for the proceedings;

12. the terms and procedure for announcing the legal acts damaging the interests of the creditors null and void, voidable or unenforceable against them.

Dissolution of an investment firm with a branch in a Member State

Article 142. (1) The Financial Supervision Commission shall notify on a timely basis the

competent authority of the Member States in which the investment firm carries on its activity through a branch that a compulsory liquidation has been petitioned or the opening of bankruptcy proceedings and shall inform it of the consequences arising from the proceedings.

(2) The Financial Supervision Commission shall notify the competent authority of the Member States in which the investment firm carries on its activity through a branch that a compulsory liquidation has begun or of the opening of bankruptcy proceedings and shall inform it of the consequences arising from the proceedings.

(3) The procedure for the notification under paragraphs 1and 2 shall also apply in the cases of a dissolution of a branch of the investment firm in the Republic of Bulgaria having a seat in a third country, when the investment firm concerned has a branch in another Member State as well. In these cases, the Commission and the competent authority shall coordinate their activities within the framework of the proceedings with the competent administrative and judicial authorities of the other host Member States.

(4) The liquidator or the assignee in bankruptcy, as the case may be, of the investment firm under Article 10, paragraphs 1 and 2, with branches in other Member States, shall publish an extract from the decision to begin liquidation or open bankruptcy proceedings in the Official Journal of the European Union.

(5) The invitation of the liquidator under Article 267 of the Commerce Act shall have the heading in all official languages of the European Union "Invitation for lodgement of a claim. Timeframes to be complied with."

(6) Every creditor in the liquidation proceedings, including a public authority, shall have the right to lodge its claims or to submit an objection thereon in the official language or in one of the official languages of the Member State concerned. In this case, the lodgement of the claim shall bear the heading in Bulgarian "lodgement of claim".

(7) The liquidator or the assignee in bankruptcy shall have the right to require submission of a translation into Bulgarian of the documents under paragraph 4.

(8) Unless otherwise provided for in a law, any creditor shall send copies of the documents supporting its claim and shall specify the nature of the claim, the date on which it arose and its amount, as well as reference to a preference, the property collateral provided, or the right of lien and what assets are covered by its collateral.

(9) The claims of all creditors of the investment firm authorised under Article 10, paragraphs 1 and 2 in respect of which liquidation or bankruptcy proceedings have been opened shall be treated equally and accorded the same ranking based on identical criteria, regardless of whether they have arisen within the territory of the Republic of Bulgaria or within the territory of other Member States.

(10) The liquidator or the assignee in bankruptcy, as the case may be, shall keep the creditors of the investment firm under Article 10, paragraphs 1 and 2 regularly and duly informed, in respect of which liquidation or bankruptcy proceedings have been opened, about the progress of the proceedings.

Section IV
Legal consequences from reorganisation measures and dissolution procedures

Framework of legal consequences

Article 143. In the application of reorganisation measures or opening of dissolution

procedures in respect of an investment firm under Article 10, paragraphs 1 and 2, the legal consequences shall be governed as follows:

1. for employment contracts and related relationships, by the law of the Member State applicable to the respective employment contract;

2. for contracts giving the right of use or acquisition of immovable property, by the law of the Member State in which the immovable property is located, which law shall also define which items are immovable and movable;

3. on the rights of the investment firm in relation to an immovable property, a ship or an aircraft, such rights being subject to registration in a public register, by the law of the Member State where the register is kept.

Rights arising from property collaterals

Article 144. (1) The application of reorganisation measures or the opening of dissolution procedures against an investment firm under Article 10, paragraphs 1 and 2 shall not affect the rights of creditors or third parties arising from property collateral in respect of tangible or intangible assets, including immovable or movable ones, specific or general items or sets of items that belong to the investment firm but are located on the territory of another Member State during the application of such measures or at the time of the opening of the dissolution procedure.

(2) The rights under paragraph 1 shall include the right:

1. to demand conversion into cash or to convert assets into cash and to satisfy from the liquidation proceeds, including when the assets are subject to a pledge or a mortgage;

2. to priority satisfaction, including by virtue of a pledge on a claim or by virtue of assignment of a claim as collateral;

3. of the person who has rights in an item, to require its return or recovery from whoever is in possession thereof or uses it without legal basis;

4. of usufruct of the assets provided as collateral.

(3) A right recorded in a public register and enforceable against third parties, by virtue of which a right under paragraph 1 may be acquired, shall be considered a right under paragraph 1.

(4) (Amended, SG No. 24/2018, effective 16.02.2018) The provisions of paragraphs 1 and 2 shall not preclude the possibility for requesting the declaration of voidness, voidability or unenforceability laid down in Article 141, paragraph 3, item 12 for certain legal acts.

(5) The application of reorganisation measures or the opening of a dissolution procedure for the investment firm under Article 10, paragraphs 1 and 2, which is the buyer of an item, shall not affect the seller's rights in such item under a contract for sale, with retention of title until full payment of the price, when at the time of the application of such measures or the opening of the dissolution procedure for the investment firm the item was located in the territory of another Member State.

(6) The application of reorganisation measures or the opening of a dissolution procedure for the investment firm under Article 10, paragraphs 1 and 2, which is the seller of an item under a contract under paragraph 1, shall not give grounds for termination of the contract if the item was delivered, and shall not be an obstacle to the acquisition of title in the item by the buyer, when at the time of the application of such measures or the opening of the dissolution procedure against the investment firm the item being the object of sale was located in the territory of another Member State.

Rights of creditors to set-off

Article 145. (1) The application of reorganisation measures or the opening of a dissolution procedure for the investment firm under Article 10, paragraphs 1 and 2 shall not affect the right of its creditors to offset any of their claims against claims of the investment firm on them, when

the legal conditions for such set-off are in place.

(2) The provision of paragraph 1 shall not preclude the possibility for requesting the declaration of voidness, voidability or unenforceability laid down in Article 141, paragraph 3, item 12 of certain legal acts.

Governing law for reorganisation measures and dissolution procedures

Article 146. In the application of the reorganisation measures or the opening of a dissolution procedure in respect of the investment firm under Article 10, paragraphs 1 and 2 the applicable law shall be:

1. for the right of ownership or other rights in financial instruments within the meaning of Article 4(1) item 50, letter "b" of Regulation (EU) No. 575/2013, the existence or transfer of which entails their recording in a register, account or in a centralised depository institution located or kept in a Member State – the law of the Member State where the relevant register, account or centralised depository institution is located or kept;

2. for netting agreements, the law of the contract regulating such netting shall apply;

3. for repurchase agreements, the law of the repurchase agreement shall apply, provided that item 1 is not violated;

4. for transactions effected on a regulated market – the law applicable to the contract in respect of such transactions, provided that item 1 is not violated;

5. for pending court cases on items or rights of which the investment firm under Article 10, paragraphs 1 and 2 has been divested, the law of the Member State where the relevant law suit is conducted shall apply.

Registration of reorganisation measures and dissolution procedures

Article 147. (1) The persons administering reorganisation measures, the liquidator or another competent judicial or administrative authority of the home Member State shall take all the necessary measures for registration of the reorganisation measures or for opening of a dissolution procedure for an investment firm in the relevant commercial, property or another public register in the territory of the Republic of Bulgaria, where such registration is compulsory under the Bulgarian law.

(2) The costs for the registration shall be considered part of the costs for the reorganisation measures or the dissolution procedure for the investment firm.

Rules for voidness, voidability or unenforceability of detrimental acts to creditors

Article 148. (1) The provision of Article 141, paragraph 3 shall not apply to the rules for voidness, voidability or unenforceability of acts that are detrimental to all creditors, where the beneficial owner of the act provides evidence that the law of another Member State applies to the act that is detrimental to all creditors and such law does not allow the appeal of the act in the specific case.

(2) Where a reorganisation measure decided on by a judicial authority provides for rules for voidness, voidability or unenforceability of acts that are detrimental to all creditors and which acts were executed before the application of the measure, the rule under Article 140, paragraph 1, sentence two shall not apply in the cases provided for in paragraph 1.

Applicable law to an act executed after a reorganisation measure or after the opening of a dissolution procedure

Article 149. The validity of an act executed after the application of a reorganisation measure or after the opening of a dissolution procedure for an investment firm under Article 10, paragraphs 1 and 2, by virtue of which the investment firm disposes against consideration with an immovable property, a ship or an aircraft subject to registration in a public register, or with financial instruments within the meaning of Article 4, paragraph 1, item 50 of Regulation (EU)

No. 575/2013, or rights in such instruments, the existence or transfer thereof entailing their registration in a register, account or a centralised depository institution which is located in another Member State, shall be determined by the law of such Member State where the item is located or where the register, account or depository institution is kept/located.

Section V
Powers of administration persons and professional secret

Protection of professional secrecy

Article 150. (1) All persons who submit or receive information in connection with the notification or consultation procedures under this Chapter shall keep professional secrecy.

Powers of persons appointed to administer reorganisation measures or dissolution procedures

Article 151. (1) The decision of the competent authority in a Member State for the appointment of a person to administer the reorganisation measures or the dissolution procedures for an investment firm under licensed in a Member State shall have effect in the territory of the Republic of Bulgaria. The persons shall prove their appointment by presenting a certified copy of the act of appointment, accompanied by a translation in Bulgarian, which shall not be legalised.

(2) The persons appointed under paragraph 1, as well as the persons authorised thereby shall furthermore have the right to exercise their powers deriving from the law of the Member State in respect of a branch of the investment firm in the territory of the Republic of Bulgaria, unless such law provides for otherwise. They shall assist the creditors of the investment firm under in the Republic of Bulgaria in connection with the exercise of their rights.

(3) When exercising their powers in the territory of the Republic of Bulgaria, the persons appointed under paragraph 1 and the persons authorised thereby shall comply with the Bulgarian law, including the procedures for converting assets into cash and provision of information to employees. In the exercise of such powers they may not exercise coercion or resolve legal disputes.

TITLE TWO
REGULATED MARKETS

Chapter Eleven
GENERAL REQUIREMENTS

Section I
General provisions

Regulated market concept. Market operator

Article 152. (1) A regulated market is a multilateral system operated and/or managed by a market operator, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments through the system and in accordance with its non-discretionary rules in a way that results in a contract in respect of the financial instruments admitted to trading under its rules and/or systems, and which is licensed and functions regularly in accordance with the provisions of this Act and the instruments for its

application.

(2) A regulated market shall furthermore be any multilateral system which is licensed and functions in accordance with the provisions of Directive 2014/65/EU.

(3) The market operator shall be a joint stock company with seat and registered office on the territory of the Republic of Bulgaria, which organises the activities and operations on the regulated market. The market operator may be the regulated market itself.

(4) The market operator shall be responsible for compliance of the regulated market operated thereby with this Act and the instruments for its implementation. The market operator may exercise the rights relating to the regulated market.

(5) The market operator shall issue only dematerialised shares entitling to one vote.

Licence to carry on business as a regulated market

Article 153. (1) For organising and carrying on the business of a regulated market a licence from the Commission shall be required.

(2) Where government securities issued on the domestic market are to be traded on the regulated market, the Commission shall grant a licence subject to prior approval by the Minister of Finance and the Governor of the Bulgarian National Bank of the rules for trading, registration and settlement of government securities. The requirement in the first sentence shall also apply to subsequent changes in the rules.

Authorisation for operation of MTF and/or OTF by a market operator

Article 154. (1) A market operator may operate an MTF and/or OTF when it has received authorisation from the Commission. The provisions of Article 17, paragraph 2, and Articles 18 – 23 shall apply mutatis mutandis.

(2) To operate an MTF and OTF the market operator shall meet the requirements of Articles 109 – 121.

(3) A market operator may furthermore operate an MTF that meets the requirements for growth market, subject to Articles 122 – 127.

Applicable law to trade on a regulated market

Article 155. Trade in financial instruments on a regulated market licensed hereunder shall be carried out under the terms and procedure of Bulgarian law.

Capital requirements for the market operator, financial resources for the regulated market

Article 156. (1) The market operator shall have at any time a capital of not less than EUR 5,000,000.

(2) The market operator shall ensure the necessary financial resources for the proper functioning of the regulated market operated thereby in accordance with the nature and scope of the transactions concluded through the regulated market system, and depending on the scope and the extent of the risks to which it is exposed.

(3) Additional requirements in relation to the capital adequacy of the market operator, and for the financial resources of the regulated market may be set out in an ordinance.

(4) In the cases where the regulated market and the market operator are separate legal entities, the provisions of paragraphs 1 – 3, Articles 157 and 158 shall apply to the regulated market as well.

Qualifying holding in the market operator

Article 157. (1) All persons having a qualifying holding in a market operator shall be suitable depending on the influence they may exercise over the activity of the regulated market. For persons having a qualifying holding in a market operator the requirements of Article 16 and Articles 53 – 60 shall apply.

(2) The market operator shall publish on its website information on the persons holding

directly and indirectly a qualifying holding, and data about their votes in the general meeting of shareholders, as well as any change no later than the end of the next business day following knowledge thereof.

Requirements to the management and supervisory bodies of the market operator

Article 158. (1) The members of the management and supervisory bodies of the market operator, as well as the persons who manage its operations, shall be persons of good reputation, with the required knowledge, skills and qualifications and professional experience corresponding to the activities of the market operator and the main risks associated with the operation of the regulated market, and ensuring the sound and prudent management and operation of the regulated market. The persons under sentence one shall:

1. hold a university degree, qualification and professional experience of at least three years in the field of economics, law, finance, banking or IT;

2. have no prior convictions of a premeditated criminal offence of general nature;

3. have not been members of a management or supervisory body or unlimited liability partners in a company dissolved by insolvency, if unsatisfied creditors have remained;

4. have not been adjudicated bankrupt, nor be the subject of bankruptcy proceedings;

5. not be related parties within the meaning of this Act;

6. be under no disqualification from occupying a position of property accountability;

7. not jeopardize in any other way the stability and prudential management and operations of the regulated market.

(2) The management or the supervisory body of the investment firm, as the case may be, depending on the internal allocation of functions, shall be responsible for:

1. the efficient and reliable management of the market operator and the regulated market operated thereby in accordance with regulatory requirements, including for the proper allocation of duties and responsibilities in defining the organisational structure;

2. the adoption of the regulations under Article 167 and for the control on its implementation;

3. the prevention and identification of conflicts of interests in a way that ensures the integrity of the market;

4. for the efficiency of the management systems of the regulated market and of the market operator, and where necessary shall take the necessary measures for eliminating identified inconsistencies.

(3) For the members of the management and supervisory bodies, and for the persons who manage the operations the requirements under Article 14, Article 15, Article 62, paragraph 1, Article 63, paragraphs 1, 2, and paragraph 3, first sentence, paragraphs 4 – 6 and Article 64, paragraph 1 and paragraphs 3 – 7 shall apply.

(4) In the cases where a market operator is significant, the requirements for its management and supervisory bodies under Article 14 (except in cases where a member of the management or of the supervisory body is a representative of the State), as well as the requirements of Article 63 shall apply mutatis mutandis.

(5) In the cases where the market operator and regulated market are separate legal entities, the requirements under paragraphs 1 and 2 shall apply mutatis mutandis.

Regulation and supervision

Article 159. (1) The Financial Supervision Commission and the Deputy Chairperson shall exercise supervision over the regulated markets and market operators.

(2) An ordinance may lay down additional requirements for the activity of the regulated market in order to ensure protection of the interests of investors and stability of the market,

including the manner of allocation of duties under the law in regard to the activity of the regulated market between the regulated market and the market operator where they are separate legal entities.

Section II
Granting and revoking the licence to pursue the business as a regulated market

Granting of licence

Article 160. (1) To obtain a licence for the pursuit of the business as a regulated market an application shall be submitted to the Commission in a standard form determined by the Deputy Chairperson, enclosing thereto the following details and documents:

1. the articles of association of the market operator;

2. rules of procedure of the organized regulated market;

3. particulars of the paid-in capital;

4. details about the members of the management and supervisory bodies of the market operator and about all the other persons who manage the activity of the market operator, as well as documents certifying compliance with the requirements under Article 158;

5. details about the persons who have a qualifying holding in the market operator, and documents certifying compliance with the requirements under Article 157, paragraph 1;

6. particulars of premises and technical equipment of the regulated market;

7. a programme of the operations of the regulated market, which shall contain:

a) the types of activities to be performed by the regulated market;

b) the organizational structure of the regulated market.

8. the cases wherein the regulated market is a distinct legal person from the market operator and the following particulars and documents:

a) the particulars under items 1, 4 and 5 of the regulated market;

b) the documents certifying allocation of the duties between the regulated market and the market operator, subject to the requirement of Article 152;

c) any other documents as may be prescribed in an ordinance.

(2) If the details and documents submitted are incomplete, non-compliant or additional information or evidence of their authenticity is necessary, the Deputy Chairperson shall send a communication thereof and shall set a time limit for removal of the deficiencies and non-conformities established or for provision of the additional information and documents required, which shall not be shorter than one month and shall not exceed two months.

(3) If the communication under paragraph 2 is not accepted at the correspondence address specified by the applicant, the time limit for submission thereof shall be effective from posting thereof on a notice board expressly provided therefor on the premises of the Commission or its publication on the website of the Commission. The latter circumstances shall be ascertained by a protocol drawn up by officials appointed by an order of the Deputy Chairperson.

(4) The Financial Supervision Commission, at the proposal of the Deputy Chairperson, shall issue a decision on the application for granting a licence under paragraph 1 within three months from receipt thereof, and where additional details and documents have been demanded, within three months from receipt thereof or expiry of the term under paragraph 2, as the case may be.

(5) The Financial Supervision Commission shall grant a licence for the pursuit of the

business as a regulated market only if the trading system and its market operator meet the requirements of this Act and the instruments for its implementation.

(6) If the Commission has decided to grant a licence, it shall notify in writing the applicant within the time limit under paragraph 4 that for the granting of the licence, within 14 days of receipt of the notification, the applicant shall certify that the required capital under Article 156 has been paid in full.

(7) The Financial Supervision Commission shall grant a licence and shall inform the applicant thereof within 14 days of receipt of the documents certifying the conformity with the requirements under paragraph 6.

(8) The regulated market and its market operator shall at any time comply with the conditions under which the licence under paragraph 1 has been granted.

(9) The market operator shall notify the Commission of amendments and supplements to documents that have served as grounds for the issuance of the licence, within 7 days, with the exception of the amendments and supplements to the regulations under paragraph 1, item 2, which shall be subject to prior approval by the Commission pursuant to Article 167. The time limit under sentence one shall be in effect from making the decision or from becoming aware of the amendment or supplement.

Notification of the European Securities and Markets Authority

Article 161. (2) The Financial Supervision Commission shall notify ESMA of each licence granted for the operation as a regulated market.

Refusal to issue a licence

Article 162. (1) The Financial Supervision Commission shall refuse to grant a licence where it finds that:

1. the capital of the applicant does not meet the requirements under Articles 156 or has not been paid in full;

2. the persons who are members of the management or supervisory body of the market operator or who manage the operations of the market operator, have not sufficiently good reputation, do not possess sufficient knowledge, skills and experience and do not devote sufficient time to the performance of their duties, or if there are objective and visible grounds for believing that the management or supervisory body of the market operator may constitute a threat to its efficient, sound and prudent management, and for the adequate compliance with the integrity of the market or do not meet the requirements of this Act and its implementing acts or the statutes of the company;

3. the persons holding a qualifying holding in the market operator do not meet the requirements of Article 158 or may jeopardize otherwise the sound and prudential management of the regulated market;

4. the rules of procedure of the regulated market does not meet the requirements of this Act;

5. the principles or methods of trading do not afford the members or participants in the regulated market equal trading conditions;

6. the market operator or the trading system of the regulated market do not meet the requirements of law;

7. the other requirements of this Act, the instruments for its implementation and the applicable legislation of the European Union have not been complied with;

8. the origin of the funds used by the persons who/which have subscribed 10 and over 10 per cent of the capital is not clear or is not legal;

9. the beneficial owners of a shareholder with a qualifying holding cannot be identified;

10. the applicant has submitted false details or documents with contradictory content.

(2) In the cases referred to in paragraph 1, items 1 – 8, the Commission shall refuse to grant a licence only if the applicant has not removed the deficiencies and non-conformities established or has not submitted the required additional information and documents within the time limit set by it.

(3) A refusal by the Commission to issue an authorisation shall be justified in writing.

Subsequent filing of an application

Article 163. In the cases of refusal the applicant may file a new application for granting of a licence not earlier than 6 months after entry into force of the decision on the refusal.

Entry into the commercial register

Article 164. (1) The Registry Agency shall record the market operator in the commercial register, and in the cases where the regulated market and the market operator are separate legal entities, it shall also record the regulated market upon submission thereto of the licence granted by the Commission.

(2) The market operator or the regulated market, as the case may be, when they are separate legal entities, shall file an application within 7 days of receipt of the licence referred to in Article 160 for entry in the commercial register at the Registry Agency.

Restriction on the use of the designation "market operator" and "regulated market"

Article 165. (1) Persons who do not hold a licence for the pursuit of the business as a regulated market may not use in their name and in advertising or other activity the words "regulated market" or "market operator" or their derivatives in Bulgarian or in another language, or another word denoting pursuit of such business.

(2) No licence for the pursuit of the business as a market operator or a regulated market shall be granted to an applicant whose name is similar to the name of an existing market operator or a regulated market in this country.

(3) On finding violations of paragraph 1, the Deputy Chairperson may apply a measure under Article 276, paragraph 1, item 1 and/or the Commission, at the proposal of the Deputy Chairperson, may apply a measure under Article 276, paragraph 1, item 3.

Licence revocation

Article 166. (1) The Financial Supervision Commission, at the proposal of the Deputy Chairperson, may revoke the licence granted for a regulated market, where:

1. the regulated market does not commence performing the activity within 12 months from the granting of the licence;

2. the market operator expressly requests withdrawal of the authorization;

3. the regulated market has not carried on any activity under its licence for a period of 6 months;

4. untrue details have been submitted, which have served as the basis for the granting of the license, or the regulated market has received the licence on the basis of false data, which have served as the grounds for the granting of the licence, or has used other unauthorised means to obtain the licence;

5. the regulated market has systematically infringed the provisions of this Act and the instruments for its implementation, as well as the Measures against Market Abuse with Financial Instruments Act, of Regulation (EU0 No 596/2014, of Regulation (EU) No. 600/2014 and the instruments for their implementation;

6. the market operator or the regulated market operated by it no longer meets the provisions hereof and the instruments for its implementation for conduct of the business in a regulated market capacity;

7. the regulated market has not fulfilled a compulsory administrative measure applied hereunder.

(2) With the decision on withdrawal of the authorization the Commission shall appoint one or more conservators.

(3) No new transactions may be concluded after the notification of the decision on the revocation of the licence of the regulated market.

(4) After entry into force of the decision on revocation of the licence, the Commission shall forthwith send a copy thereof to the Registry Agency for institution of liquidation proceedings against the market operator or the regulated market, as the case may be, and shall publish it in two central daily newspapers. In these cases the Commission shall appoint a liquidator, set a time limit for execution of the liquidation and the remuneration of the liquidator.

(5) The Financial Supervision Commission shall notify ESMA of the decision on the revocation of the licence.

Chapter Twelve
REQUIREMERNTS FOR THE OPERATIONS OF THE REGULATED MARKET

Section I
Organisation of the operations

Regulations for the operations of the regulated market

Article 167. (1) The regulated market shall be organised and managed in accordance with regulations for the operations of the regulated market, which shall be adopted by the management body of the market operator.

(2) The regulations under paragraph 1 shall stipulate:

1. rules for access under Article 182;

2. the terms and procedures for examination of claims against members or participants in the regulated market from arbitration;

3. other rules and procedures as provided for in this Act.

(3) Amendments and supplements to the regulations for the operations of the regulated market shall be adopted after prior approval by the Commission.

(4) The Financial Supervision Commission at a proposal of the Deputy Chairperson shall issue or refuse to issue approval under paragraph 3 within one month from receipt of the application. If there are deficiencies and non-conformities in the particulars and documents submitted or the additional information or evidence of the authenticity of details is required, the Commission shall send a communication and shall set a time limit for removal of the deficiencies and non-conformities established or submission of additional particulars and documents, which shall not be shorter than 14 days and longer than one month. Article 160, paragraphs 3 and 6 shall apply mutatis mutandis.

(5) The Financial Supervision Commission shall refuse to issue approval if the regulations under paragraph 1 does not satisfy the requirements of the Act, the sound and prudent management of the regulated market is jeopardized, the applicant has submitted false data or documents with incorrect content or the interests of the investors and members of the regulated market are not protected.

Other requirements to the organisation of the operations

Article 168. (1) The regulated market shall apply appropriate measures and procedures:

1. to identify, prevent and terminate potential adverse consequences for the operations of the regulated market or for its members or participants, resulting from conflicts of interests between the interest of the market operator or the regulated market, as the case may be, the persons holding a qualifying holding in the market operator or the regulated market, as the case may be, on one side, and the sound functioning of the regulated market, on the other side, and in particular where such conflicts of interest might prejudice the proper execution of the functions of the regulated market;

2. to manage the risks to which the regulated market is exposed, to identify all significant risks to the orderly operation of the regulated market and to put into place effective measures to mitigate those risks;

3. to ensure the sound management of the technical operations of the system of the regulated market, including the establishment of effective contingency arrangements to cope with risks of systems disruptions;

4. to have transparent and non-discretionary rules that provide for fair and orderly trading and establish objective criteria for the efficient execution of orders for conclusion of transactions in financial instruments;

5. to ensure the efficient and timely finalization of the transactions concluded on the regulated market;

6. to detect and prevent manipulations on the market in financial instruments.

(2) The measures and procedures referred to in paragraph 1 shall be laid down in the regulations under Article 167 and in compliance with the requirements of Delegated Regulation (EU) 2017/584.

(3) Articles 90 and 91 shall apply to regulated markets mutatis mutandis.

Prohibition on concluding transactions on own account

Article 169. The market operator may not execute orders submitted by clients by dealing on own account or by matched principal trading.

Section II
Requirements when carrying out trading on the regulated market

Requirements for trading systems

Article 170. (1) The regulated market shall have in place systems, mechanisms and procedures which ensure sustainability of the trading system and the necessary capacity for the processing of all orders for transactions on the regulated market, including in the most intense hours of trade, as well as in conditions of unstable market. The regulated market shall meet the requirements of Delegated Regulation (EU) No. 2017/584.

(2) The systems, mechanisms and procedures under paragraph 1 shall ensure provision of the services of the regulated market, including in case of failure in the trading system, subject to the requirements of Delegated Regulation (EU) 2017/584.

(3) The systems, mechanisms and procedures under paragraph 1 shall be subject to preliminary testing of the regulated market for compliance with the requirements referred to in paragraphs 1 and 2, which shall be ascertained with documents.

(4) The procedures under paragraph 1 shall be part of the regulations under Article 167.

(5) At the request of the Deputy Chairperson, the regulated market shall provide data on the log of orders entered in the trading system of the regulated market, or access to a log of orders for the purposes of trade monitoring.

Activity as a market maker on the regulated market

Article 171. (1) The activity as a market maker of the regulated market shall be subject to the requirements of Delegated Regulation (EU) No. 2017/578 and under the terms and procedure determined by the regulations under Article 167, on the basis of a written contract between the investment firm acting as a market maker, and the market operator or the regulated market, as the case may be.

(2) Depending on the nature and extent of trading on the regulated market and subject to the requirements of Delegated Regulation (EU) No. 2017/578, the regulated market shall apply a scheme for maintenance of the required number of market makers which shall announce binding (hard) quotes at competitive prices, so as to ensure regular and predictable market liquidity.

(3) The contract under paragraph 1 shall regulate at least the following:

1. the obligations of the investment firm in connection with the provision of liquidity;

2. any incentives and rebates offered by the regulated market to an investment firm in order to ensure market liquidity on a steady and predictable basis;

3. other rights and obligations of the investment firm, stemming from its participation in the scheme under paragraph 2.

(4) The market operator shall notify the Commission of each contract concluded under paragraph 1, and of any change in the contract within 5 days from the conclusion. A certified copy of the contract shall be attached to the notification.

(5) The regulated market shall monitor the compliance with the terms of the contract under paragraph 1 and, where appropriate, shall take measures to ensure their compliance by the investment firm.

Limits and thresholds for submission of orders

Article 172. (1) The regulated market shall apply systems, mechanisms and procedures for cancellation (for decline) of orders that exceed pre-set volumes and price thresholds, or of orders which apparently deviate significantly from the current market conditions.

(2) The procedures under paragraph 1 shall form a part of the regulations under Article 167.

Temporary suspension and restriction of trading

Article 173. (1) The regulated market may suspend or restrict trading in a financial instrument in case of a significant change in the price of the financial instrument on such regulated market or on a related market for a short period of time.

(2) The terms and procedure for suspension and restriction of trading on the regulated market in the cases referred to in paragraph 1 shall be determined by rules which are part of the regulations under Article 167, taking into account the level of liquidity for different classes and subclasses of assets (financial instruments), the nature of the market model and the types of users of the system, so as to avoid major disruptions in the proper execution of trading.

(3) In exceptional cases, where the circumstances under paragraph 1 exist and under conditions laid down in the regulations under Article 167, the regulated market may cancel, modify or adjust the parameters of a transaction.

(4) The Financial Supervision Commission shall notify ESMA of the grounds for trade suspension, as well as of any amendment and/or addition thereof.

(5) Where a regulated market licensed in accordance with this Act is significant for the liquidity of a financial instrument in accordance with the requirements of Commission Delegated Regulation (EU) 2017/570 of 26 May 2016 supplementing Directive 2014/65/EU of the

European Parliament and of the Council on markets in financial instruments with regard to regulatory technical standards for the determination of a material market in terms of liquidity in relation to notifications of a temporary halt in trading (OJ, L 87/124 of 31 March 2017), hereinafter referred to as "Delegated Regulation (EU) 2017/570", it has the necessary systems and procedures for notifying the competent authorities of all Member States where this financial instrument is traded, when making a decision to halt trading in this financial instrument.

(6) Where the Commission receives a notification from a regulated market established in another Member State to halt trading in a financial instrument when the regulated market is material for the liquidity of the financial instrument and such financial instrument is admitted to trading on a regulated market in the Republic of Bulgaria as well, the Commission, at the proposal of the Deputy Chairperson, may make a decision on the suspension of trading in such financial instrument on trading venues in the Republic of Bulgaria until trading on the market from which the notification is received is resumed.

Requirements for algorithmic trading on a regulated market

Article 174. (1) The regulated market shall apply effective systems and procedures to ensure compliance with the following requirements:

1. the functioning of the algorithmic trading systems does not create or does not lead to the creation of conditions in violation of the established requirements;

2. implementation of mechanisms to overcome conditions for improper market trading arising from algorithmic trading, including determination of the ratio of unfulfilled orders in relation to transactions that may be entered in the system by a member or participant;

3. a possibility of delaying the submission of orders where there is a risk of reaching the maximum volume of orders that can be processed by the trading system;

4. the ability to restrict and apply a minimum quotation step at which the orders are carried out on the regulated market.

(2) The regulated market shall require from its members to apply appropriate mechanisms for testing the algorithms, and to provide a suitable environment for the testing of the algorithms used in order to meet the requirements of paragraph 1, items 1 and 2. Requirements under the first sentence shall apply in compliance with Delegated Regulation (EU) 2017/584.

(3) The regulated market shall apply mechanisms and procedures that allow identification by means of designation by the members or participants of the orders generated in algorithmic trading, of the various algorithms used to create orders, and of the persons that initiated such orders. Information about the orders generated in algorithmic trading, various algorithms used to create orders, and about the persons that have initiated such orders shall be submitted at the request of the Deputy Chairperson.

(4) The procedures under paragraphs 1 and 3 shall be part of the regulations under Article 167.

Direct electronic access to the regulated market

Article 175. (1) A regulated market providing direct electronic access to its trading system shall have effective systems, procedures and rules that ensure compliance with the following requirements:

1. the service for provision of direct electronic access shall be provided solely by members or participants of the regulated market which are investment firms or bank investment firm, and

2. appropriate criteria are set which shall be complied with by the persons in order to be considered suitable to obtain direct electronic access;

3. the members or participants of the regulated market shall be responsible for the orders and trade of the persons to whom direct electronic access is provided.

(2) The regulated market under paragraph 1 shall apply appropriate systems for risk management and control, shall set thresholds for trading through direct electronic access and at any time shall be able to distinguish the orders or trade carried out by a person with direct electronic access from the orders or transactions of another member or participant, as well as to stop the orders and trade by a person using direct electronic access.

(3) The regulated market shall apply mechanisms to suspend or terminate the direct electronic access provided by its member or participant to a client in case of non-compliance with the requirements of this Article.

Co-location

Article 176. The regulated market shall provide for and apply clear, fair and non-discriminatory rules for the provision of co-location services and shall comply with the requirements of Commission Delegated Regulation (EU) 2017/573 of 6 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments with regard to regulatory technical standards on requirements to ensure fair and non-discriminatory co-location services and fee structures (OJ, L 87/145 of 31 March 2017) (Delegated Regulation (EU) 2017/573). The rules shall be part of the regulations under Article 167.

Fees

Article 177. (1) The fees of the regulated market for the services provided thereby, including the fees for the execution of orders, and any surcharges and discounts from due fees shall be determined in a transparent, fair and non-discriminatory manner and in compliance with the requirements of Delegated Regulation (EU) 2017/573. The fees of the regulated market shall be determined so as not to create incentives to enter, change or cancel orders in a way that leads to unlawful trading conditions or market abuse.

(2) The regulated market shall bind the provision of discounts on due fees with the obligation to carry out the activity of a market maker in terms of individual share issues or an appropriate basket of shares in compliance with the contract under Article 171, paragraph 1.

(3) The regulated market may determine the fees for cancelled orders in accordance with the period of validity of an order before it is cancelled, as well as for individual financial instruments.

(4) In order to ensure the proper functioning of the trading system and taking into account the additional load on the system, the regulated market may set higher fees for:

1. orders that were subsequently cancelled;

2. orders of the members or participants with a high ratio of cancelled orders against executed orders, determined in compliance with the requirements of Commission Delegated Regulation (EU) 2017/566 of 18 May 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments with regard to regulatory technical standards for the ratio of unexecuted orders to transactions in order to prevent disorderly trading conditions (OJ, L 87/84 of 31 March 2017), hereinafter referred to as "Delegated Regulation (EU) 2017/566";

3. orders of members or participants using a high-frequency method of algorithmic trading.

Requirements for determination of tick size

Article 178. (1) The regulated market shall establish and apply procedures for tick size for shares, depositary receipts, exchange-traded funds, certificates, other similar financial instruments, as well as for other financial instruments pursuant to Commission Delegated Regulation (EU) No. 2017/ 588 of 14 July 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards on the tick

size regime for shares, depositary receipts and exchange-traded funds (OJ, L 87/411 of 31 March 2017), hereinafter referred to as "Delegated Regulation (EU) 2017/588".

(2) The tick size regimes referred to in paragraph 1:

1. shall be calibrated so as to reflect the liquidity profile of the financial instrument on different markets and the average of the difference between "sell" and "buy" quotes (spread), taking into account the interest in ensuring reasonably stable prices without excessive limiting of the narrowing of spreads;

2. shall determine an appropriate tick size for each financial instrument.

(3) The requirements under paragraphs 1 and 2 shall apply in compliance with Delegated Regulation (EU) 2017/588.

Synchronisation of the reporting time

Article 179. (1) The regulated market, all trading venues and their members and participants shall synchronise the date and time of registration of each reportable event (synchronisation of business clocks).

(2) The requirement under paragraph 1 shall apply subject to Delegated Regulation (EU) 2017/574 of 7 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards for the level of accuracy of business clocks (OJ, L 87/148 of 31 March 2017), hereinafter referred to as "Delegated Regulation (EU) 2017/574".

Admission of financial instruments to trading

Article 180. (1) The regulated market shall adopt and apply clear and transparent rules regarding the admission of financial instruments to trading.

(2) The rules under paragraph 1 shall ensure that the financial instruments admitted to trading on a regulated market are being traded in a fair, orderly and efficient manner and in case of transferable securities, they are freely negotiable.

(3) In the case of trading in derivatives the rules under paragraph 1 shall envisage a requirement for the structure and content of the derivatives to allow their correct evaluation, as well as for the existence of conditions for effective settlement.

(4) The regulated market shall apply appropriate procedures to verify whether the issuer whose securities are admitted to trading on a regulated market complies with its obligations under the European Union law in respect of the initial, ongoing or ad hoc disclosure of information. (2) The regulated market shall provide its members and participants facilitated access to information which has become public under the European Union law.

(5) The regulated market shall conduct a regular review of the compliance with the requirements for admission to trading on the regulated market of the financial instruments admitted to trading.

(6) Transferable securities admitted to trading on a regulated market may be admitted subsequently to trading on another regulated market without the consent of the issuer, when they meet the requirements of Directive 2003/71/EU of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC, hereinafter referred to as "Directive 2003/71/EU".

(7) In the cases of paragraph 6 the regulated market on which a subsequent admission to trading has been effected shall notify the issuer of the admission of the securities to trading on that regulated market. The issuer shall not be obliged to provide, directly or indirectly, the information referred to in paragraph 4 to the regulated market on which the securities are admitted without its consent.

(8) The requirement under paragraphs 1 – 7 shall apply subject to Commission Delegated Regulation (EU) 2017/568 of 24 May 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards for the admission of financial instruments to trading on regulated markets (OJ, L 87/117 of 31 March 2017), hereinafter referred to as "Delegated Regulation (EU) 2017/568".

Section III
Suspension and removal of financial instruments from trading on a regulated market

Suspension and removal of financial instruments from trading on a regulated market. Suspension and removal from trading from other trading venues

Article 181. (1) The market operator may suspend or remove from trading a financial instrument which no longer complies with the rules of the regulated market, unless such suspension or removal may harm substantially the interests of the investors or the smooth functioning of the market pursuant to Article 80 of Delegated Regulation (EU) 2017/565.

(2) The market operator shall suspend or remove the corresponding derivatives under Article 4, items 4 – 10, which according to Article 1 of Delegated Regulation (EU) 2017/569 are associated with or refer to the financial instrument referred to in paragraph 1, if this is necessary for the suspension or removal of the underlying financial instrument.

(3) The market operator shall publish on its website the decisions to suspend, remove from trading financial instruments under paragraphs 1 and 2, and for cancellation of the suspension or removal from trading, as the case may be, and shall notify the Commission thereof by the end of the business day and in compliance with the requirements of Delegated Regulation (EU) 2017/569.

(4) Where the suspension or removal from trading of a financial instrument and derivative is due to a suspicion of market abuse and is related to a tender offer or to a violation of the requirements for disclosure of inside information as per Articles 7 and 17 of Regulation (EU) No. 596/2014, the Commission on a proposal of the Deputy Chairperson shall decide on the suspension or removal from trading of that financial instrument and relevant derivatives from all trading venues and systems of systematic internalisers operating on the territory of the Republic of Bulgaria on which such financial instruments have been admitted to trading, unless the suspension or removal may harm substantially the interests of the investors or the smooth operation of the market pursuant to Article 80 of Delegated Regulation (EU) 2017/565.

(5) The Financial Supervision Commission shall notify immediately, but not later than by the end of the business day, ESMA and the competent authorities of the Member States of its decision under paragraph 4, as well as of a subsequent decision of the Commission taken on the proposal of the Deputy Chairperson on cancellation of the suspension or removal from trading. If the Commission does not decide on a suspension or removal, the notification shall also state reasons therefor.

(6) When the Commission receives a notification from a competent authority of a Member State on suspension or removal from trading of financial instruments due to the presence of the grounds referred to in paragraph 4, in the event that these financial instruments are traded in a trading venue or via a systematic internaliser acting in the territory of the Republic of Bulgaria, the Commission on a proposal of the Deputy Chairperson shall take a decision to suspend or remove from trading such financial instruments in accordance with paragraph 4. Paragraph 5

shall apply, mutatis mutandis.

Section IV
Access to a regulated market

Rules for access to a regulated market

Article 182. (1) The regulated market shall apply transparent and non-discriminatory rules, based on objective criteria, governing access to or membership of the regulated market. The rules shall be part of the regulations under Article 167.

(2) The rules under paragraph 1 shall specify the obligations for the members or participants arising from:

1. the constitution and administration of the regulated market;

2. the rules relating to transactions concluded on the regulated market;

3. professional standards to be met by the employees of the investment firms or credit institutions dealing on the regulated market;

4. the conditions to be met by members or participants of the regulated market other than investment firms or credit institutions under Article 183, paragraph 1;

5. the rules and procedures for clearing and settlement of transactions concluded on the regulated market.

Members and participants of the regulated market

Article 183. (1) The regulated market may admit for participation in trading or accept as members investment firms, credit institutions, and other persons that meet the following requirements:

1. have the required professional qualification and experience, as well as are of good repute;

2. have a sufficient level of trading ability and competence;

3. have adequate organizational structure in accordance with the activity performed by them;

4. have sufficient resources for the functions they are to perform in relation to the activity of the regulated market, taking into account different financial agreements that the regulated market is to conclude or has concluded in order to guarantee the adequate settlement of transactions.

(2) When dealing on the regulated market among themselves the participants and members of the regulated market are not obliged to comply with the requirements under Articles 84 – 88. Participants and members of the regulated market shall comply with the requirements under the first sentence in relations with their clients when, acting on behalf of clients, they execute their orders on the regulated market.

(3) Investment firms and credit institutions shall participate or be members of the regulated market directly or remotely under conditions laid down in the rules under Article 182.

(4) The market operator shall provide to the Commission information about the members or participants of the regulated market and shall notify it of any changes in such information within three days of occurrence thereof.

Access to systems for trading on a regulated market from another Member State

Article 184. (1) A regulated market authorized to conduct business by a competent authority of another Member State may conclude agreements on the territory of the Republic of Bulgaria to facilitate access to its trading systems and trading on that market by local persons in the capacity of remote members or participants of that regulated market upon receipt of a

notification from the competent authority of such Member State.

(2) In regard to the exercise of its supervisory functions, the Commission may demand from the competent authority of a Member State information about the members or participants of the regulated market under paragraph 1, established in the Republic of Bulgaria.

Access by persons from another Member State to the trading systems of a regulated market in the Republic of Bulgaria

Article 185. (1) A regulated market authorised to conduct business in the Republic of Bulgaria may conclude agreements on the territory of another Member State to facilitate access to its trading systems and trading on that market by persons of the said Member State in the capacity of remote members or participants of the regulated market after notifying the Commission thereof. The notification shall specify the country on whose territory the regulated market intends to conclude agreements on facilitated access and information about the types of agreements.

(2) The Financial Supervision Commission shall provide the information contained in the notification to the relevant competent authority under paragraph 1 within one month from receipt thereof. The Financial Supervision Commission shall notify forthwith the regulated market of the information submitted.

(3) Within the time limit under paragraph 2 the Commission may refuse to provide the information contained in the notification to the relevant competent authority under paragraph 1 by a motivated decision, if the agreements provided for by the regulated market do not ensure sufficiently free access to its trading systems or the interests of the participants in trading on the regulated market are not sufficiently protected otherwise.

(4) On request from the competent authority of the other Member State the Commission shall provide it with information about the members and the participants on the regulated market established in that Member State.

Section V
Monitoring of compliance with the legal provisions and the rules of the regulated market

Control

Article 186. (1) The regulated market shall apply effective rules and procedures and shall have resources for ongoing monitoring of the compliance with its by the members or participants of the regulated market. The rules and procedures shall form part of the regulations under Article 167.

(2) The regulated market shall monitor ton the basis of submitted orders, including cancelled orders, and on the basis of transactions effected by the participants or members through its trading systems, in order to establish:

1. violations of the rules of the regulated market;

2. conditions for disorderly trade;

3. behavior that may indicate prohibited behaviour under Regulation (EU) No. 596/2014, or

4. a collapse in the system in connection with the trading in a financial instrument.

(3) The market operator shall immediately inform the Commission upon establishing the circumstance referred to in paragraph 2.

(4) The market operator shall provide the relevant information without undue delay and shall provide all the necessary assistance to the Commission, the Deputy Chairperson, and to the other competent authorities in connection with the investigation and prosecution of market abuse

in financial instruments arising on or through the systems of the regulated market.

(5) Upon receipt of information about actions that may indicate about prohibited behaviour under Regulation (EU) No. 596/2014, the Deputy Chairperson shall launch an inquiry not later than the end of the next business day.

(6) The Financial Supervision Commission shall submit the information referred to in paragraph 3 to ESMA and to the competent authorities of the Member States. In case of information about actions that are indicative of prohibited behaviour under Regulation (EU) No. 596/2014, the Commission shall provide the relevant information to ESMA, where the presence of such behavior has been established as a result of the enquiry under paragraph 5.

Section VI
Central counterparty and clearing and settlement arrangements. List of regulated markets

Clearing and settlement systems applied by the regulated market

Article 187. (1) The regulated market shall apply a system for clearing, including through a central counterparty or clearing houses, and for settlement of concluded transactions in financial instruments so as to ensure their efficient and timely finalisation.

(2) The regulated market shall authorise its members and participants to determine a system for settlement of transactions in financial instruments concluded on the regulated market provided the following conditions obtain:

1. have in place necessary connections and arrangements between the designated settlement system and any other system or settlement method in order to achieve efficient and economical settlement of transactions;

2. the Commission on a proposal of the Deputy Chairperson has issued approval for the settlement of transactions in financial instruments concluded on the regulated market to be effected through a settlement system other than that applied by the regulated market.

(3) Upon issue of an approval under paragraph 2, item 2, the Commission shall take into account the supervision exercised over the participants in the settlement system. The powers of the Commission for issue of approval under paragraph 2, item 2 shall not affect the supervisory functions of the relevant central bank or of another authority exercising supervision over the settlement system.

(4) The Financial Supervision Commission on a proposal of the Deputy Chairperson shall refuse to issue approval under paragraph 2, item 2 if the technical conditions for the settlement of the transactions concluded on the regulated market do not ensure smooth and orderly functioning of financial markets. Article 167, paragraphs 4 and 5 shall apply mutatis mutandis.

Links with clearing and settlement systems in other Member States

Article 188. (1) The regulated market may enter into arrangements with a central counterparty or a clearing house and a settlement system in another Member State for execution of clearing and/or settlement of some or all transactions concluded by participants in the market through its trading system.

(2) The arrangement under paragraph 1 shall be subject to prior approval by the Commission. In regard to trade in government securities issued on the domestic market, the Commission shall issue such approval after obtaining a prior consent from the Minister of Finance and the Governor of the Bulgarian National Bank.

(3) The Financial Supervision Commission on a proposal of the Deputy Chairperson shall

pronounce on the request for issue of approval under paragraph 2, taking into account the conditions which settlement systems shall meet under Article 187. The Financial Supervision Commission may not refuse issue of approval under paragraph 2, unless conclusion of the arrangement under paragraph 1 may jeopardise the orderly functioning of the regulated market. Article 187, paragraph 4 shall apply mutatis mutandis.

(4) In exercising its supervisory functions the Commission and the Deputy Chairperson shall take into account the supervision of the clearing and settlement system under paragraph 1, exercised by the relevant national central bank or another supervisory authority of Member States.

List of regulated markets

Article 189. (1) The Financial Supervision Commission shall compile and maintain an updated list of regulated markets for which the Republic of Bulgaria is a home country. The Financial Supervision Commission shall publish the list on its website and shall provide it to the relevant competent authorities of the other Member States and ESMA.

(2) The Financial Supervision Commission shall notify the other Member States and ESMA of any change in the list under paragraph 1.

Chapter Thirteen
REPORTING AND DISCLOSURE OF INFORMATION BY REGULATED MARKETS

Regulated market reporting

Article 190. (1) The market operator shall submit to the Commission its annual report by 31 March the following year and a 6-month report by 31 August of the current year. The contents of the reports shall be set out in an ordinance.

(2) For the purposes of paragraph 1, the report shall contain the relevant information when it also refers to one or more documents submitted to the Commission.

Information about qualifying holding

Article 191. The market operator shall publish information about the persons that have a qualifying holding in it and about the amount of that holding and shall update such information.

TITLE THREE
RESTRICTIONS AND MANAGEMENT OF POSITIONS IN COMMODITY DERIVATIVES. REPORTING OF POSITIONS IN COMMODITY DERIVATIVES

Chapter Fourteen
POSITIONS LIMITS AND COMMODITY DERIVATIVES POSITIONS MANAGEMENT

Terms and procedure for setting limits

Article 192. (1) The Financial Supervision Commission, on a proposal of the Deputy Chairperson, by a decision shall set limits on the amount of net positions in commodity derivatives, where such derivatives are traded on trading venues, as well as in the economically

equivalent OTC derivatives (contracts) within the meaning of Article 6 of Delegated Regulation (EU) 2017/591 of 1 December 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards for the application of position limits to commodity derivatives (OJ, L 87/479 of 31 March 2017), hereinafter referred to as the "Delegated Regulation (EU) 2017/591", which a person may hold at any time.

(2) The limits under paragraph 1 shall be laid down in order to:

1. prevent market abuse;

2. provide the necessary conditions for the proper determination of prices and for the settlement of transactions, including non-admission of positions that lead to market distortion;

3. procure (convergence) of derivatives prices valid for the month of delivery and the spot prices of the underlying asset of the derivative.

(3) The limits shall be determined in a clear and non-discriminatory manner, taking into account the specificities and the types of participants of the commodity derivatives market, and shall be accompanied by an explanation of how to be applied by the persons.

(4) The limits to the positions under paragraph 1 shall be determined in accordance with the methodology laid down in Delegated Regulation (EU) 2017/591 and shall contain accurate quantitative thresholds for the maximum size of a position in a commodity derivative that may be held by a person.

(5) In determining the limits to the positions under paragraph 1, all positions in the respective derivative held by the person and the positions held on his behalf at an aggregated group level shall be taken into account.

(6) With the decision under paragraph 1 the Commission, subject to compliance with the requirements set out in Article 9 of Delegated Regulation (EU) 2017/591, shall set limits for each contract with a commodity derivative subject when such a derivative is traded on a trading venue, or having as subject economically equivalent OTC derivatives (contracts) within the meaning of Article 6 of Delegated Regulation (EU) 2017/591.

(7) The Financial Supervision Commission shall review and adjust the position limits set thereby under paragraph 1 in case of a significant change in the volume of the commodities that may be delivered to the market in accordance with Article 10 of Delegated Regulation (EU) 2017/591, and of the open positions in derivatives on such commodities, as well as in case of any other significant change on the market, based on its assessment of the deliverable supply and open positions and subject to the other requirements of Delegated Regulation (EU) 2017/591.

Opinion of ESMA on the limits set. Notification of ESMA of the applicable limits and control mechanisms in trading venues

Article 193. (1) Before making a decision under Article 192, paragraph 1, the Commission shall inform ESMA for the limits to positions it intends to set.

(2) Within two months of receipt of the ESMA opinion on the compliance of the positions limits under paragraph 1 with the requirements of Directive 2014/65/EU and with the methodology referred to in Article 9 of Delegated Regulation (EU) 2017/591, the Commission shall carry out the following:

1. shall change the positions limits in accordance with the ESMA opinion, or

2. shall provide justification to ESMA of why it believes that no change is needed in the limits set thereby.

(3) In the cases referred to in paragraph 2, item 2, the Commission shall publish on its website a communication setting out detailed reasons why it does not accept the ESMA opinion.

(4) The Financial Supervision Commission shall notify ESMA of the limits set thereby to commodity derivatives positions. The Financial Supervision Commission shall provide to ESMA

a detailed description of the mechanisms for control of commodity derivatives positions in trading venues in the territory of the Republic of Bulgaria.

Exemptions from the requirement for application of positions limits

Article 194. (1) The limits set under Article 192, paragraph 1 shall not apply to positions held by or on behalf of a non-financial entity within the meaning of Article 2 of Delegated Regulation (EU) 2017/591, if the following conditions obtain:

1. these positions are designed and lead to a reduction of the risks which according to Article 7 of Delegated Regulation (EU) 2017/591 are directly related to the commercial activities of non-financial entity;

2. the Commission has authorised the application of the exemption.

(2) For the granting of the authorisation referred to in paragraph 1, item 2 the person shall submit an application to the Commission, attaching thereto the relevant details and documents pursuant to Article 8 of Delegated Regulation (EU) 2017/591. The Financial Supervision Commission, on a proposal of the Deputy Chairperson, shall issue a decision within the time limits under Article 8 of Delegated Regulation (EU) 2017/591.

Setting limits to positions in a commodity derivative traded in trading venues in several Member States

Article 195. (1) Where a commodity derivative is traded in significant volumes in trading venues in more than one Member State and the largest volume of trade is carried out in a trading venue in the Republic of Bulgaria, the Commission shall perform the function of a central competent authority and shall defines a single limit for positions in such derivative.

(2) The Financial Supervision Commission, on a proposal of the Deputy Chairperson, shall set the single limit for a position in commodity derivative or shall change the limit set, as the case may be, after consultation with the competent authorities of the other Member States where the trading venues are located and on which venues the derivative is traded in significant volumes.

(3) The Financial Supervision Commission, where it considers that a single limit on positions in commodity derivatives traded in significant volumes in a trading venue in the Republic of Bulgaria is set in violation of the requirements of Directive 2014/65/EU by the relevant central competent authority, shall provide to that authority in writing detailed reasons of its opinion.

Cooperation agreements between competent authorities

Article 196. (1) The Financial Supervision Commission shall conclude cooperation agreements with the competent authorities of Member States for exchange of relevant data in order to ensure monitoring and control of compliance with the single limits set in accordance with Article 195.

(2) The requirements under paragraph 1 shall apply in cases where a commodity derivative meeting the requirements of Article 195 is traded in a trading venue in the Republic of Bulgaria, as well as where the Commission is the competent authority for supervision under the law in force in relation to the activities of persons holding positions in such derivatives.

Setting stricter limits on positions in commodity derivatives

Article 197. (1) The Financial Supervision Commission, on a proposal of the Deputy Chairperson, with a decision may set more stringent limits on positions in derivatives of commodities set out in Article 192, where exceptional circumstances exist, taking into account the liquidity of the relevant market and provided that this will not affect its proper functioning.

(2) The additional limits under paragraph 1 shall be published on the Commission's website on the day of the decision on their setting and shall be valid for a period not exceeding 6 months from the date of the Commission’s decision.

(3) The Financial Supervision Commission, on a proposal of the Deputy Chairperson, may decide on an extension of the limits under paragraph 1 for a further 6-month period. The decision shall be published on the website of the Commission.

(4) The Financial Supervision Commission shall notify ESMA of the decisions under paragraphs 2 and 3, and of the reasons for the decisions. In the event that the Commission determines the limits contrary to an ESMA opinion, it shall publish on its website a communication containing detailed reasons for that.

Management and control of positions in commodity derivatives

Article 198. (1) An investment firm or a market operator operating a trading venue on which commodity derivatives are traded shall apply systems and mechanisms for management and control of positions in such derivatives, which shall enable the trading venue:

1. to monitor the open positions;

2. to have access to information, including access to all relevant documentation relating to the size and purpose of the formed position or exposure, to information on beneficiaries or final holders, on any arrangements on concerted action and on related assets or liabilities on the underlying market;

3. to request from a person to close or reduce a certain position, temporarily or permanently, and in the event of inaction by the person to take the necessary action to ensure the termination or reduction of the position;

4. if necessary and in order to limit the effect of a large or dominant position in a commodity derivative, to request from a person with a position in such a derivative to provide temporary liquidity to the market at a pre-agreed price and within a pre-agreed volume.

(2) The mechanisms for management and control of positions in commodity derivatives shall be set and apply in a clear and non-discriminatory manner, taking into account the specificities and the types of participants of the commodity derivatives market.

(3) An investment firm or a market operator operating a trading venue on which commodity derivatives are traded, as the case may be, shall provide the Commission with a detailed description of the systems and mechanisms for management and control of positions in such derivatives applied thereby. The description under the first sentence shall be first submitted not later than the date on which the trading venue starts concluding transactions in commodity derivatives.

Supervisory powers in relation to positions in commodity derivatives

Article 199. (1) The Deputy Chairperson may apply the measures referred to in Article 276, paragraph 1 to any person established or resident in the territory of the Republic of Bulgaria, which holds positions in commodity derivatives in breach of the limits set under Articles 192, 195 and 197, as well as in breach of the limits set on such positions by a competent authority of a Member State.

(2) The Deputy Chairperson shall have the right to require submission of information, explanations and documentation from any person concerning the amount and purpose of the position or exposure formed through the commodity derivative, and concerning assets and liabilities on the underlying market.

Chapter Fifteen
REPORTING AND DISCLOSURE OF INFORMATION ABOUT POSITIONS IN COMMODITY DERIVATIVES, EMISSION ALLOWANCES AND EMISSION

ALLOWANCE DERIVATIVES

Reporting of positions

Article 200. (1) An investment firm or a market operator operating a trading venue on which commodity derivatives, emission allowances or emission allowance derivatives are traded, as the case may be, shall submit to the Commission a report with a detailed breakdown of the positions of all persons including of members or of participants in the trading venue, as well as of their clients on a daily basis.

(2) The report referred to in paragraph 1 shall be submitted not later than the end of the next business day.

Disclosure of information about positions

Article 201. (1) The investment firm or the market operator operating a trading venue, as the case may be, shall prepare at the end of the business week a report on the positions in the financial instruments referred to in Article 200, paragraph 1, which are traded in this trading venue, with the following contents:

1. aggregate positions held by the various categories of persons, in various commodity derivatives, emission allowances or emission allowance derivatives;

2. the number of long and short positions held by the various categories of persons under Article 204;

3. changes in the data referred to in items 1 and 2 after the last prepared weekly report;

4. the percentage of total open positions presented for each category of persons;

5. the number of persons holding positions in such instruments, for each category of persons under Article 204.

(2) The report under paragraph 1 shall distinguish between the positions that in an objectively measurable way reduce the risks directly related to the commercial activities of the person and the other positions.

(3) The report under paragraph 1 shall be drawn up in the format set out in the Commission Implementing Regulation (EU) 2017/953 of 6 June 2017 laying down implementing technical standards with regard to the format and the timing of position reports by investment firms and market operators of trading venues pursuant to Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments (OJ, L 144/12 of 7 June 2017) (Commission Implementing Regulation (EU) 2017/953) and published on the website of the investment firm or the market operator, as the case may be, and shall be submitted to the Commission and ESMA.

(4) The requirements under paragraphs 1 and 2 shall also apply in cases where the number of persons, as well as the number of opened positions thereby exceed the minimum thresholds laid down under Article 83 of Delegated Regulation (EU) 2017/565.

Reporting of transactions concluded outside the trading venue

Article 202. (1) An investment firm that performs transactions in commodity derivatives, emission allowances or emission allowance derivatives outside a trading venue shall provide to the Commission or to the competent authority of another Member State where the instruments are traded in the highest volume a report with a detailed breakdown of its positions in the said financial instruments, as well as in the economically equivalent over-the-counter (OTC) derivatives (contracts) within the meaning of Article 6 of Delegated Regulation (EU) 2017/591.

(2) The report referred to in paragraph 1 shall include a detailed breakdown of the positions in the said financial instruments of the clients of the investment firm, and where such clients hold

the positions for their clients, the relevant information about the final client for whom the positions are held shall be provided.

(3) The report under paragraph 1 shall be prepared in a format specified by a Delegated Act adopted by the European Commission pursuant to Article 58, paragraph 5 of Directive 2014/65/EU and shall be provided in accordance with Article 26 of Regulation (EU) No. 600/2014, and in accordance with Article 8 of Regulation (EU) No. 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency (OJ, L 326/1 of 8 December 2011), hereinafter referred to as "Regulation (EU) No. 1227/2011", where this is applicable.

Reporting positions before a trading venue

Article 203. (1) The members or participants of a trading venue shall notify the investment firm or the market operator operating the trading venue, as the case may be, for positions held by them through contracts (financial instruments) traded in such trading venue.

(2) The information referred to in paragraph 1 shall be made available on a daily basis not later than the end of the business day.

(3) The information referred to in paragraph 1 shall also include data on the positions of the clients of the respective member or participant, and where those clients hold positions for their clients, data about the final client for whom the positions are held shall be provided.

Classification of persons holding positions

Article 204. An investment firm or a market operator operating a trading venue shall classify the persons holding positions in commodity derivatives, emission allowances or emission allowance derivatives, depending on their business, including where such business is subject to licensing and supervision, as follows:

1. investment firms or credit institutions;

2. investment funds, collective investment undertakings or alternative investment fund managers within the meaning of Directive 2011/61/EU/ the Collective Investment Schemes and Other Undertakings for Collective Investments Act (CISOUCIA);

3. other financial institutions, including insurance and reinsurance companies and pension insurance companies, or

4. commercial enterprises;

5. in the case of emission allowances and emission allowance derivatives – operators that are required to comply with the requirements of Directive 2003/87/EU.

TITLE FOUR
SERVICES RELATED TO DATA REPORTING

Chapter Sixteen
GENERAL REQUIREMENTS

Data reporting services providers

Article 205. (1) Data reporting services providers shall be approved publication arrangements (APAs), consolidated tape provider (CTPs) and approved reporting mechanisms (ARMs).

(2) Approved publication arrangement shall be a person providing in the course of business services for publication of trade reports on behalf of investment firms pursuant to Articles 20 and 21 of Regulation (EU) No. 600/2014.

(3) A consolidated tape provider shall be a person providing in the course of business services for collection from regulated markets, MTFs, OTFs, and APA of reports on trade in financial instruments in accordance with Articles 6, 7, 10, 12, 13, 20 and 21 of Regulation (EU) No. 600/2014 and shall consolidate such data in a continuous electronic flow of updated data on prices and volumes of any financial instrument.

(4) Approved reporting mechanism shall be a person providing in the course of business services for data reporting on behalf of investment firms on transactions to the Commission or ESMA.

(5) The provision of data reporting services under paragraphs 2 – 4 in the course of business may be carried out only by a company that has been granted a licence for the pursuit of the business as data reporting services provider by the Commission under the terms and procedure hereunder set out.

(6) A data reporting services provider shall also be any APA, CTP and ARM that is licensed and operates in accordance with the requirements of Title V of Directive 2014/65/EU.

Provision of data reporting services by an investment firm or a market operator

Article 206. (1) An investment firm or a market operator operating a trading venue may also provide data reporting services such as APA, CTP and ARM after obtaining a licence under Article 17 or Article 153, as the case may be.

(2) Before granting the licence under paragraph 1, the Commission shall check whether the investment firm or the market operator has created conditions for compliance with the requirements of this Title. The licence shall expressly indicate the data reporting services that the investment firm or the market operator, as the case may be, may carry out.

Chapter Seventeen
MANAGEMENT OF DATA REPPORTING SERVICES PROVIDER

Requirements to members of management and supervisory bodies

Article 207. (1) The members of the management or supervisory body of a data reporting services provider shall be persons of good reputation, with the require knowledge, skills and experience relevant to the activity of the data reporting services provider.

(2) The persons referred to in paragraph 1 shall devote enough time to the performance of their duties as members of the management or supervisory body of the data reporting services provider.

(3) The persons referred to in paragraph 1 shall perform their duties honestly, with integrity and independently in order to make their own assessment of the decisions of the senior management staff and the exercise of effective control and monitoring on the management decisions taken.

(4) The requirements under paragraphs 1 – 3 shall also apply to natural persons who represent legal entities that are members of a management or supervisory body of a data reporting services provider.

(5) In the cases under Article 206, paragraph 1 it is assumed that the members of the management and supervisory bodies of the investment firm or the market operator, as the case may be, meet the requirements of paragraph 1.

(6) Additional requirements for the members of the management and the supervisory bodies of the data reporting service provider shall be set out in an ordinance.

Approval of the members of the management and supervisory bodies

Article 208. (1) The members of the management and supervisory bodies of a data reporting services provider shall be subject to approval by the Commission before their entry into the commercial register, and the natural persons who represent legal entities which are members of the management or supervisory body of a data reporting services provider shall be subject to approval by the Commission before their determination as representatives of the legal entities which are members of the management or supervisory body of the data reporting services provider.

(2) For granting of approval under paragraph 1 after granting a licence under Article 210, paragraph 1, an application for changes in the composition of the management body shall be filed to the Commission, accompanied by the details and documents pursuant to Commission Implementing Regulation (EU) 2017/1110 of 22 June 2017 laying down implementing technical standards with regard to the standard forms, templates and procedures for the authorisation of data reporting services providers and related notifications pursuant to Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments (OJ, L 162/3 of 23 June 2017), hereinafter referred to as "Implementing Regulation (EU) 2017/1110", certifying compliance with the requirements under Article 207.

(3) Article 15, paragraphs 3 – 5 shall apply mutatis mutandis.

(4) The Financial Supervision Commission shall refuse to grant approval if the person for whom approval is sought does not meet the requirements under Article 207 or grounds exist that the person might jeopardise the efficient, proper and prudent management of the data reporting services provider, the interests of its clients or the integrity of the market.

Management rules

Article 209. (1) The management body of the data reporting services provider shall adopt and monitor the compliance in its activity of management rules which shall effective and prudent management of the provider, including separation of duties in the provider and prevention of conflicts of interest and in a manner which promotes the integrity of the market and is in the interest of its clients.

(2)The rules referred to in paragraph 1, as well as any amendment and supplement thereof shall be submitted to the Commission together with evidence that they are adopted by the management body of the provider.

(3) The Deputy Chairperson shall have the right to require, within one month of the submission of the rules under paragraph 1, removal of the gaps, inconsistencies and contradictions contained therein.

Chapter Eighteen
GRANTING AND WITHDRAWAL OF LICENCE

Documents necessary for granting a licence. Issuing a decision on the application

Article 210. (1) For obtaining a licence for the taking up of the business of a data reporting services provider an application shall be submitted to the Commission, including an application for a licence for the provision of data reporting services and an application for the list of members of the management body in accordance with Implementing Regulation (EU) 2017/1110, attaching thereto details and documents in accordance with Commission Delegated Regulation (EU) 2017/571 of 2 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards on the authorisation, organisational requirements and the publication of transactions for data reporting services

providers (OJ, L 87/126 of 31 March 2017), hereinafter referred to as Delegated Regulation (EU) 2017/571".

(2) The Deputy Chairperson, within 10 business days of receipt of the application, shall send the applicant a written confirmation of receipt thereof.

(3) The Deputy Chairperson, within 30 business days of receipt of the application and all the required details and documents thereto, shall send the applicant a written confirmation that the application filed thereby is complete.

(4) In the cases where not all the required details and documents have been attached to the application, the Deputy Chairperson shall send, within the time limit under paragraph 3, a written notice thereon to the applicant, indicating the details and documents under paragraph 1 that shall be attached. The applicant shall submit to the Commission the additional details and documents within one month from the receipt of the notice.

(5) Based on the documents submitted with the complete application, the Commission shall determine whether the requirements for granting the requested licence have been complied with. If the details and documents submitted are incomplete, incorrect, non-compliant with statutory requirements or additional information or evidence of their authenticity is necessary, the Commission shall send a notice of the deficiencies and non-conformities established or the additional information and documents required within three months from the confirmation under paragraph 3. The applicant shall submit to the Commission the additional details and documents within a period which may not be less than one month and longer than two months.

(6) The Financial Supervision Commission, on the proposal of the Deputy Chairperson, shall decide on the granting of a licence for the provision of data reporting services only if it considers that the applicant meets the requirements of this Act.

(7) The Financial Supervision Commission shall grant or shall refuse to grant a licence under paragraph 1 and shall notify the applicant of the granting thereof within 6 months from submission of a complete application.

Scope of the authorisation

Article 211. (1) The licence under Article 210, paragraph 1 shall define comprehensively the specific data reporting services which the person has the right to provide.

(2)The licence for the provision of data reporting services shall give the right to provide the services indicated therein within the European Union.

Notification of the European Securities and Markets Authority

Article 212. (1) The Financial Supervision Commission shall notify ESMA of the licence granted to a data reporting services provider.

(2) The data reporting services provider shall at all times comply with the conditions under which the licence under Article 210, paragraph 1 was granted.

Entry into the commercial register

Article 213. (1) A person licensed under Article 210, paragraph 1 shall submit an application for entry in the commercial register at the Registry Agency within 7 days of receipt of the licence.

(2) The Registry Agency shall enter in the commercial register the company or the right to perform data reporting services in its subject of activity upon presentation of the licence granted by the Commission.

Licence extension

Article 214. (1) A data reporting services provider wishing to extend the scope of its licence by including additional data reporting services shall submit to the Commission an application for the extension of the licence.

(2) The Financial Supervision Commission shall decide on the application under paragraph 1 in accordance with Article 210.

(3) Articles 211 – 213 and 215 shall apply mutatis mutandis.

Refusal to issue a licence

Article 215. The Financial Supervision Commission shall refuse to issue a licence within the time limit under Article 210, paragraph 7 where:

1. a member of the management or the supervisory body of the applicant is not of sufficiently good repute, does not possess sufficient knowledge, skills and experience, does not comply with other statutory requirements or grounds exist that the person could jeopardise the efficient, proper and prudent management of the data reporting services provider, the interests of its clients or the integrity of the market;

2. the applicant has submitted false details or documents with untrue or misleading content;

3. the applicant does not comply with other statutory requirements, Regulation (EU) No. 600/2014 and the instruments for their implementation;

4. the applicant has not submitted all the required documents under Article 210.

Grounds for withdrawing the licence

Article 216. (1) The Financial Supervision Commission, on a proposal of the Deputy Chairperson, may withdraw the licence under Article 210, paragraph 1, where the person:

1. does not commence performing the authorised data reporting services within 12 months from the granting of the licence;

2. expressly waives the authorisation granted;

3. has not carried out the authorised data reporting services for more than 6 months;

4. has provided false details which served as a ground for granting the licence or has used any other irregular means for obtaining the licence;

5. no longer fulfils the conditions under which the licence was granted.

(2) The Financial Supervision Commission may withdraw the licence under Article 210, paragraph 1 where the provider or a member of its management or supervisory body has committed a gross violation or systematic violations of the provisions of this Act or of Regulation (EU) No. 600/2014.

Notification of the European Securities and Markets Authority

Article 217. The Financial Supervision Commission shall notify ESMA of any withdrawal of the licence for data reporting services provider.

Chapter Nineteen
ORGANISATIONAL REQUIREMENTS TO APA

Publishing of Information

Article 218. (1) The approved publication arrangement shall adopt and apply policies and arrangements for public disclosure of trade reports under Articles 20 and 21 of Regulation (EU) No. 600/2014. The information referred to in the first sentence shall be published as close as possible to the disclosure in real time and on reasonable commercial terms and conditions.

(2) The information disclosed publicly by the APA in accordance with paragraph 1 shall include at least the following particulars:

1. the code for the identification of the financial instrument;

2. the price at which the transaction is carried out;

3. the volume of the transaction;

4. the time of transaction conclusion;

5. the time of reporting the transaction;

6. the currency of the transaction;

7. the code of the trading venue on which transaction was effected and where the transaction was concluded through a systematic internaliser the code is "SI", and in the other cases the code is "OTC";

8. an indicator that the transaction is subject to special conditions, where applicable.

(3) The approved publication arrangement shall disclose the information under paragraph 1 in such a way as to ensure a quick, effective, consistent and equal access to it, and in a form that allows the consolidation of the information with data obtained from other sources.

(4) The information referred to in paragraph 1 shall be provided for free 15 minutes from the time of disclosure by the APA.

Policies and rules

Article 219. (1) The approved publication arrangement shall adopt and apply in its activities rules, which shall contain measures for the prevention and detection of conflicts of interest with its clients.

(2) The approved publication arrangement which carries out an activity as an investment firm or as a market operator shall adopt and apply in its activities rules for the processing of information in a non-discriminatory manner and procedures for separation of individual business activities.

(3) The approved publication arrangement shall develop and maintain at any time security measures to ensure that the security of the means by which the information is transmitted and through which it shall minimise the risk of data tampering and unauthorised access and shall prevent information leakage before its publication.

(4) The approved publication arrangement shall have the necessary resources and back-up equipment to be able to offer and maintain the services under Article 205, paragraph 2 at any time.

(5) The approved publication arrangement shall have systems to verify the completeness of the reports on the effected trade. On established omissions or gross errors, the APA shall require a repeated submission of a corrected report from the investment firm.

(6) Article 65, paragraph 1, item 15 shall apply mutatis mutandis to APA.

Additional organisational requirements

Article 220. The additional organisational requirements for the activities of APA are defined in Commission Delegated Regulation (EU) 2017/571 of 2 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards on the authorisation, organisational requirements and the publication of transactions for data reporting services providers (OJ, L 87/126 of 31 March 2017), hereinafter referred to as Delegated Regulation (EU) 2017/571".

Chapter Twenty
ORGANISATIONAL REQUIREMENTS TO CTP

Publication of information under Articles 6 and 20 of Regulation (EU) No. 600/2014

Article 221. (1) The consolidated tape provider shall adopt and apply appropriate policies and arrangements for the collection of the information disclosed in accordance with Articles 6 and 20 of Regulation (EU) No. 600/2014 for its consolidation in a constant flow of electronic data the steady stream of electronic data and for its submission to the public as close as possible to real time and on reasonable commercial terms and conditions.

(2) The information under paragraph 1 shall contain at least the following details:

1. the code for the identification of the financial instrument;

2. the price at which the transaction is carried out;

3. the volume of the transaction;

4. the time of transaction conclusion;

5. the time of reporting of the transaction;

6. the currency of the transaction;

7. the code of the trading venue on which the transaction was effected or where the transaction was concluded through a systematic internaliser the code is "SI", and in the other cases the code is "OTC";

8. use of a computer algorithm when making the decision to invest and the conclusion of the transaction, where applicable;

9. an indicator that the transaction is subject to special conditions, where applicable;

10. which of the exemptions under Article 4, paragraph 1, letters "a" or "b" of Regulation (EU) No. 600/2014 of the obligation for public disclosure of the information under Article 3 (1) of Regulation (EU) No. 600/2014 applies to the transaction in question, where applicable.

(3) The consolidated tape provider shall publish the information referred to in paragraph 1 in such a way as to ensure a quick, effective, consistent and equal access to it, and in a form which permits its use by market participants.

(4) The information referred to in paragraph 1 shall be provided for free 15 minutes from the time of disclosure by the CTP.

Publication of information under Articles 10 and 21 of Regulation (EU) No. 600/2014

Article 222. (1) (Effective 3.09.2019, SG No. 15 of 2018) The consolidated tape provider shall adopt and apply appropriate policies and arrangements for the collection of the publicly information disclosed in accordance with Articles 10 and 21 of Regulation (EU) No. 600/2014 for its consolidation in a constant flow of electronic data and for its submission to the public as close as possible to real time and on reasonable commercial terms and conditions.

(2) (Effective 3.09.2019, SG No. 15 of 2018) The information under paragraph 1 shall contain at least the following details:

1. the code for the identification of the financial instrument;

2. the price at which the transaction is carried out;

3. the volume of the transaction;

4. the time of transaction conclusion;

5. the time of reporting of the transaction;

6. the currency of the transaction;

7. the code of the trading venue on which transaction was effected and where the transaction was concluded through a systematic internaliser the code is "SI", and in the other cases the code is "OTC";

8. an indicator that the transaction is subject to special conditions, where applicable.

(3) (Effective 3.09.2019, SG No. 15 of 2018) Paragraphs 3 and 4 of Article 221 shall apply mutatis mutandis.

(4) The consolidated tape provider shall consolidate the data based on the information published by all regulated markets, MTFs, OTFs and APAs in relation to the financial instruments referred to in Delegated Regulation (EU) 2017/571.

Policies and rules

Article 223. (1) The consolidated tape provider shall adopt and apply in its activities rules, containing measures for the prevention and detection of conflicts of interest with its clients.

(2) A market operator or a publishing arrangement operator carrying out an activity as CTP shall adopt and apply in its activities rules for the processing of information in a non-discriminatory manner and procedures for separation of individual business activities.

(3) The consolidated tape provider shall develop and maintain at any time security measures to ensure the security of the means by which the information is transmitted and through which it shall minimise the risk of data tampering and unauthorised access.

(4) The requirements of Article 219, paragraph 4 shall apply accordingly for the CTP.

(5) Article 65, paragraph 1, item 15 shall apply accordingly for CTP.

Additional organisational requirements

Article 224. Additional organisational requirements to CTP are defined in Delegated Regulation (EU) 2017/571.

Chapter Twenty One
ORGANISATIONAL REQUIREMENTS TO ARM

Reporting to the Commission

Article 225. The approved reporting mechanism shall adopt and apply in its activities policies and procedures for information reporting in accordance with Article 26 of Regulation (EU) No. 600/2014 as quickly as possible and no later than the end of the business day following the day of conclusion of the transaction. This information shall be reported to the Commission in accordance with the requirements of Article 26 of Regulation (EU) No. 600/2014.

Policies and rules

Article 226. (1) The requirements of Article 219, paragraphs 1, 2, 4 and 5 shall apply accordingly for ARM.

(2) The approved reporting mechanism shall develop and maintain at any time security measures to ensure the security of the means and the authenticity verification through which the information is transmitted and through which it shall minimise the risk of data tampering and unauthorised access and shall prevent information leakage, and shall ensure the confidentiality of data any time.

(3) The approved reporting mechanism shall have systems for detection of errors or omissions committed thereby, which enable it to correct them and re-submit correct and complete reports on the transactions to the Commission.

(4) Article 65, paragraph 1, item 15 shall apply accordingly for ARM.

Additional organisational requirements

Article 227. (Amended, SG No. 24/2018, effective 16.02.2018) Additional organisational requirements to ARM are defined in Delegated Regulation (EU) 2017/571.

PART THREE
SUPERVISION

TITLE ONE
SUPERVISION ON A CONSOLIDATED BASIS

Chapter Twenty Two
SUPERVISION ON A CONSOLIDATED BASIS

Significant branch of an investment firm

Article 228. (1) The Financial Supervision Commission may request from the consolidating supervisor, if any, or from the competent authority of the home Member State a specific branch of an investment firm, other than an investment firm under Article 95 of Regulation (EU) No. 575/2013, licensed in a Member State, through which it performs activities in the Republic of Bulgaria, to be considered significant. Specified in the request shall be the reasons for the designation of the branch as significant, indicating expressly the following information as well:

1. whether the market share of the respective branch of the investment firm exceeds two per cent in the Republic of Bulgaria in terms of client assets;

2. the potential impact from suspension or termination of the activity of the investment firm on the market liquidity, payment systems and clearing and settlement systems in the Republic of Bulgaria, and

3. the size and significance of the respective branch, taking into account the number of its clients in comparison with the financial system of the Republic of Bulgaria.

(2) The Financial Supervision Commission jointly with the competent authority of the home Member State and with the consolidating supervisor, if any, shall adopt a decision on the designation of a branch as significant within two months of the receipt of the application.

(3) If no common decision is reached within the time limit under paragraph 2, the Commission shall adopt its own decision within two months of expiry of the time limit under paragraph 2. The Financial Supervision Commission shall submit the decision to the consolidating supervisor and to the competent authority of the home Member State.

(4) The decisions under paragraphs 2 and 3 shall be reasoned, specifying the opinion of the consolidating supervisor and/or the competent authority of the home Member State.

(5) Designation of a branch of an investment firm from a Member State as significant shall not affect the powers and functions of the Commission and the Deputy Chairperson hereunder.

(6) The Financial Supervision Commission, or the Deputy Chairperson, as the case may be, shall cooperate to the competent authority of the home Member State in the performance of its obligations under Article 112, paragraph 1, letter "c" of Directive 2013/36/EU.

Significant branch of an investment firm from another Member State

Article 229. (1) Where a significant branch of an investment firm is set up in the Republic of Bulgaria, with registered office in another Member State, the Commission shall consult the competent authorities of such home Member State on the operational plans for liquidity recovery, should this be relevant to the assessment of the liquidity risk arising from exposures denominated in the local currency.

(2) Where the competent authorities of the home Member State have not consulted the Commission or where as a result of the consultation the Commission considers that the operational plans for liquidity recovery are not adequate, it may refer to EBA and request assistance in accordance with Article 19 of Regulation (EU) No. 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331/12 of 15 December 2010), hereinafter referred to as "Regulation (EU) No. 1093/2010".

Supervision on a consolidated basis exercised by the Commission

Article 230. The Commission shall exercise supervision on a consolidated basis over investment firms, groups, financial holding companies, mixed financial holding companies or

mixed financial holding companies having as subsidiary an investment firm authorised in the Republic of Bulgaria, unless otherwise provided in a law.

(2) A group within the meaning of this Chapter shall exist where the parent undertaking is an investment firm and has other investment firms, credit institutions and/or financial institutions as subsidiaries.

(3) Included in the scope of supervision on a consolidated basis under this Section shall also be the persons managing alternative investment funds and the management companies in the manner and to the extent provided for financial institutions.

(4) Investment firms, financial holding companies, mixed financial holding companies or mixed financial holding companies subject to supervision on a consolidated basis by the Commission shall implement internal rules, procedures and mechanisms for compliance with the requirements of Article 13, paragraph 1, Article 14, paragraph 2, Article 61, Article 62, paragraph 2, Article 64, paragraphs 1 and 2, Article 65, paragraph 1, items 1, 2, 4, 12 – 14 and paragraph 5 and Article 136 and in their subsidiaries, including in those which are not covered by this Act. The rules, procedures and mechanisms shall be consistent and well integrated and shall allow the subsidiaries to prepare any details and information of relevance for the purposes of supervision.

(5) Financial holding companies and mixed financial holding companies shall submit all the necessary information to the Commission for ascertainment of the compliance with the requirements of this Act and the statutory instruments for its implementation and with Regulation (EU) No. 575/2013, as well as for investigation of breaches of the said requirements.

(6) Where an investment firm which is an EU parent institution or an investment firm controlled by an EU parent financial holding company or an EU parent mixed financial holding company proves before the Commission that the application of the requirements for implementation of the rules, procedures and mechanisms under paragraph 5 is not lawful under the laws of the third country in which the relevant subsidiary is established, such requirements shall not apply to that subsidiary.

Determination of the competent authority to exercise supervision on a consolidated basis

Article 231. (1) The Financial Supervision Commission shall exercise supervision on a consolidated basis in the cases where:

1. an investment firm licensed in the Republic of Bulgaria is a parent institution in a Member State or an EU parent institution;

2. the parent undertaking of an investment firm licensed in the Republic of Bulgaria is a parent financial holding company in a Member State or an EU parent financial holding company, an EU parent mixed financial holding company or a parent mixed financial holding company in a Member State;

3. the parent undertaking of an investment firm and of a credit institution licensed in the Republic of Bulgaria is a parent financial holding company in a Member State, an EU parent financial holding company, an EU parent mixed financial holding company or a parent mixed financial holding company in a Member State where the investment firm has higher total assets than the credit institution.

(2) Where a parent financial holding company in a Member State, an EU parent financial holding company or a parent mixed financial holding company in a Member State is established in the Republic of Bulgaria and is a parent undertaking of an investment firm licensed in the Republic of Bulgaria and of one and more institutions licensed in other Member States, supervision on a consolidated basis shall be exercised by the Commission.

(3) Paragraph 2 shall not apply where parent undertakings of an investment firm licensed in the Republic of Bulgaria, and of an institution or institutions authorised in another or other

Member States include more than one financial holding company or a mixed financial holding company with registered offices in different Member States and which have credit institutions as subsidiaries in each of those Member States. In this case the consolidated supervision shall be exercised by the competent authority that has authorised the credit institution with the highest total assets.

(4) Where a financial holding company or a mixed financial holding company is a parent undertaking of more than one institution authorised in the European Union and neither of these institutions is authorised in the Member State in which the financial holding company or the mixed financial holding company is established, supervision on a consolidated basis shall be exercised by the Commission if the institution with the highest total assets is an investment firm licensed in the Republic of Bulgaria. Such investment firm shall be considered controlled by an EU parent financial holding company or an EU parent mixed financial holding company.

(5) By agreement with the competent authorities of the relevant Member States the Commission may waive application of the criteria under paragraphs 2 – 4 if such application is inappropriate in view of the participating institutions and the relative importance of their activity in individual countries. The agreement shall designate a competent authority that will exercise supervision on a consolidated basis. Before entering into the agreement the Commission shall enable the investment firm which is a parent undertaking of either an EU parent financial holding company or a parent mixed financial holding company in a Member State established in the Republic of Bulgaria, or an investment firm which appears to be the institution with the highest total assets, to express its opinion within a time limit set by the Commission.

(6) On request from a competent authority the Commission may participate in consultations and sign agreements designating an authority that will exercise supervision on a consolidated basis under paragraph 5. In this case the Commission may begin exercising supervision on a consolidated basis even if the conditions under paragraphs 2 - 4 are not in place.

(7) The Financial Supervision Commission shall notify the European Commission and EBA of the agreements concluded under paragraph 6, whereunder it shall exercise supervision on a consolidated basis.

Requirements to management and supervisory bodies

Article 232. Persons elected members of the management or supervisory body of a financial holding company or a mixed financial holding company shall be of good repute and shall have professional experience necessary for managing the activity of the holding company. Article 64, paragraph 1 shall apply mutatis mutandis.

Obligations of the consolidating supervisor

Article 233. (1) In the cases where it is a consolidating supervisor under this Section, in addition to the obligations under Regulation (EU) No. 575/2013 the Commission shall:

1. coordinate the gathering and circulation of relevant or significant information in the conditions of a going concern and in emergency situations;

2. plan and coordinate the supervisory activity in cooperation with the relevant competent authorities, and where necessary, with the central banks as well, in the preparation of actions in case of an emergency situation, including adverse developments in the status of financial markets and, where possible, shall use defined channels of communication in crisis management.

(2) The planning under paragraph 1, item 2 shall include the measures under Article 243, paragraph 2, item 4 and Article 244, paragraph 1, preparation of joint evaluations, implementation of contingency plans and informing the public.

(3) In the cases where the competent authorities do not cooperate to the Commission to the extent necessary for the fulfilment of its obligations under paragraph 1, it may refer the matter for

consideration to EBA.

Action in relation to supervision on a consolidated basis and joint decisions of the competent authorities

Article 234. Outside the cases of Articles 230 and 231, where an investment firm licensed in the Republic of Bulgaria falls within the scope of supervision on a consolidated basis and the competent authority exercising supervision on a consolidated basis fails to fulfil provisions of its national law introducing the requirements of Article 112, paragraph 1 of Directive 2013/36/EU, the Commission may refer the matter for consideration to EBA.

A joint decision with other competent authorities

Article 235. (1) In the cases where pursuant to Articles 230 and 231 the Commission is a consolidating supervisor or where it is not but within the supervision on a consolidated basis falls an investment firm licensed in the Republic of Bulgaria which is a subsidiary of an EU parent institution, of an EU parent financial holding company or an EU parent mixed financial holding company, the Commission shall take appropriate actions within its powers to reach a common decision with the other competent authorities on the following:

1. application of the legal requirements for determination of the adequacy of the own funds of the group of institutions on a consolidated basis in respect of the financial status and risk profile of the group and of the required level of own funds for the application of Article 276, paragraph 1, item 11 to any person within the group of institutions and on a consolidated basis; in this case the decision shall be adopted within 4 months after the Commission, where it is a consolidating supervisor, submits to the other competent authorities concerned a report on the assessment of the risk of the group of institutions, or within 4 months after the relevant competent authority exercising supervision on a consolidated basis submits such information;

2. the measures for treatment of all major issues and significant findings related to the liquidity supervision and to the adequacy of the organisation, and treatment of risks and in respect of the specific liquidity requirements for the concrete institution; in this case the decision shall be adopted within a month after the Commission, where it is the authority exercising supervision on a consolidated basis, submits a report with assessment of the liquidity risk profile of the group of institutions, or within a month after the relevant consolidating supervisor submits such information respectively.

(2) In taking the decision under paragraph 1, the risk assessment of the subsidiaries, performed by the competent authorities, shall be taken into account.

(3) The decision under paragraph 1 shall be made in writing, shall be reasoned in detail and shall be submitted by the Commission, where it is the consolidating supervisor, to the competent authority exercising supervision over the EU parent institution. In case of disagreement, at the request of any of the other competent authorities concerned, the Commission shall consult EBA. The Financial supervision Commission may consult EBA at its initiative as well.

An individual decision of the consolidating supervisor

Article 236. (1) In case the competent authorities fail to reach a joint decision within the time limits under Article 235, the decision shall be made on a consolidated basis by the Commission, where it is the consolidating supervisor, taking into account the risk assessment of the subsidiaries made by the competent authorities. If any of the competent authorities has referred the matter to EBA within the time limits under Article 235, paragraph 1, the Commission shall adopt its decision in accordance with the decision of EBA under Article 19, paragraph 3 of Regulation (EU) No. 1093/2010.

(2) In the cases where the Commission exercises supervision on a stand-alone basis or on a sub-consolidated basis over subsidiaries of an EU parent institution or an EU parent financial

holding company or an EU parent mixed financial holding company, in adopting decisions under paragraph 1 it shall take into account the opinions and recommendations made by the consolidating supervisor and the decision of EBA under Article 19, paragraph 3 of Regulation (EU) No. 1093/2010.

(3) The decisions under paragraphs 1 and 2 shall be made in writing, shall be reasoned in detail, taking into account the risk assessment, the opinions and the qualifications of the other competent authorities. The Financial Supervision Commission shall submit the decision under paragraph 1 to the relevant competent authorities and to the EU parent institution.

Application and review of the decisions of the consolidating supervisor

Article 237. (1) The Financial Supervision Commission shall apply the joint decisions under Article 235 and the decisions of the other competent authorities equivalent to the decisions under Article 236.

(2) The decisions under Articles 235 and 236 shall be reviewed either annually or in emergency circumstances if a competent authority responsible for the supervision of subsidiaries of an EU parent institution or an EU parent financial holding company or an EU parent mixed financial holding company files a written and reasoned request to the Commission for updating the decision under paragraph 1. In this case the review shall be performed jointly with the competent authority which has filed the request.

Informing EBA in emergency situations

Article 238. (1) If an emergency situation arises, including the cases under Article 18 of Regulation (EU) No1093/2010, or in case of adverse market developments which may jeopardise the market liquidity and the stability of the financial system in the Republic of Bulgaria or in another Member State in which companies from the group are licensed or significant branches are established, the Commission, where it is a consolidating supervisor, shall inform immediately EBA and the authorities under Article 25, paragraph 1, items 3 and 4 and 10 of the Financial Supervision Commission Act, providing them with all the information which is relevant to the fulfilment of their functions.

(2) If information, which has already been provided to another competent authority, is necessary for the purposes of supervision on a consolidated basis, the Commission shall require it from the relevant competent authority, where possible, in order to prevent its repeated submission to the competent authorities concerned.

Coordination and cooperation agreements

Article 239. (1) For the purposes of supervision on a consolidated basis the Commission shall enter into agreements on coordination and cooperation with the competent supervisory authorities in the relevant Member States. The Financial Supervision Commission may assume responsibility for the performance of additional supervisory tasks, subject to the provisions in the relevant agreement.

(2) Where an investment firm licensed in the Republic of Bulgaria is a subsidiary of an institution in a Member State, the Commission may, pursuant to an agreement under Article 28 of Regulation (EU) No. 1093/2010 with the competent authority of the EU parent institution, delegate to it the responsibility for the supervision of the subsidiary investment firm.

(3) Where an investment firm licensed in the Republic of Bulgaria is a parent company of an institution in a Member State, the Commission may, pursuant to an agreement under Article 28 of Regulation (EU) No. 1093/2010 with the competent authority, assume responsibility for the supervision of the subsidiary institution.

(4) The Financial Supervision Commission shall notify EBA of the closing and contents of the agreements under paragraphs 2 and 3.

Supervisory colleges established by the Commission

Article 240. (1) The Financial Supervision Commission shall, where it is a consolidating supervisor, set up supervisory colleges of the competent authorities to facilitate performance of the functions under Articles 233 – 237 and shall ensure adequate level of coordination and cooperation, and where necessary, participation of the relevant competent authorities of third countries, if this is reasonable, subject to compliance with the confidentiality requirements and the European Union law. Competent authorities responsible for the supervision of subsidiaries of an EU parent institution, of an EU parent financial holding company financial holding or an EU mixed parent financial holding company, the competent authorities of the host Member State in which significant branches are established, and where necessary, the central banks in the European System of Central Banks (ESCB) may participate in the supervisory colleges.

(2) The Financial Supervision Commission may participate in the supervisory colleges set up by other competent authorities where these are consolidating supervisors under Directive 2013/36/EU and Regulation (EU) No. 575/2013.

(3) For the purposes of setting up and operation of the supervisory colleges the Commission shall, following consultations with the other competent authorities, enter into written agreements with them under Article 239.

(4) The supervisory colleges under paragraph 1 shall create the necessary conditions and the procedure for:

1. exchange of information between the competent authorities and EBA in accordance with Article 21 of Regulation (EU) No. 1093/2010;

2. reaching agreement on assignment of tasks and delegation of authorities on a voluntary basis;

3. defining a plan for the execution of supervisory inspections based on assessment of the group risk;

4. increasing the efficiency of supervision by removing unnecessary duplication of supervisory requirements, including in regard to the requests for information under Article 238 and Article 243, paragraph 5;

5. consistent application of the requirements for prudential supervision over companies in the group set out herein, Regulation (EU) No. 575/2013 and the statutory instruments for their application, without affecting the possibilities and the right of judgement laid down in the European Union law;

6. application of Article 233, paragraph 1, item 3, taking into account the activity of other supervisory colleges or groups, as may be set up in this area.

(5) The Financial Supervision Commission shall cooperate with EBA and with the other competent authorities where it participates in supervisory colleges. The confidentiality requirements shall not prevent the exchange of confidential information.

(6) The setting up and activity of the supervisory college shall not affect the powers of the Commission, the Deputy Chairperson accordingly, under this Act, the Financial Supervision Commission Act and Regulation (EU) No. 575/2013.

Meetings of the supervisory colleges

Article 241. (1) In the cases where the Commission is a consolidating supervisor, it shall chair the meetings of the supervisory college and shall designate the competent authorities which will participate in each meeting or activity of the Commission, taking into account the significance of the supervisory authorities' activity which is to be planned and coordinated, including the potential impact on the financial stability in the relevant Member States and the obligations in regard to the supervision of significant branches.

(2) As a consolidating supervisor, the Commission shall provide in advance to all members of the supervisory college information about the organisation of the meeting, the main issues and actions to be discussed. The Financial Supervision Commission shall furthermore provide on a timely basis to all members of the supervisory college all the information about the decisions adopted at such meetings and the measures taken.

(3) The Financial Supervision Commission shall, acting in the capacity as a consolidating supervisor and subject to compliance with the confidentiality requirements, inform EBA about the activity of the supervisory colleges managed thereby, including in emergency situations, and shall provide it with all the information of significant importance for the convergence of supervisory practices.

Referring an issue for assistance to EBA

Article 242. In case of disagreement between the competent authorities participating in the supervisory college, the Commission may, as its member, refer the issue concerned to EBA and may request its assistance in accordance with Article 19 of Regulation (EU) No. 1093/2010.

Provision of information to competent authorities

Article 243. (1) The Financial Supervision Commission shall, at its initiative, provide to the relevant competent authorities the information which is significant and/or relevant to the exercise of their supervisory functions for the purposes of application of Directive 2013/36/EU and Regulation (EU) No. 575/2013.

(2) For the purposes of paragraph 1, significant is any information which could affect the assessment of the financial stability of an institution or a financial institution of the respective Member State and it shall include the following:

1. description of the legal, management and organisational structure of the group, including all regulated entities and unregulated subsidiaries, significant branches and parent companies in the group, and specifying the competent authorities exercising supervision of regulated entities in the group;

2. procedures for gathering and verification of information from the institutions in the group;

3. difficulties in the activity of institutions or in the activity of other companies in the group, which could seriously affect the activity of the institutions;

4. administrative sanctions and supervisory measures imposed by the Commission in accordance with this Act, including the imposition of additional capital requirements or limitations on the use of the Advanced Measurement Approach for the calculation of the own funds requirements under Article 312, paragraph 2 of Regulation (EU) No. 575/2013.

(3) At the request of the competent authority of a Member State exercising supervision over the subsidiaries of EU parent companies or institutions controlled by EU parent financial holding companies or by EU parent mixed financial holding companies in respect whereof the Commission is the consolidating supervisor, the Commission shall provide the information relevant for the exercise of their supervisory functions.

(4) The Financial Supervision Commission shall cooperate with EBA and shall provide all the necessary information for the performance of its obligations under the terms and procedure of Regulation (EU) No. 1093/2010.

(5) In the cases where the Commission exercises supervision over an investment firm controlled by an EU parent undertaking, where information is required on the application of approaches and methods under Directive 2013/36/EU and Regulation (EU) No. 575/2013, the Commission shall contact the consolidating supervisor in the relevant Member State should it be likely that said supervisor may have the necessary information.

Consultation with other competent authorities

Article 244. (1) Before adopting a decision which is important for the activity of another competent authority as well, the Commission shall make consultations with it and with the consolidating supervisor, if the decision refers to significant supervisory measures and administrative sanctions imposed by the Commission, the Deputy Chairperson, as the case may be, including imposition of additional capital requirements or limitations for use of internal operational risk models in the calculation of own funds for supervisory purposes pursuant to Article 312, paragraph 2 of Regulation (EU) No. 575/2013.

(2) The requirement under paragraph 1 shall not apply where it is necessary for the Commission to make a decision immediately and where the consultations may hamper or block the efficiency of the respective decision. In this case the Commission shall notify the competent authorities as soon as possible.

Consultations with EBA

Article 245. The Financial Supervision Commission may refer the issue for consideration to EBA under Article 19 of Regulation (EU) No. 1093/2010 where:

1. (amended, SG No. 24/2018, effective 16.02.2018) a competent authority has not provided it with significant information within the meaning of Article 243, paragraph 2;

2. the request for exchange of information is denied or is not fulfilled within a reasonable time limit.

Verifications on the initiative of another competent authority

Article 246. (1) At the request of a competent authority the Commission shall verify particular information about an investment firm, a financial holding company, a mixed financial holding company, a financial institution, an ancillary services undertaking, a mixed holding company, subsidiaries carrying on activity in the territory of the Republic of Bulgaria, in respect whereof the Commission exercises supervision.

(2) The Financial Supervision Commission may delegate to the competent authority requesting the information or an external auditor or an expert to perform the verification.

(3) Where an investment firm, a financial holding company, a mixed financial holding company, an ancillary services undertaking, a mixed holding company or a subsidiary over which the Commission exercises supervision carries on activity in another Member State, the Commission may request from the relevant competent authority to verify particular information about such entity. In this case the Commission may wish to perform the verification itself as well or to participate in its execution.

Request for information from a parent undertaking of an investment firm

Article 247. (1) Where a competent authority has not included in the supervision on a consolidated basis an investment firm licensed in the Republic of Bulgaria, the Commission may request from the parent undertaking information which may facilitate supervision over such investment firm.

(2) Where the Commission exercises supervision on a consolidated basis pursuant to this Act, it may require the information under Article 248 from the subsidiaries of investment firms licensed in the Republic of Bulgaria, of a financial holding company, or of a mixed financial holding company where such subsidiaries are not included in the supervision on a consolidated basis. In this case the procedure for provision and verification of the information under Article 248 shall apply.

Request for information from a mixed holding company

Article 248. (1) Where a mixed holding company is a parent undertaking of one or more investment firms licensed in the Republic of Bulgaria, the Commission may request from the

holding company and from its subsidiaries information which is relevant for the purposes of supervision on a consolidated basis over subsidiaries which are investment firms.

(2) The Financial Supervision Commission may perform itself or with the assistance of persons appointed for that purpose on-site verification of the information received under paragraph 1.

(3) If the mixed holding company or one of its subsidiaries is an insurer, the Commission may verify the information received under paragraph 1 under the terms and procedure of Article 231 as well.

(4) If a mixed holding company or one of its subsidiaries is not set up in the Republic of Bulgaria, the information received under paragraph 1 may furthermore be verified in accordance with the procedure laid down in Article 226.

General supervision of a mixed holding company and its subsidiaries

Article 249. (1) Where a mixed holding company is a parent undertaking of one or more investment firms licensed in the Republic of Bulgaria, the Commission shall exercise common supervision over the transactions between such investment firms and the holding company and over the transactions between the investment firms and the other subsidiaries of the holding company, without prejudice to the requirements of Part Four of Regulation (EU) No. 575/2013.

(2) Investment firms under paragraph 1 shall implement adequate risk management processes and internal control mechanisms, including reliable procedures for reporting and accounting, in order to measure, monitor and control in a suitable manner the transactions with the mixed holding company and with its subsidiaries.

(3) The investment firms under paragraph 1 shall inform the Commission of any significant transaction with the mixed holding company and with its subsidiaries, other than the transactions under Article 394 of Regulation (EU) No. 575/2013.

(4) The procedures and transactions under paragraphs 2 and 3 shall be subject to supervision by the Commission. The requirements to be met for the transactions to be considered significant shall be laid down in an ordinance.

Cooperation with competent authorities of other Member States

Article 250. (1) Where a parent undertaking and one of its subsidiaries – institutions, one of which is an investment firm licensed in the Republic of Bulgaria, are established in different Member States, the Commission shall cooperate and shall exchange information with the relevant competent authorities in order to allow or support the exercise of supervision on a consolidated basis.

(2) Where the parent undertaking is incorporated in the Republic of Bulgaria but the Commission does not exercise supervision on a consolidated basis under Article 251, at the request of the consolidating supervisor the Commission may require from the parent undertaking the information which would be necessary for the supervision on a consolidated basis, providing it to the said competent authority.

(3) The powers of the Commission for gathering information under paragraph 2 shall not create an obligation for the Commission to exercise supervision on a stand-alone basis over the parent undertaking, where it is a financial holding company, a mixed financial holding company, a financial institution or an ancillary services undertaking.

(4) The powers of the Commission for gathering information under Article 248 shall not create obligations for supervision on a stand-alone basis over the mixed holding company and its subsidiaries which are not investment firms and are excluded from the scope of supervision on a consolidated basis.

Assistance to competent authorities of other Member States in the consolidated supervision

over subsidiaries subject to licensing by the Commission

Article 251. (1) Where the Commission exercises supervision on a consolidated basis over an investment firm, a financial holding company, a mixed financial holding company or a mixed holding company controlling one or more subsidiaries which are insurers or other undertakings providing investment services which are subject to licensing by the Commission, the Commission shall cooperate and exchange information with the relevant competent authorities in order to facilitate the exercise of supervision over the activity and overall financial status of the persons subject to supervision.

(2) The Financial Supervision Commission shall maintain a list of financial holding companies and of mixed financial holding companies over which it shall exercise supervision on a consolidated basis. The Financial Supervision Commission shall submit the list to the other competent authorities, to the European Commission and to EBA and shall notify them of any change therein.

(3) Where an investment firm licensed in the Republic of Bulgaria is a subsidiary of an institution, a financial holding company or a mixed financial holding company from a third country and no supervision on a consolidated basis is exercised over that investment firm by the Commission or by another competent authority, the Commission shall check whether the investment firm is covered by supervision on a consolidated basis, equivalent to the requirements of this Act and Regulation (EU) No. 575/2013. The Financial Supervision Commission shall check at its initiative or at the request of the parent undertaking or the subsidiary subject to licensing and supervision in a Member State and shall make consultations with the relevant competent authority.

(4) When performing the check under paragraph 3 the Commission shall take into account the opinion of the European Banking Committee on whether the rules for supervision on a consolidated basis of the relevant third country would achieve the purposes of the supervision on a consolidated basis under Articles 111 - 127 of Directive 2013/36/EU. After completing the check and before adopting a decision the Commission shall consult EBA as well.

(5) Should it establish that no supervision on a consolidated basis is exercised or that the exercised supervision does not meet the requirements of this Act and Regulation (EU) No. 575/2013, the Commission may apply appropriate supervisory measures to the subsidiary investment firm under paragraph 3 for achieving the purposes of supervision on a consolidated basis over it. The Financial Supervision Commission shall apply such supervisory measures after consultations with the relevant competent authorities, including those in the third country.

(6) In the cases of paragraph 5 the Commission may request the incorporation of a financial holding company or a mixed financial holding company with registered office on the territory of a Member State and the application of the requirements for supervision on a consolidated basis over it, as established herein.

TITLE TWO
COOPERATION WITH COMPETENT AUTHORITIES OF MEMBER STATES, THE EUROPEAN COMMISSION AND THE EUROPEAN SECURITIES AND MARKETS AUTHORITY

Chapter Twenty Three

COOPERATION AND EXCHANGE OF INFORMATION WITH COMPETENT AUTHORITIES OF MEMBER STATES, THE EUROPEAN COMMISSION AND THE EUROPEAN SECURITIES AND MARKETS AUTHORITY

Section I
Cooperation with competent authorities of Member States, the European Commission and the European Securities and Markets Authority

Competent Authority

Article 252. (1) Whenever necessary for the purpose of carrying out its supervisory functions under this Act and the statutory instruments for its application the Commission shall provide information and shall cooperate with the relevant competent authorities of the other Member States. Cooperation could include the facilitation of activities for the collection of fines, financial penalties and other activities related to supervision and prosecution.

(2) The Financial Supervision Commission shall be the competent authority for the exchange of information and cooperation within the meaning of Article 79 of Directive 2014/65/EU. The Financial Supervision Commission shall designate contact persons through whom requests for provision of information or cooperation shall be received and shall notify the European Commission, ESMA and the competent authorities of the other Member States thereof.

(3) For the purposes of paragraph 1 the Commission shall make use of the powers set out to it in law in the cases where the action which is the subject of investigation by the competent authorities of other Member States does not constitute violation of the laws of the Republic of Bulgaria.

Cooperation measures

Article 253. (1) Where the activity of a trading venue in a Member State on the territory of the Republic of Bulgaria through a branch is of significant importance for the functioning of the securities markets and protection of the interests of investors in the Republic of Bulgaria, the Commission shall take the necessary measures for cooperation with the relevant competent authority of the Member State.

(2) The measures under paragraph 1 shall also be taken in the cases where a trading venue licensed or authorised by the Commission, as the case may be, carries on business on the territory of another Member State and such business is of essential importance for the functioning of the securities markets and the protection of the interests of investors in that Member State.

(3) The cases in which the trading venue under paragraphs 1 and 2 is of essential importance for the functioning of the securities markets and the protection of investor interests are laid down in Commission Implementing Regulation (EU) 2017/988 of 6 June 2017 laying down implementing technical standards with regard to standard forms, templates and procedures for cooperation arrangements in respect of a trading venue whose operations are of substantial importance in a host Member State (OJ, L 149/3 of 13 June 2017), hereinafter referred to as "Implementing Regulation (EU) 2017/988".

Notification of violations

Article 254. (1) Where the Commission has good reasons to suspect that a person over whose activity it does not have supervisory powers acts or has acted contrary to the provisions of Directive 2014/65/EU of the European Parliament and of the Council or of Regulation (EU) No. 600/2014 on the territory of another Member State, it shall notify the competent authority of that Member State thereof and ESMA.

(2) In the cases where the Commission has been notified by a competent authority of a Member State that a person not subject to its supervision carries on acts in the territory of the Republic of Bulgaria contrary to the provisions of Directive 2014/65/EU of the European Parliament and of the Council or of Regulation (EU) No. 600/2014, it shall take the required measures and shall notify the relevant competent authority of that Member State and ESMA of the results thereof.

Actions in relation to the measures under Article 276

Article 255. (1) The Financial Supervision Commission shall notify ESMA and other competent authorities of the measures implemented under Article 276.

(2) The notification under paragraph 1 shall include detailed information on the measure implemented under Article 276, including details of the persons to whom it has been applied, and the reasons for its application, the scope of the restrictions, the persons and the financial instruments concerned thereby, any limits on the amount of positions that the person may hold at any time, any exceptions to the limitations provided in accordance with Article 192, and the reasons for them.

(3) The notification shall be made not later than 24 hours prior to the planned actions or measures to take effect. In exceptional circumstances the Commission may make the notification referred to in the first sentence later.

(4) Where the Commission receives a notification under paragraph 1 from a competent authority of a Member State, it shall apply a measure under Article 276, if the measure is necessary to enable the other competent authority to accomplish its goal. In the event that the Commission plans to take measures, it shall make the notification referred to in paragraphs 1 and 2.

(5) Where the measures referred to in paragraphs 1 – 4 refer to wholesale energy products, the Commission shall notify the Agency for the Cooperation of Energy Regulators established by Regulation (EC) No. 713/2009 of the European Parliament and of the Council of 13 July 2009 establishing an Agency for the Cooperation of Energy Regulators (OJ, L 211/1 of 14 August 2009).

(6) Where the measures referred to in paragraphs 1 – 4 refer to emission allowances, the Commission shall cooperate with the public authorities competent for the oversight of spot and auction markets and competent authorities, registry administrators and other public bodies charged with the supervision of compliance under Directive 2003/87/EC in order to ensure that they can acquire a consolidated overview of emission allowances markets.

(7) Where the measures referred to in paragraphs 1 – 4 refer to agricultural commodity derivatives, the Commission shall report and cooperate with the public authorities competent for the oversight, administration and regulation of the physical agricultural markets under Regulation (EU) No. 1308/2013 of the European Parliament and of the Council of 17 December 2013 establishing a common organisation of the markets in agricultural products and repealing Council

Regulations (EEC) No. 922/72, (EEC) No. 234/79, (EC) No. 1037/2001 and (EC) No. 1234/2007 (OJ, L 347/671 of 20 December 2013), hereinafter referred to as "Regulation (EU) No. 1308/2013".

Assistance with on-the-spot verifications

Article 256. (1) When exercising its supervisory functions, in conducting on-the-spot verifications or investigations, the Commission may request assistance from the relevant competent authority of another Member State.

(2) In the cases under paragraph 1 concerning investment firms which are remote members of a regulated market in the Republic of Bulgaria, the Commission may exercise its powers in respect of them by directly notifying the competent authority of the home Member State thereof.

(3) Where the Commission receives a request for cooperation with respect to an on-the-spot verification or an investigation by a competent authority of another Member State, it shall, within its powers:

1. carry out the verification or investigation itself;

2. allow the requesting competent authority of that Member State to carry out the verification or investigation;

3. allow auditors or experts to carry out the verification or investigation.

(4) The exchange of information between competent authorities during assistance, on-the-spot verifications and investigations shall be carried out in compliance with the requirements of Commission Delegated Regulation (EU) 2017/586 of 14 July 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards for the exchange of information between competent authorities when cooperating in supervisory activities, on-the-spot verifications and investigations (OJ, L 87/382 of 31 March 2017) hereinafter referred to as "Delegated Regulation (EU) 2017/586".

Section II
Exchange of information with the competent authorities of Member States

Providing information to a competent authority of a Member State

Article 257. (1) The Financial Supervision Commission shall provide promptly the necessary information to the competent authority of a Member State for the purposes of carrying out its duties, as laid down in Directive 2014/65/EU or Regulation (EU) No. 600/2014. To receive the information necessary for carrying out the functions of the Commission, the latter shall submit a request to the contact persons of the competent authority of a Member State.

(2) Upon receipt of a request for information, the Commission shall submit to the competent authority of the Member State the information required for the performance of its supervisory functions. In providing the information the Commission may require the information not to be disclosed to third parties without its express consent.

Provision of information to the Bulgarian National Bank

Article 258. (1) The contact persons under Article 252, paragraph 2 may transmit to the Bulgarian National Bank under the terms and procedure set out in a joint instruction of the Commission and the Bulgarian National Bank the information received under Article 129 and Article 257, paragraph 1, and the information received from the relevant competent authority of a third country.

(2) The Financial Supervision Commission may not provide the information under paragraph 1, under Article 129, as well as other information received from competent authorities of third countries to other authorities or natural and legal persons without the express consent of the competent authorities that have disclosed it and solely for the purposes for which they have given their consent, except in duly justified circumstances whereof the Commission shall

immediately inform the competent authorities that have provided the information.

(3) The Financial Supervision Commission, the Deputy Chairperson, the Bulgarian National Bank, as well as other authorities or natural and legal persons that have been provided with information received under the terms of Article 129 and Article 107, paragraph 1 and information received from the relevant competent authority of a third country may use it only in connection with the execution of their duties:

1. to check compliance with the requirements for granting an authorisation for the conduct of business in investment firm capacity are met and to facilitate supervision on a non-consolidated and consolidated bases, especially with regard to the capital adequacy requirements, administrative and accounting procedures and internal control mechanisms;

2. to monitor the proper functioning of trading venues;

3. to impose enforcement administrative measures and administrative sanctions;

4. in administrative and court appeals against acts of the Commission and of the Deputy Chairperson, as well as the acts of the Bulgarian National Bank under Article 16, paragraph 2, and Article 103, paragraph 8 of the Credit Institutions Act;

5. in extra-judicial mechanisms for settlement of consumer disputes regarding investment services and activities provided to investment firms.

Provision of information to the European authorities

Article 259. (1) Notwithstanding the provisions of Articles 257 and 258 herein and Articles 24 and 25 of the Financial Supervision Commission Act, the Commission shall transmit to ESMA, the European Systemic Risk Board, the central banks, the European System of Central Banks and the European Central Bank, in their capacity as payment supervision authorities, and, where appropriate, to other public authorities responsible for overseeing payment and settlement systems, the information necessary for the performance of their duties.

(2) The Financial Supervision Commission may request from the authorities under paragraph 1 to provide it with the information it may need for the purpose of performing its duties.

Notification of ESMA

Article 260. The Financial Supervision Commission may notify ESMA of cases of rejection or of failure to act within a reasonable time on a request made for carrying out supervisory activity, on-the-spot verification or an investigation under Article 106 or on a request for exchange of information under Articles 257 – 258.

Rendering assistance

Article 261. (1) The Financial Supervision Commission may refuse assistance in carrying out an on-the-spot verification, investigation or supervisory activity as provided for in Article 262, or for the provision of information under Articles 257 – 259, where:

1. judicial proceedings have been already initiated before the judicial authorities of the Republic of Bulgaria in respect of the same actions and the same persons whereof cooperation was requested;

2. final judgement has already been delivered in the Republic of Bulgaria in respect of the same actions and the same persons whereof cooperation was requested.

(2) In the cases of paragraph 1 the Commission shall inform the requesting authority and ESMA and shall provide them with detailed information about the reasons for the refusal.

Holding of consultations

Article 262. (1) The Financial Supervision Commission shall hold consultations with the relevant competent authority of another Member State prior to pronouncing on the application for granting a licence, where the applicant is:

1. a subsidiary of another investment firm, a market operator or a credit institution authorised to conduct business by the competent authority of another Member State;

2. a subsidiary of a parent undertaking of another investment firm or credit institution authorised to conduct business by the competent authority of another Member State;

3. a person controlled by the same natural or legal person that controls an investment firm or a credit institution authorised to conduct business by the competent authority of another Member State.

(2) The Financial Supervision Commission shall consult the Bulgarian National Bank before pronouncing on the application, where the applicant is:

1. a subsidiary of a credit institution authorised to conduct business under the Credit Institutions Act;

2. a subsidiary of a parent undertaking of a credit institution authorised to conduct business under the Credit Institutions Act;

3. controlled by the same person, whether natural or legal, who controls a credit institution authorised to conduct business under the Credit Institutions Act.

(3) The Financial Supervision Commission shall also hold consultations with the relevant competent authorities under paragraphs 1 and 2 when assessing the appropriateness of the shareholders or members and the reputation and experience of the persons who will represent and manage the investment firm if they participate in the actual management and of another person in the group.

(4) The Financial Supervision Commission shall hold preliminary consultations and shall cooperate with the relevant competent authority if the person under Articles 53 and 54 is:

1. a parent company of a credit institution, an insurer, a reinsurer, an investment firm, or a management company, licensed in another Member State, or a credit institution, an insurer, or a reinsurer, licensed in the Republic of Bulgaria;

2. a parent company of a credit institution, an insurer, a reinsurer, an investment firm, or a management company, licensed in another Member State, or a credit institution, an insurer, or a reinsurer, licensed in the Republic of Bulgaria;

3. a natural person or a legal entity, controlling a credit institution, an insurer, a reinsurer, an investment firm, or a management company, licensed in another Member State, or a credit institution, an insurer, or a reinsurer, licensed in the Republic of Bulgaria.

(5) The Financial Supervision Commission shall provide information to the relevant competent authority of a Member State in connection with the granting of authorisation to conduct business as investment firm to:

1. a subsidiary of an investment firm licensed to conduct business under this Act, or an insurance company licensed to conduct business under the Insurance Code;

2. a subsidiary of a parent undertaking of an investment firm licensed to conduct business under this Act, or an insurance company licensed to conduct business under the Insurance Code;

3. a person controlled by a natural or legal person controlling an investment firm licensed to conduct business under this Act, or an insurance company licensed to conduct business under the Insurance Code.

(6) The Financial Supervision Commission shall consult the relevant competent authority of a Member State when assessing the reputation and experience of persons who will represent and manage the investment firm, if they participate in the actual management of an investment firm licensed to conduct business under this Act.

(7) Upon acquisition of a qualifying holding in an investment firm or in a credit institution or in a credit institution, licensed in a Member State, the Commission shall submit in due course,

upon request by the relevant competent authority, any information about an investment firm which is licensed to conduct business under this Act, which is material or relevant for the performance of an evaluation of the person, acquiring a qualifying holding. The Financial Supervision Commission shall submit on its own initiative the material information for performing the evaluation to the relevant competent authority.

Day-to-Day Provision of Information

Article 263. (1) The Commission may, for statistical purposes, require from all investment firms from a Member State, which conduct business on the territory of the Republic of Bulgaria through a branch, to submit periodically reports, the format and content of which shall be set out in an ordinance.

(2) In discharging its duties the Commission shall require from the investment firms of a Member State, which conduct business on the territory of the Republic of Bulgaria through a branch, to provide information necessary for exercising supervision over their obligations under Article 48, which shall not be stricter than the obligations set for investment firms licensed to conduct business under this Act.

Notification of violations

Article 264. (1) Where data exists that an investment firm from a Member State, which conducts business through a branch or under the freedom to provide services on the territory of the Republic of Bulgaria, is in breach of the obligations arising from the provisions of Directive 2014/65/EU over which the Commission or the Deputy Chairperson, as the case may be, do not have supervisory powers, the Commission shall notify the competent authority of the home Member State thereof.

(2) If, despite the measures taken by the competent authority of the home Member State or where such measures proved insufficient or inadequate and the investment firm persists in committing acts prejudicing the interests of the investors or the orderly functioning of the capital markets on the territory of the Republic of Bulgaria, the Commission or the Deputy Chairperson, as the case may be, may:

1. after the Commission notifies the competent authority of the home Member State, take all the necessary measures to protect investors and ensure the orderly functioning of the capital markets, and, where necessary, prohibit the investment firm to conduct business on the territory of the Republic of Bulgaria; the Financial Supervision Commission shall notify forthwith ESMA and the European Commission of the measures undertaken;

2. refer the matter to ESMA.

Supervisory powers

Article 265. (1) Where the Commission or the Deputy Chairperson establishes that an investment firm from a Member State, which conducts business through a branch on the territory of the Republic of Bulgaria is in breach of the provisions of Article 45, paragraph 5, the Commission shall order it in writing to end and rectify the beaches and the adverse consequences therefrom.

(2) If the investment firm fails to fulfill the order under paragraph 1, the Commission shall take all the necessary measures to end the breaches and shall notify the competent authority of the home Member State of the nature of such measures.

(3) If, despite the measures taken under paragraph 2, the investment firm persists the breach referred to in paragraph 1:

1. the Commission or the Deputy Chairperson, as the case may be, after the Commission informs the competent authority of the home Member State, shall take the necessary measures to prevent or penalise the offender and, where necessary, shall prohibit the investment firm to

conduct business within the territory of the Republic of Bulgaria; the Financial Supervision Commission shall notify forthwith ESMA and the European Commission of the measures undertaken;

2. the Commission shall refer the matter to ESMA.

Notification of violations

Article 266. (1) Where the Commission has clear and demonstrable grounds to believe that a regulated market, an MTF or an OTF from a Member State infringes the provisions of Directive 2014/65/EU, it shall notify the competent authority of the home Member State.

(2) If, despite the measures taken by the competent authority of the home Member State or because such measures prove insufficient or inadequate, and the regulated market, the MTF or the OTF persists in acting in a manner that is prejudicial to the interests of the investors or the orderly functioning of the capital markets on the territory of the Republic of Bulgaria, the Commission may:

1. after informing the competent authority of the home Member State, take the appropriate measures needed in order to protect investors and ensure the orderly functioning of the capital markets, including the possibility for preventing the provision of the systems on such regulated market, or MTF or OTF to remote members or participants established in the Republic of Bulgaria, and, where necessary, prohibit the regulated market or the MTF or the OTF to conduct business on the territory of the Republic of Bulgaria; the Financial Supervision Commission shall notify forthwith ESMA and the European Commission of the measures undertaken;

2. refer the matter to ESMA.

Statement of reasons for the measures

Article 267. The measures taken by the Commission or the Deputy Chairperson under Articles 264 – 266, including sanctions or restrictions on the business of the investment firm or the regulated market, MTF or OTF shall be properly justified and communicated to the investment firm or the regulated market, as the case may be.

Section III

Exchange of information with other competent authorities and the European Banking Authority in the exercise of supervision over compliance with the capital adequacy and liquidity requirements

Cooperation

Article 268. (1) In the exercise of its supervisory powers over compliance with the capital adequacy and liquidity requirements the Financial Supervision Commission shall cooperate with relevant competent authorities where an investment firm licensed in the Republic of Bulgaria carries on business through a branch in another Member State or where an investment firm from another Member State carries on business through a branch in the Republic of Bulgaria.

(2) When performing the cooperation under paragraph 1 the Commission shall exchange with the competent authorities information and documents:

1. about the management and ownership of the investment firms, as may be necessary for the supervision or verification of the conditions for their licensing;

2. necessary for exercising supervision over investment firms on a stand-alone and on a consolidated bases, including their liquidity, solvency, restrictions on large exposures, other

factors that might affect the systemic risk arising from the investment firm business, administrative and accounting procedures and internal control mechanisms.

(3) At the request of a competent authority of a host Member State the Commission shall provide clarifications about the method of taking into consideration the information and findings provided under paragraph 2.

(4) In the cases where an investment firm licensed in another Member State carries on business in the Republic of Bulgaria through a branch the Commission may file a request to the competent authorities of the home Member State for clarifications about the method of taking into account the information and findings provided thereby.

(5) Should the Commission consider that the information provided thereby under paragraph 2 has not resulted in the taking of appropriate measures, the Commission shall, after informing the competent authorities of the home Member State and EBA, take appropriate measures for preventing further breaches in order to safeguard the interests of the users of services or the stability of the financial system.

(6) When the Commission does not agree with the measures that the competent authority of the home Member State intends to take based on the information and clarifications provided by the Commission, it may refer the issue to EBA pursuant to Article 19 of Regulation (EC) No. 1093/2010.

Provision of information

Article 269. (1) Where a bank authorised in the Republic of Bulgaria conducts business through a branch in other Member States, the Commission shall immediately send to the competent authorities of the host Member States the information and findings received in relation to liquidity supervision in accordance with Part Six of Regulation (EU) No. 575/2013 and with the supervision on a consolidated basis insofar as such information and findings are important for the protection of investors in the respective host Member State.

(2) Where reasonable suspicions arise or where there are reasonable grounds to consider that liquidity difficulties may arise in respect of an investment firm licensed in the Republic of Bulgaria carrying on its business in one or more Member States through a branch, the Commission shall notify without delay the competent authorities of all host Member States thereof, including of the preparation and implementation of a recovery plan and the supervisory measures undertaken.

Referral for consideration by EBA

Article 270. In the cases where a competent authority of a Member State has not submitted relevant information to the Commission or a request by the Commission for exchange of appropriate information is declined or is not fulfilled in a reasonable time limit, the Commission may refer the matter for consideration to EBA under Article 19 of Regulation (EU) No. 1093/2010.

Verifications

Article 271. (1) In the cases where an investment firm licensed in another Member State carries on business in the Republic of Bulgaria through a branch, the competent authorities of the home Member State, subject to prior notification of the Commission, may themselves or by means of authorised persons therefor conduct on-the-spot verification of the information under Article 268, paragraph 2. The competent authorities of the home Member State may, for the purposes of on-the-spot verification, refer to one or more of the verifications under Article 246.

(2) The Financial Supervision Commission may, having notified the competent authorities of the host Member State in advance, conduct on-the-spot verifications in a branch of an investment firm licensed in the Republic of Bulgaria and carrying on its business on the territory

of the host Member State through a branch. In these cases the law of the respective Member State shall apply.

(3) The Financial Supervision Commission may, for the purposes of on-the-spot verification of a branch of an investment firm licensed in the Republic of Bulgaria, apply one or more of the verifications under Article 246.

On-the-Spot Inspections

Article 272. (1) The Deputy Chairperson may make on-the-spot verification in a branch of an investment firm carrying on its activity in the territory of the Republic of Bulgaria and require information about the activity of the branch and for supervisory purposes, where the information is relevant to the retention of the stability of the financial system in the Republic of Bulgaria.

(2) Before making the verification, the Commission shall hold consultations with the competent authorities of the home Member State. After completing the verification the Commission shall submit to the competent authorities of the home Member State the information received and the findings made, which are relevant to the risk assessment of the investment firm or to the stability of the financial system of the Republic of Bulgaria.

(3) In preparing the plan for supervisory checks the Commission shall take into account the information and the findings received from the competent authority of the home Member State, based on the on-the-spot checks in a branch of an investment firm licensed in the Republic of Bulgaria, including in regard to the stability of the financial system of the host Member State.

Section IV
Provision of information to the European Commission

Notification to the European Commission and ESMA

Article 273. (1) The Financial Supervision Commission shall notify the European Commission and ESMA of significant difficulties faced by investment firms for which the Republic of Bulgaria is a home Member State upon their incorporation or when providing the services and activities under Article 6, paragraphs 2 and 3 in a third country.

(2) On request from the European Commission the Commission shall restrict or suspend for a period of three months the granting of licences for conduct of business on the territory of the Republic of Bulgaria by an investment firm from a third country, as well as proceedings relating to acquisition of a holding from a parent undertaking which is regulated by the law of that third country. By a decision of the Council of the European Union such time limit may be extended.

(3) Paragraph 2 shall not apply in respect of a subsidiary of an investment firm authorised to conduct business within the European Union or a subsidiary of such subsidiary.

(4) On a request from the European Commission, in the cases where a third country does not allow investment firms from a Member State to conduct business under market conditions equivalent to those afforded by the Community law to the investment firms of the said third country or where the third country does not afford national treatment regime for the conduct of business on its territory by investment firms from a Member State, the Commission shall notify the European Commission of any submitted:

1. application for granting a licence to an investment firm which is, directly or indirectly, a subsidiary of a parent undertaking, which is regulated by the law of that third country;

2. notification from a parent undertaking which is governed by the law of that third country and intends to acquire a holding in an investment firm for which the Republic of Bulgaria is a home Member State as a result of which the investment firm becomes a subsidiary of that parent undertaking.

(5) The notification under paragraph 4 shall be discontinued upon reaching an agreement between the European Union and the third country on the provision by the third country of conditions for conduct of business by investment firms from the European Community equivalent to the conditions afforded by Community law to investment firms from said third country on the provision of national treatment regime, or after expiry of the time limit under paragraph 2.

Section V
Disclosure of information by the Commission in regard to capital adequacy and liquidity requirements

Disclosure of Information

Article 274. (1) The Financial Supervision Commission shall disclose the following information:

1. the provisions of the laws, by-laws, administrative rules and general guidelines adopted in the Republic of Bulgaria in the field of prudential regulation of investment firms;

2. the method of application of the right of choice and the right of judgement, granted by the European Union law, and applicable to investment firms;

3. the general criteria and methods used by the Commission in the review and evaluation in regard to the capital adequacy and liquidity requirements;

4. summarised statistics on key aspects of the application of the prudential framework of investment firms in the Republic of Bulgaria and the number and type of supervisory measures taken in respect of the application of the capital adequacy and liquidity requirements, and the administrative penalties imposed.

(2) The information under paragraph 1 shall be disclosed in a manner that allows comparison of the approaches adopted by the Commission and the other competent authorities of the Member States. The information shall be updated and disclosed in a manner and format reconciled with EBA.

Publishing of Information

Article 275. (1) For the purposes of Part Five of Regulation (EU) No. 575/2013 the Commission shall publish the following information:

1. the adopted general criteria and methods for review of the compliance with Articles 405 – 409 of Regulation (EU) No. 575/2013;

2. summary description of the results of the supervisory review and description of the measures enforced in case of non-compliance with Articles 405 - 409 of Regulation (EU) No. 575/2013, established on an annual basis.

(2) In case the Commission waives an investment firm from applying Article 6, paragraph 1 of Regulation (EU) No. 575/2013 in accordance with Article 7, paragraph 3 of Regulation (EU) No. 575/2013, the Commission shall publish the following information:

1. the criteria applied by the Commission in determining that there are no or there will be no practical or legal substantial impediments to the fast transfer of own funds or for the repayment of obligations;

2. the number of firms enjoying the waiver under Article 7, paragraph 3 of Regulation (EU) No. 575/2013 and the number of those having subsidiaries in a third country;

3. summarised information about:

a) the amount of own funds on a consolidated basis of the investment firm enjoying the waiver under Article 7, paragraph 3 of Regulation (EU) No. 575/2013, held in subsidiaries in a

third country;

b) the percentage of the total own funds on a consolidated basis of the investment firms enjoying the waiver under Article 7, paragraph 3 of Regulation (EU) No. 575/2013, being the own funds held in subsidiaries in a third country;

c) the percentage of the total own funds required under Article 92 of Regulation (EU) No. 575/2013 on a consolidated basis of parent investment firms enjoying the waiver under Article 6, paragraph 1 of Regulation (EU) No. 575/2013 in accordance with Article 7, paragraph 3 of Regulation (EU) No. 575/2013, being the own funds held in subsidiaries in a third country.

(3) If the Commission waives an investment firm from the application of Article 6, paragraph 1 of Regulation (EU) No. 575/2013 in accordance with Article 9, paragraph 1 of Regulation (EU) No. 575/2013, it shall publish:

1. the criteria applied by the Commission in determining that there are no or there will be no practical or legal substantial impediments to the fast transfer of own funds or for the repayment of obligations;

2. the number of investment firms enjoying the waiver from the application of Article 6, paragraph 1 of Regulation (EU) No. 575/2013 in accordance with Article 9, paragraph 1 of Regulation (EU) No. 575/2013, and the number of parent investment firms which have subsidiaries in a third country;

3. summarised information about:

a) the amount of own funds of the investment firm enjoying the waiver under Article 6, paragraph 1 of Regulation (EU) No. 575/2013 in accordance with Article 9, paragraph 1 of Regulation (EU) No. 575/2013, held in subsidiaries in a third country;

b) the percentage of the total own funds of the investment firms enjoying the waiver under Article 6, paragraph 1of Regulation (EU) No. 575/2013 in accordance with Article 9, paragraph 1 of Regulation (EU) No. 575/2013, being the own funds held in subsidiaries in a third country;

c) the percentage of the minimum capital requirements under Article 92 of Regulation (EU) No. 575/2013 for investment firms enjoying the waiver under Article 6, paragraph 1of Regulation (EU) No. 575/2013 in accordance with Article 9, paragraph 1 of Regulation (EU) No. 575/2013, being the own funds held in subsidiaries in a third country.

TITLE THREE
COERCIVE ADMINISTRATIVE MEASURES ADMINISTRATIVE PENAL LIABILITY AND PECUNIARY SANCTIONS

Chapter Twenty Four
COERCIVE ADMINISTRATIVE MEASURES

Coercive Administrative Measures

Article 276. (1) Where it finds that an investment firm, a tied agent, a regulated market, or a data reporting services provider, its employees, a member of the management or the supervisory body of the investment firm, the tied agent, the regulated market or the data reporting services provider, persons who perform contract management functions, persons who enter into transactions for the account of the investment firm, as well as persons having a qualifying holding have committed or are committing activities in violation of this law, of the instruments

for its implementation, of the applicable European Union acts, including Regulation (EU) No. 575/2013, Regulation (EU) No. 600/2014, Regulation (EU) No. 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) (OJ, L 352/1 of 9 December 2014) (Regulation (EU) No. 1286/2014), of Regulation (EU) No. 648/2012, of the instruments for their, of internal acts of trading venues approved by the Commission, of decisions of the Commission or the Deputy Chairperson, as well as when the exercise of oversight by the Commission or the Deputy Chairperson is prevented or the investors' interests are jeopardised, the Commission or the Deputy Chairperson, as the case may be, may:

1. oblige any such person to take specific action as may be necessary for prevention and rectification of the violations, of the prejudicial consequences of the said violations or of the jeopardy to the interests of investors within a time limit as the Commission shall set;

2. convene a general meeting with a set agenda and/or schedule a meeting of the management or supervisory bodies of the controlled persons for making decisions on the measures which must be taken;

3. inform the public of any activities jeopardizing the interests of investors;

4. discontinue trade in particular financial instruments;

5. order in writing a supervised person to remove one or more persons authorised to manage and represent the said person, and divest any such person or persons of the managerial and representative powers held thereby until removal;

6. appoint conservators in the cases prescribed by this Act;

7. appoint a registered auditor to conduct a financial or other examination of the supervised person according to requirements as established by the Commission;

8. stop the offering or sale of financial instruments in the cases of Articles 40, 41 and 42 of Regulation (EU) No. 600/2014;

9. remove financial instruments from trading on a regulated market or from another trading system;

10. stop the offering or sale of financial instruments, where the investment firm has not developed or has not applied an effective process of approval of the product, or otherwise does not comply with the requirements of Article 65, paragraph 3, and Article 99;

11. oblige an investment firm to hold own funds exceeding the requirements set out in the ordinance under Article 11, paragraph 7 and in Regulation (EU) No. 575/2013 in connection with the risks or elements thereof, which do not fall within the scope of Article 1 of said Regulation;

12. oblige the investment firm to modify its internal rules and procedures;

13. oblige the investment firm to submit a plan for bringing the activity in compliance with the legal requirements, including a deadline for its implementation, which shall be implemented by the investment firm subject to approval thereof by the Commission;

14. oblige the investment firm to apply special policy for provisioning or treatment of assets through the capital requirements;

15. restrict the activity of the investment firm, prohibiting it to carry on specific transactions, services, activities and/or operations;

16. prohibit the pursuit of activity of an investment firm through a branch or through the free provision of services and oblige the investment firm to submit to the Commission a plan for settling relations with its clients and pieces of evidence of the settled relations;

17. order the investment firm to take actions for reducing the risk inherent to its activity, to the products and systems of the investment firm;

18. order restriction of the operating costs of the investment firm, including variable

remunerations as a percentage of the total net income, where this is inconsistent with the maintenance of sufficient own funds, and/or prohibit payment thereof;

19. order the investment firm to use its net profit to increase its own funds or prohibit it:

a) to pay dividends or distribute capital in any other form, or

b) to pay interest to the shareholders or holders of instruments of the supplementary tier-one capital, and compliance with such prohibition shall not constitute a default on the instruments by the investment firm;

20. to require from the investment firm additional or more frequent submission of information, including about the capital adequacy and liquidity;

21. to apply the special liquidity requirements in respect of the investment firm, including restrictions on maturity mismatches between assets and liabilities;

22. to require public disclosure of additional information from the investment firm;

23. to request existing records of phone calls, other forms of electronic communication and exchange of information held by the firm, including a bank investment firm, as well as from any other person required to comply with the requirements of this Act and Regulation (EU) No. 600/2014;

24. to apply the measures set out in Article 24, paragraph 2, letters "a" – "d" of Regulation (EU) No. 1286/2014.

(2) Where it is established that an investment firm effects transactions or operations in violation of the Measures Against Money Laundering Act and the implementing instruments thereof, the Commission or the Deputy Chairperson, as the case may be, may impose a measure under paragraph 1. The Commission or the Deputy Chairperson, as the case may be, shall notify the State Agency for National Security of the institution of the proceedings for enforcement of the coercive administrative measure.

(3) The Financial Supervision Commission shall apply the additional capital requirement under paragraph 1, item 11, if:

1. the investment firm does not meet the requirements of Articles 10, 65 and 136 herein or Article 393 of Regulation (EU) No. 575/2013;

2. the risks or elements thereof are not covered by the own funds requirements hereunder, the statutory instruments for its application or Regulation (EU) No. 575/2013;

3. as a result of the individual application of other measures it is not likely that the investment firm will improve its rules, procedures, mechanisms and strategies within the prescribed time limit for the purposes of implementation of such measures;

4. the supervisory review reveals that non-compliance with the requirements for application of the relevant approach is likely to result in non-compliance with the applicable own funds requirements under this Act, Regulation (EU) No. 575/2013 and the statutory instruments for application thereof;

5. based on the evidence gathered it can be reasonably assumed that an investment firm underestimates the risks, notwithstanding its compliance with the applicable requirements of this Act, Regulation (EU) No. 575/2013 and the instruments for implementation thereof;

6. the investment firm has notified the Commission that the results of the stress test under Article 377, paragraph 5 of Regulation (EU) No. 575/2013 exceed considerably the capital requirement for its correlation trading portfolio.

(4) The additional capital requirement under paragraph 1, item 11 shall be determined on the basis of the conducted supervisory review and evaluation, taking into account the following:

1. the quantitative and qualitative aspects of the evaluation process, applied by the investment firm;

2. the rules, procedures and mechanisms under Article 65, applied by the investment firm;

3. the results of the review and evaluation made in relation to the capital adequacy and liquidity requirements;

4. the evaluation of the systemic risk.

(5) In the cases under paragraph 1, item 16, where a permanent prohibition for the pursuit of activity by a branch of an investment firm is imposed, the relevant body of the investment firm shall take a decision on termination of the activity of the branch, on settling of relations with clients and on its deregistration from the relevant commercial register.

(6) The Financial Supervision Commission or the Deputy Chairperson, as the case may be, may furthermore apply the measures under paragraph 1 when based on the evidence gathered it can be reasonably assumed that the investment firm, in the next 12 months, will violate the provisions of this Act, Regulation (EU) No. 575/2013 or the instruments for implementation thereof.

(7) When the Commission establishes that investment firms with similar risk profile are or may be exposed to similar risks, or pose similar risks for the financial system, the Commission or the Deputy Chairperson, as the case may be, may perform in respect of them the supervisory review and supervisory evaluation and may apply suitable supervisory measures in a similar or identical way. In these cases the Commission shall notify EBA.

(8) In the cases under paragraphs 1 and 2 the Commission or the Deputy Chairperson, as the case may be, may order publication of information about the natural person through whose action or inaction the violation has been committed, the investment firm which has committed the violation and the type of the violation.

(9) Upon request from the Commission or the Deputy Chairperson, as the case may be, the Registry Agency shall enter the circumstances or disclose the acts, as the case may be, pursuant to paragraphs 1 – 8 in the commercial register.

(10) With a view to preventing and terminating a violation of Regulation (EU) No. 1031/2010 by the persons authorised under Article 24, as well as in cases where the controlling functions of the Commission or of the Deputy Chairperson are hindered, the Commission, respectively the Deputy Chairperson, shall take the steps referred to in paragraphs 1 and 9.

(11) Where the Commission has applied the measures referred to in paragraph 1, item 24 or the Deputy Chairperson has imposed an administrative penalty under Article 290, paragraph 1, item 11, paragraph 2, item 8 or paragraph 9, item 8, the Commission or the Deputy Chairperson of the Commission, as the case may be, may require from the person on whom a coercive administrative measure has been imposed, to send a notification to the investor, providing therewith information about the coercive administrative measure or the administrative penalty imposed thereon, and shall inform him/it where to lodge a complaint or a claim for damages.

(12) When determining the type of coercive measure under paragraph 1, item 24, the Commission shall take into account the circumstances under Article 25 of Regulation (EU) No 1286/2014.

(13) The measures referred to in paragraph 1, item 24 shall not apply to persons having a qualifying holding.

(14) Where it finds that a person has carried on or is carrying on business in conflict of Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No. 596/2014 (OJ 171/1 of 29 June 2016), hereinafter referred to as "Regulation (EU) 2016/1011", and its implementing instruments, the Deputy Chairperson may apply the

measures referred to in Article 41, paragraph 1, letters "h", "j" and Article 42, paragraph 2, letters "a" and "c" of Regulation (EU) 2016/1011.

(15) Where it finds that an investment firm or a non-financial counterparty under Article 3, item 4 of Regulation (EU) 2015/2365 has carried on or is carrying on business in conflict with Regulation (EU) 2015/2365 or of its implementing instruments, the Deputy Chairperson may apply the measures referred to in Article 22, paragraph 4, letters "a", "b" and "d" of Regulation (EU) 2015/2365.

(16) The coercive administrative measures referred to in paragraph 1, items 1 and 3 may furthermore apply to persons carrying on business without a licence or authorisation, which are required under this Act.

(17) The provisions of paragraphs 1 – 13 shall furthermore apply to financial holding companies and mixed financial holding companies in respect whereof the Commission exercises supervision in accordance with the applicable law.

Coercive administrative measures against bank investment firms

Article 277. (1) Should the Commission establish that any bank acting as investment firm carries on the business thereof in violation of this Act, of Regulation (EU) No. 600/2014, of Regulation (EU) No. 648/2012, of Regulation (EU) No. 1031/2010, of Regulation (EU) No. 1286/2014and of the instruments for the implementation thereof, the Deputy Chairperson may apply the measures under Article 276, paragraph 1, item 1 and/or propose to the Bulgarian National Bank to apply the measures under Article 103, paragraph 2 of the Credit Institutions Act. The Bulgarian National Bank shall notify the Deputy Chairperson of the decision thereof within one month after the date of receipt of the said Deputy Chairperson's proposal.

(2) The Deputy Chairperson may propose to the Bulgarian National Bank to withdraw the licence of a bank only if the person concerned systematically violates the provisions of this Act and the instruments for implementation thereof.

Other measures

Article 278. When it finds a violation of this Act, of Regulation (EU) No. 600/2014 or of the instruments for implementation thereof, as well as when the investors' interests are jeopardised, the Commission may order any person:

1. to take action to reduce the size of the position or exposure;

2. to limit the conclusion of contracts for commodity derivatives, including to limit the size of an exposure in connection with Article 192.

Proceedings for enforcement of coercive administrative measures

Article 279. (1) The proceedings for enforcement of the coercive administrative measures under Article 276, paragraph 1, items 1 and 20 and Article 277, paragraph 1 shall be initiated on the initiative of the Deputy Chairperson, and in the cases under Article 276, paragraph 1, items 2 – 19, 21 – 24, paragraphs 14 and 15 and Article 278, on the initiative of the Commission.

(2) Any notifications and communications in the proceedings referred to in paragraph 1 shall be made in accordance with Article 61, paragraph 2 of the Administrative Procedure Code.

(3) If the notifications and communications in the proceedings under paragraph 1 are not received under the procedure of paragraph 2, they shall be deemed delivered upon placement thereof at a specifically designated place in the building of the Commission or by publishing them on the website of the Commission. The latter two circumstances shall be ascertained in the cases under Article 276, paragraph 1, items 1 and 20 and Article 277, paragraph 1 by a protocol drawn up by officials designated by an order of the Deputy Chairperson of the Commission, and in the cases of Article 276, paragraph 1, items 2 – 19, 21 – 24, paragraphs 14 and 15 and Article 278 they shall be designated by an order of the Chairperson of the Commission.

(4) The coercive administrative measures under Article 276, paragraph 1, items 1 and 20 and under Article 277, paragraph 1 shall be applied with a reasoned decision in writing of the Deputy Chairperson, and the coercive administrative measures referred to in Article 276, paragraph 1, items 2 – 19, 21 – 24, paragraphs 14 and 15 and Article 278 with a written reasoned decision of the Commission, which shall be announced to the party concerned within 7 days from being made under paragraphs 2 and 3.

Imposition of attachment and seizure

Article 280. (1) In the cases of Article 276, paragraph 1, where immediate, effective protection of the interests of investors or taking of urgent action to prevent or suspend the execution of violations hereunder are required, the Commission may request from the competent court to order attachment or seizure on the property of legal persons under Article 276, paragraph 1.

(2) The Commission's decision and the application for admission shall be examined by the court immediately, on the day of its filing.

(3) The court shall issue a ruling, indicating also the period for which the attachment is imposed.

(4) On the basis of the ruling of the court, upholding the application, an order for the attachment shall be issued.

(5) The imposition of attachment and/or seizure shall be carried out immediately by the bailiff in accordance with Article 400 of the Code of Civil Procedure.

(6) In the event of duly justified reasons, at the request of the Commission, the period referred to in paragraph 3 may be extended. The application shall be submitted before the expiry of the originally set period.

Disclosure of websites

Article 281. (1) By a decision of the Commission, on a proposal of the Deputy Chairperson, websites shall be disclosed via which the provision of investment services is offered by persons which are not authorised to provide such services on the territory of the Republic of Bulgaria. An updated list of the websites under the first sentence shall be maintained on the Commission's website in order to stop the violation of this Act.

(2) The decisions referred to in paragraph 1 shall be published on the Commission's website on the day of their adoption. The persons to whom these decisions apply shall be deemed notified on the day of publication and shall stop the provision of investment services from said websites.

(3) If, within three days from the date of publication of the decision referred to in paragraph 2, the person does not stop the violation for which the decision was taken, the Commission shall submit a request to the President of the Sofia District Court to order all undertakings providing public electronic communications networks and/or services to stop the access to these websites.

(4) The President of the Sofia District Court or a Deputy President authorised thereby shall decide on the request within 72 hours of receipt thereof.

(5) The order issued by the court shall be published on the Commission's website on the day of its receipt. The undertakings providing public electronic communication networks and/or services shall block the access to the websites concerned within 24 hours from the publication of the court’s order.

Immediate Enforcement

Article 282. Any decision on application of an enforcement administrative measure shall be subject to immediate execution, regardless of whether appealed against.

Subsidiary Application

Article 283. Save insofar as any special rules are provided for in this Chapter, the

provisions of the Administrative Procedure Code shall apply accordingly.

Chapter Twenty Five
MYSTERY SHOPPER

Mystery shopper

Article 284. (1) For the purposes of the exercise of supervision over compliance with the provisions of this Act and its implementing instruments, the Commission may entrust to a third party to perform specific actions as a mystery shopper. Articles 23 – 25 of the Financial Supervision Commission Act shall apply to the person pursuing the activity of a mystery shopper.

(2) The relations between the Commission and the person referred to in paragraph 1 shall be governed by a contract, and the contract shall be signed by the Chairperson of the Commission.

(3) The contract shall indicate the specific actions which the person referred to in paragraph 1 agrees to perform as a mystery shopper, the time limit for performance of the contract, evidence of the actions performed out and the results thereof.

(4) The costs relating to the implementation of the activities referred to in paragraph 1 shall be borne by the Commission.

Chapter Twenty Six
CONSERVATOR

Appointment of conservator and termination of his powers

Article 285. (1) The Commission may appoint one or several conservators:

1. of a regulated market in the case referred to in Article 166, paragraph 2;

2. of an investment firm in the cases where the investment firm does not fall within the scope of Article 1, paragraph 1, item 2 of the Recovery and Resolution of Credit Institutions and Investment Firms Act or where the conditions for the appointment of a temporary manager under Article 46 of the same Act are not in place:

a) by making a decision to impose a measure under Article 276, paragraph 1, items 1, 5, 10, 13, 15 or 16 herein, for a period not exceeding three months, or

b) (amended, SG No. 24/2018, effective 16.02.2018) by making a decision under Article 77b, paragraph 1, item 3 of the Public Offering of Securities Act, or

c) upon withdrawal of a licence for pursuit of business, until appointment, at the request of the Commission, of a liquidator by the Registry Agency or an assignee in bankruptcy by the court, as the case may be.

(2) Where the licence for conduct of business of the investment firm is not withdrawn upon the lapse of the three-month period referred to in paragraph 1, item 2, letter "a", the powers of the conservator shall be terminated and the rights of the bodies of the company shall be restored.

(3) The Financial Supervision Commission may at any time terminate the powers of any conservator and appoint a replacement. Any such act shall be unappealable.

Requirements to the conservator

Article 286. (1) The conservator shall be a natural person.

(2) Any conservator must meet the requirements covered under Article 13, paragraphs 2 and 3 and:

1. shall not be a spouse,any lineal or collateral relative thereof up to the sixth degree of consanguinity, or by marriage up to the third degree of affinity of a member of the management

body of the person referred to in Article 285, paragraph 1 herein, whose powers have been terminated by the act of appointment of the conservator;

2. shall not be in a relationship with the person referred to in Article 285, paragraph 1 herein or with any debtor thereof, which raises a reasonable doubt about the impartiality of the said person.

(3) Any conservator shall declare in writing to the Commission the circumstances covered under paragraph 2. Any conservator shall notify the Commission forthwith of any change in any such circumstances.

Actions after the appointment of a conservator

Article 287. (1) After the issue of the act of appointment of a conservator the Commission shall serve it immediately to the person under Article 285, paragraph 1.

(2) Upon appointment of a conservator, all powers vested in the supervisory and management boards or in the board of directors, as the case may be, of the person referred to in Article 285, paragraph 1 herein shall be suspended and shall be exercised by the conservator, unless the act of appointment thereof provides for any limitations. The conservator shall take all the necessary measures to protect the interests of investors.

(3) After the appointment of a conservator, the general meeting of shareholders may be convened solely by the conservator and may pass resolutions on the agenda announced thereby. The conservator may suspend the execution of decisions made by the general meeting or by the management bodies of the investment firm, including decisions on distribution of dividends or other form of capital and remunerations.

(4) Any acts and transactions performed by third parties on behalf and for the account of the person referred to in Article 285, paragraph 1 herein without prior authorisation by the conservator, shall be void.

(5) Should two or more conservators be appointed, they shall make decisions unanimously and shall exercise the powers thereof jointly, unless the Commission determines otherwise.

(6) The Financial Supervision Commission may issue mandatory directions to the conservators in connection with the operation thereof.

(7) Any conservator shall be accountable for the operation thereof solely to the Commission and, upon request, shall forthwith submit thereto a report on the performance thereof.

Access and assistance

Article 288. (1) The conservator shall have unlimited access to, and control over, the premises of the person referred to in Article 285, paragraph 1 herein, the accounting records and other documents, and the property thereof.

(2) At the conservator's request, the prosecuting magistracy and the authorities of the Ministry of the Interior shall be obliged to render assistance for the exercise of the conservator's powers covered under paragraph 1.

Other requirements

Article 289. (1) Any conservator shall exercise the powers thereof with the care of sound stewardship. Any conservator shall be liable solely for any detriment inflicted wilfully or by gross negligence.

(2) All employees of the person referred to in Article 285, paragraph 1 herein shall assist the conservator in the exercise of the powers thereof.

(3) Any conservator shall receive for the service thereof a remuneration for the account of the person referred to in Article 285, paragraph 1 herein, to an amount fixed by the Commission.

Chapter Twenty Seven
ADMINISTRATIVE PENAL LIABILITY AND PECUNIARY SANCTIONS

Liability for a committed violation

Article 290. (1) Any person who shall commit or who shall suffer another to commit a violation of:

1. Article 14, paragraph 2, Article 71, paragraphs 1 – 7, Articles 72, 73, 74, 78, 79, 80, Article 89, paragraph 6, Article 130, paragraph 2, Article 133, Article 160, paragraph 9, Articles 200 – 204 or the implementing instruments thereof shall be liable to a fine from BGN 500 to BGN 2,000;

2. (Amended, SG No. 24/2018, effective 16.02.2018) Article 25, paragraph 1, Article 32, paragraph 3, Article 33, paragraph 2, Article 34, Article 36, paragraphs 1 and 4, Article 38, second sentence, Articles 39, 40, Article 42, paragraphs 1, 2, 5 and 6, Article 43, paragraphs 1, 2, 4 and paragraph 5, first sentence and paragraph 8, Article 45, paragraphs 3 and 5, Article 46, paragraph 3, Article 47, Article 53, paragraphs 1 and 2, Article 54, paragraphs 1 and 2, Articles 82, 85, Article 86, paragraphs 1 – 4 and 6 – 9, Article 88, paragraph 1, Article 90, paragraph 3, Article 112, paragraphs 1, 3 and 4, Article 129, paragraphs 1 – 3, Article 130, paragraph 1, Articles 134, 136, Article 157, paragraph 2, Article 165, paragraph 1, Article 168, paragraph 3 in connection with Article 90, paragraph 3, Article 180, paragraph 7, Article 181, paragraphs 1 – 3, Article 190, paragraph 1, Article 191 and Article 230, paragraphs 4 and 5, shall be liable to a fine from BGN 1,000 to BGN 3,000;

3. Article 3, paragraphs 1 and 3, Article 6, Article 7, paragraph 1, first sentence, Article 8, paragraphs 1, 3 and 4, Article 10, Article 11, paragraph 1, sub-paragraph 3, first sentence, paragraph 3, sub-paragraph 3, Article 12, paragraph 1, Article 13, paragraph 1, Article 14, paragraph 1, paragraph 2, first sentence, paragraph 3, second, third and fourth sentences, Article 15, paragraph 1, sub-paragraph 1 and sub-paragraph 2, first and third sentences, paragraph 2, paragraph 4, second sentence, Article17, paragraph 1, second sentence, Article 18, paragraphs 1 and 2, paragraph 4, first sentence, paragraph 5, first sentence, paragraph 6, sub-paragraph 1, paragraphs 8 and 9, Article 20, paragraph 1, Article 20, paragraph 2, first sentence, Article 21, paragraphs 1, 2 and 3, Article 22, paragraph 2, Article 23, paragraphs 1 and 2, Article 31, paragraphs 2 and 3 of Regulation (EU) No. 600/2014 shall be liable to a fine from BGN 1,000 to BGN 3,000;

4. Article 9, paragraphs 1, 2 and 4, Article 14, paragraphs 1 and 5, Article 15, paragraph 1, Article 19, paragraph 2, Article 60, Article 63, paragraph 4, Article 64, paragraphs 2 and 6, Articles 65, 67, 69, 70, 77, Article 83, paragraphs 2 – 5, Article 84, Article 86, paragraph 5, Article 87, Article 90, paragraph 1, Article 91, paragraph 1, Article 93, paragraph 1, Article 94, paragraph 1, Article 95, paragraph 1, Articles 96, 97, 99, 100, 102 – 107, 109, 110, Article 111, paragraph 1, second hypothesis and paragraph 3, Articles 113 – 115, Article 116, second hypothesis, Article 117, 118, Article 119, paragraphs 1 and 2, Article 120, Article 122, paragraph 3, Article 128, Article 152, paragraph 4, Article 153, paragraph 1, Article 154, paragraphs 1 and 3, Article 156, paragraphs 1 and 2, Article 158, Article 160, paragraph 8, Article 167, paragraph 3, Article 168, paragraph 1, Article 176, Article 179, Article 180, paragraphs 1 – 4 and 8, Article 182, Article 183, paragraphs 1 and 4, Article 184, paragraph 1, Article 185, paragraph 1, Article 186, paragraphs 1 – 5, Article 187, paragraph 2, Article 198, paragraphs 1 and 3, Article 207,

paragraphs 1 – 4, Article 208, paragraph 1, Article 209, paragraphs 1 and 2, Articles 218, 219, 221 – 223, 225 and 226, shall be liable to a fine from BGN 2,000 to BGN 5,000;

5. Article 4, paragraph 3, sub-paragraph 1, Article 26, paragraph 1, sub-paragraph 1, Article 26, paragraphs 2 – 5, Article 26, paragraph 6, sub-paragraph 1, Article 26, paragraph 7, sub-paragraphs 1 – 5 and 8, Article 27, paragraph 1, Article 28, paragraph 1, Article 28, paragraph 2, sub-paragraph 1, Article 29, paragraphs 1 and 2, Article 30, paragraph 1, Article 35, paragraphs 1 – 3, Article 36, paragraphs 1 – 3, Article 37, paragraphs 1 and 3 of Regulation (EU) No. 600/2014, shall be liable to a fine from BGN 2,000 to BGN 5,000;

6. Article 11, paragraphs 1, 2 and 6, Article 28, sub-paragraphs 1 and 2, Article 29, sub-paragraphs 1, 2 and 4, Article 59, sub-paragraph 6, Article 61, sub-paragraph 2, Article 76, sub-paragraphs 1 – 4, Article 92, Article 135, sub-paragraph 1 and Article 188, sub-paragraph 2, shall be liable to a fine from BGN 5,000 to BGN 10,000;

7. Article 25, paragraphs 1 and 2 and Articles 40 – 42 of Regulation (EU) No. 600/2014 shall be liable to a fine from BGN 5,000 to BGN 10,000;

8. Article 6, paragraph 1 of Regulation (EU) No. 236/2012 of the European Parliament and of the Council of 14 March 2012 on short selling and certain aspects of credit default swaps (OJ, L 86/1 of 24 March 2012), hereinafter referred to as "Regulation (EU) No. 236/2012", shall be liable to a fine of BGN 2,000 to BGN 10,000;

9. Article 5, paragraph 1, Article 7, paragraph 1, Articles 8, 9 and 15 of Regulation (EU) No. 236/2012, shall be liable to a fine of BGN 15 or exceeding this amount but not exceeding BGN 5,000 to BGN 20,000;

10. Article 12, paragraph 1 of Regulation (EU) No. 236/2012, shall be liable to a fine of BGN 5,000 to BGN 50,000;

11. Article 230, sub-paragraphs 4 and 5, Article 249, sub-paragraph 2 herein, Article28, Article 99, paragraph 1, Articles 101, 394, 395, 405, 412, 415, 430, 431 and 451 of Regulation (EU) No. 575/2013 and its implementing instruments, shall be liable to a fine of BGN 1,000 to BGN 5,000,000;

12. Article 4, Articles 5 – 10, Article 11, paragraph 1, letters "a", "b", "c" and "d", Article 11, paragraphs 2 and 3, and Articles 12 – 16, 21, 23 – 29 and 34 of Regulation (EU) 2016/1011, shall be liable to a fine of BGN 2,500 to BGN 5,000;

13. Article 11, paragraph 1, letter "d", and Article 11, paragraph 4 of Regulation (EU) No. 2016/1011, shall be liable to a fine of BGN 1,500 to BGN 100,000;

14. (Amended, SG No. 24/2018, effective 16.02.2018) Article 53, paragraph 5 shall be liable to a fine from BGN 10,000 to BGN 20,000;

15. Article 205, paragraph 5, shall be liable to a fine from BGN 10,000 to BGN 20,000;

16. for violation of applicable requirements of a regulation of the European Union, unless otherwise provided for by law, from BGN 2,500 to BGN 500,000.

(2) In the event of a repeated violation under paragraph 1, the offender shall be liable to a fine in an amount as follows:

1. for any violations under paragraph 1, item 4: from BGN 1,000 to BGN 10,000,000;

2. for any violations under paragraph 1, items 2 and 3: from BGN 2,000 to BGN 10,000,000;

3. for any violations under paragraph 1, items 4 and 5: from BGN 5,000 to BGN 10,000,000;

4. for any violations under paragraph 1, items 6 and 74: from BGN 10,000 to BGN 10,000,000;

5. for any violations under paragraph 1, item 8: from BGN 5,000 to BGN 20,000;

6. for any violations under paragraph 1, item 9: from BGN 10,000 to BGN 40,000;

7. for any violations under paragraph 1, item 10: from BGN 10,000 to BGN 100,000;

8. for any violations under paragraph 1, item 11: from BGN 2,000 to BGN 10,000,000;

9. for any violations under paragraph 1, item 12: from BGN 5,000 to BGN 1,000,000;

10. for any violations under paragraph 1, item 13: from BGN 3,000 to BGN 200,000;

11. for any violations under paragraph 1, item 14: from BGN 20,000 to BGN 40,000;

12. for any violations under paragraph 1, item 15: from BGN 20,000 to BGN 40,000;

13. for any violations under paragraph 1, item 16: from BGN 5,000 to BGN 1,000,000.

(3) Any person who effects or who suffers another to provide investment services as a regular occupation or business on a professional basis without having obtained a licence under the terms and according to the procedure established by this Act, shall be liable to a fine of BGN 20,000 to BGN 50,000, unless the act shall constitute a criminal offence.

(4) Any person who carries out or allows violation of Article 7, paragraph 1, second sentence, or Article 11, paragraph 1 of Regulation (EU) No. 600/2014, shall be liable to a fine from BGN 10,000 to BGN 100,000.

(5) Any person who fails to comply with an obligation under this Act, except in the cases referred to in paragraphs 1, 3 and 4, shall be liable to a fine from BGN 500 to BGN 1,000 for the first violation, and from BGN 1,000 to BGN 2,000 in the event of a repeated violation.

(6) Any person who fails to comply with a decision of the Commission or the Deputy Chairperson under this Act, except for in the cases referred to in paragraph 7, shall be liable to a fine or pecuniary sanction from BGN 1,000 to BGN 5,000, and to a fine or pecuniary sanction from BGN 5,000 to BGN 10,000 in the event of a repeated violation.

(7) In the event of non-compliance with a coercive administrative measure applied under:

1. Article 276, paragraph 1, items 1 – 9 the offenders and the sufferers shall be liable to a fine from BGN 5,000 to BGN 20,000;

2. Article 276, paragraph 1, items 10 – 24, paragraphs 14 and 15 and Article 278 – the offenders and the sufferers shall be liable to a fine from BGN 2,000 to BGN 10,000,000;

3. Articles 18, 19, 20 and 23 of Regulation (EU) No. 236/2012 – the offenders and the sufferers shall be liable to a fine from BGN 10,000 to BGN 100,000.

(8) In the cases under paragraphs 3 and 7 the abettors, aiders and harbourers shall likewise be penalized, with due consideration for the nature and degree of the participation thereof.

(9) For any violation under paragraph 1 and paragraphs 3 – 7 legal entities and sole traders shall be liable to a pecuniary sanction in amounts as follows:

1. for any violations under paragraph 1, items 1 – 3: from BGN 1,000 to BGN 5,000, and, for a repeated violation, from BGN 2,000 to BGN 10,000,000;

2. for any violations under paragraph 1, items 4 and 5: from BGN 5,000 to BGN 10,000 and, for a repeated violation, from BGN 10,000 to BGN 10,000,000;

3. for any violations under paragraph 1, items 6 and 7: from BGN 10,000 to BGN 20,000, and, for a repeated violation, from BGN 20,000 to BGN 10,000,000;

4. for any violations under paragraph 1, item 8: from BGN 5,000 to BGN 20,000, and, for a repeated violation, from BGN 10,000 to BGN 40,000;

5. for any violations under paragraph 1, item 9: from BGN 10,000 to BGN 40,000 and, for a repeated violation, from BGN 20,000 to BGN 80,000;

6. for any violations under paragraph 1, item 10: from BGN 10,000 to BGN 100,000 and, for a repeated violation, from BGN 20,000 to BGN 200,000;

7. for violations under paragraph 1, item 11: from BGN 5,000 to 5 per cent of the total annual net operating income, taking into account in the calculation the gross income from interest

and other similar payments, the earnings per share, and other variable and fixed payments on securities, as well as commissions and fees under Article 316 of Regulation (EU) No. 575/2013 for the previous financial year, but not less than BGN 5,000, and in case of a repeated violation: from BGN 10,000 to 10 per cent of the value of the total net operating income according to sentence one, but not less than BGN 10,000; where the person is a subsidiary, the respective gross income is the gross income from the consolidated report of the ultimate parent undertaking for the previous year;

8. for violations under paragraph 1, item 12: from BGN 20,000 to BGN 1,000,000, and for a repeated violation: from BGN 40,000 to the higher amount of BGN 2,000,000 and 10 per cent of the total annual turnover according to the latest available reports, approved by the management bodies of the person;

9. for violations under paragraph 1, item 13: from BGN 10,000 to BGN 250,000, and for a repeated violation: from BGN 20,000 to the higher amount of BGN 500,000 and 10 per cent of the total annual turnover according to the latest available reports, approved by the management bodies of the person;

10. for any violations under paragraph 1, item 14: from BGN 20,000 to BGN 40,000 and, for a repeated violation, from BGN 40,000 to BGN 80,000;

11. for any violations under paragraph 1, item 15: from BGN 20,000 to BGN 40,000 and, for a repeated violation, from BGN 40,000 to BGN 80,000;

12. for any violations under paragraphs 3 and 4: from BGN 50,000 to BGN 100,000 and, for a repeated violation, from BGN 100,000 to BGN 10,000,000;

13. for any violations under paragraphs 5 and 6: from BGN 5,000 to BGN 10,000 and, for a repeated violation, from BGN 10,000 to BGN 50,000;

14. for any violations under paragraph 7, item 1: from BGN 10,000 to BGN 5,000 and, for a repeated violation, from BGN 20,000 to BGN 200,000;

15. for violations under paragraph 7, item 2: from BGN 5,000 to 5 per cent of the total annual net operating income, taking into account in the calculation the gross income from interest and other similar payments, the earnings per share, and other variable and fixed payments on securities, as well as commissions and fees under Article 316 of Regulation (EU) No. 575/2013 for the previous financial year, but not less than BGN 5,000; in case of a repeated violation: from BGN 10,000 to 10 per cent of the value of the total net operating income according to sentence one, but not less than BGN 10,000; where the person is a subsidiary, the respective gross income is the gross income from the consolidated report of the ultimate parent undertaking for the previous year;

16. for any violations under paragraph 1, item 16: from BGN 5,000 to BGN 1,000,000 and, for a repeated violation, from BGN 10,000 to BGN 2,000,000.

(10) The proceeds from any unlawfully performed activities shall be confiscated in favour of the State to the extent to which the said proceeds cannot be restored to the person aggrieved.

(11) Where the value of the acquired income or the value of prevented losses as a result of the violation under paragraph 1, item 9 may be determined, the natural person shall be liable to a fine in the double amount of the said amount but not less than BGN 1,000, and in case of a repeated violation, to not less than BGN 2,000, and the legal entity shall be liable to a pecuniary sanction in the double amount of such amount but not less than BGN 5,000 and in case of a repeated violation, not less than BGN 10,000.

(12) When determining the type of administrative punishment under paragraph 1, items 12 and 13, paragraph 2, items 9 and 10, and paragraph 9, items 8 and 9, the Deputy Chairperson shall take into account the circumstances referred to in Article 43 of Regulation (EU) No.

2016/1011.

Liability for violations under Article 13, paragraph 3 of Regulation (EU) No. 1031/2010

Article 291. (1) A representative, an employee or a member of the management bodies of an entity which was granted an authorisation pursuant to Article 9, paragraph 2, who violates or allows another to violate Article 13, paragraph 3 of Regulation (EU) No. 1031/2010, shall be liable to a fine from BGN 1,000 to BGN 10,000, and in case of a repeated violation, from BGN 2,000 to BGN 20,000.

(2) In the cases under Paragraph 1 the legal persons referred to in Paragraph 1 shall be sanctioned by a pecuniary penalty amounting between BGN 10,000 and BGN 100,000; in case of a repeated violation the penalty will be in an amount between BGN 20,000 and BGN 200,000.

Liability for violation of Regulation (EU) No. 648/2012

Article 292. (1) (Amended, SG No. 24/2018, effective 16.02.2018) A person holding a management position in an investment firm or in another financial counterparty under Article 15, paragraph 1, item 17, letter "a" of the Financial Supervision Commission Act, or in a non-financial counterparty under Article 15, paragraph 1, item 17, letter "b" of the Financial Supervision Commission Act, who commits or allows the commitment of a violation of the second title of Regulation (EU) No. 648/2012 shall be liable to a fine from BGN 5,000 to BGN 20,000, and for a repeated violation, from BGN 10,000 to BGN 40,000.

(1) (Amended, SG No. 24/2018, effective 16.02.2018) An investment firm or another financial counterparty under Article 15, paragraph 1, item 17, letter "a" of the Financial Supervision Commission Act, or a non-financial counterparty under Article 15, paragraph 1, item 17, letter "b" of the Financial Supervision Commission Act, who commits or allows the commitment of a violation of the second title of Regulation (EU) No. 648/2012 shall be liable to a pecuniary sanction from BGN 10,000 to BGN 40,000, and for a repeated violation, from BGN 20,000 to BGN 80,000.

Liability for violation of Regulation (EU) No. 1286/2014

Article 293. (1) A person holding a management position in an investment firm, including a bank investment firm, who commits or allows the commitment of a violation of Article 5, paragraph 1, Articles 6, 7, Article 8, Article 1, paragraphs 1 – 3, Article 10, paragraph 1, Article 13, paragraph 1, 3 and 4, Articles 14 and 19 of Regulation (EU) No. 1286/2014 shall be liable to a fine from BGN 2,500 to BGN 1,400,000, and for a repeated violation, from BGN 5,000 to BGN 2,800,000.

(1) A person holding a managerial position in an investment firm, including a bank investment firm, who commits or allows the commitment of a violation of Regulation (EU) No. 1286/2014, except for the cases under paragraph 1 or an implementing instrument thereof, shall be liable to a fine from BGN 1,500 to BGN 700,000, and for a repeated violation, from BGN 3,000 to BGN 1,400,000.

(3) An investment firm, including a bank investment firm, which commits or allows the commitment of a violation of Article 5, paragraph 1, Articles 6, 7, Article 8, Article 1, paragraphs 1 – 3, Article 9, Article 10, paragraph 1, Article 13, paragraph 1, 3 and 4, Articles 14 and 19 of Regulation (EU) No. 1286/2014 shall be liable to a pecuniary sanction from BGN 20,000 to BGN 10,000,000, and for a repeated violation, from BGN 40,000 to BGN 20,000,000.

(3) An investment firm, including a bank investment firm, which commits or allows the commitment of a violation of Regulation (EU) No. 1286/2014, except for the cases under paragraph 3 or an implementing instrument thereof, shall be liable to a pecuniary sanction from BGN 10,000 to BGN 5,000,000, and for a repeated violation, from BGN 20,000 to BGN 10,000,000.

(5) When determining the administrative punishment the Deputy Chairperson shall take into account the circumstances referred to in Article 25 of Regulation (EU) No 1286/2014.

Liability for violation of Regulation (EU) 2015/2365

Article 294. (1) A person holding a management position in an investment firm or in another counterparty under Article 15, paragraph 1, item 17 of the Financial Supervision Commission Act, who commits or allows the commitment of a violation of Article 4 or 15 of Regulation (EU) No. 2015/2365 shall be liable to a fine from BGN 5,000 to BGN 5,000,000, and for a repeated violation, from BGN 10,000 to BGN 10,000,000.

(1) An investment firm or another financial counterparty under Article 15, paragraph 1, item 17 of the Financial Supervision Commission Act, which commits or allows the commitment of a violation of Article 4 of Regulation (EU) No. 648/2012 shall be liable to a pecuniary sanction from BGN 10,000 to BGN 40,000, and for a repeated violation, from BGN 20,000 to BGN 10,000,000.

(1) An investment firm or another financial counterparty under Article 15, paragraph 1, item 17 of the Financial Supervision Commission Act, which commits or allows the commitment of a violation of Article 15 of Regulation (EU) No. 648/2012 shall be liable to a pecuniary sanction from BGN 20,000 to BGN 80,000, and for a repeated violation, from BGN 40,000 to BGN 30,000,000.

Competence. Applicable law

Article 295. (1) The written statements of ascertainment of violations under Articles 290 – 294 shall be drawn up by officials authorised by the Deputy Chairperson, and the penalty decrees shall be issued by the Deputy Chairperson.

(2) The ascertainment of violations, the issue, appeal against and execution of penalty decrees shall follow the procedure established by the Administrative Violations and Sanctions Act.

Reporting of circumstances

Article 296. (1) When deciding on the type and magnitude of administrative penalties, the Deputy Chairperson shall take into account all the relevant circumstances, including the following, where applicable:

1. the gravity and length of the violation;

2. the degree of responsibility of the natural person or of the legal entity;

3. the financial condition of the natural person or of the legal entity, determined based on the total financial turnover of the legal entity or based on the annual income of the natural person;

4. the amount of the profit realised or of the loss avoided by the natural person or the legal entity, to the extent to which this amount can be determined;

5. the amount of the losses sustained by third persons as a result of the violation, to the extent to which this amount can be determined;

6. the level of cooperation, rendered by the natural person or by the legal entity to the Deputy Chairperson of the Commission;

7. previous violations of the natural person or of the legal entity.

(2) For the purposes of paragraph 1, the Deputy Chairperson shall have the right of access to tax and social security information.

Interest

Article 297. A person who within a month from entry into force of a penal decree fails to pay the financial sanction imposed thereon, shall be charged interest in the amount of the legal interest for the period from the date following the day of expiry of the one-month time limit until the date of the payment.

Disclosure of coercive administrative measures and penal decrees issued

Article 298. (1) The Financial Supervision Commission shall disclose on its website any coercive administrative measure imposed and any penal decree issued for violating the provisions of this Act, of Regulation (EU) No. 575/2013, of Regulation (EU) No. 600/2014 and their implementing instruments, including information about the type and nature of the violation, the identity of the natural person or details about the legal entity on which the measure or the penalty is imposed. Disclosure under the first sentence shall be carried out after the service of the decision on the enforcement of the coercive administrative measure or of the penal decree on the person concerned.

(2) The Financial Supervision Commission, having assessed on a case-by-case basis whether the disclosure of personal data of the natural person or identification details of the legal entity might cause him/it any damages that are incompatible with the violation committed and whether the publication of the information would endanger seriously the stability of the financial markets, may:

1. postpone the disclosure of information under paragraph 1;

2. disclose the information under paragraph 1 without providing details about the person on whom the measure or the penalty has been imposed;

3. not to publish the information referred to in paragraph 1.

(3) The Financial Supervision Commission shall take a decision under paragraph 2, item 3, when the disclosure of information under paragraph 2, item 1 or 2 would put the stability of the financial markets under threat.

(4) In the event the grounds under paragraph 2 lapse the Commission shall disclose the information referred to in paragraph 1 in full.

(5) The Financial Supervision Commission shall furthermore apply paragraph 2 in case of opened criminal proceedings.

(6) In accordance with paragraph 1 the Commission shall disclose any information relating to the appeal of coercive administrative measures and penal decrees. Subject to disclosure shall be also the decisions repealing the coercive administrative measures or penal decrees.

(7) The Commission shall create conditions for the information under paragraphs 1 - 6 to remain available on its website for a period of no less than 5 years, subject to compliance with the Personal Data Protection Act.

(8) When the Commission discloses a measure taken or a penalty imposed, it shall simultaneously notify ESMA thereof.

(9) The Financial Supervision Commission shall submit annually to ESMA summarised information on the measures taken or penalties imposed for breaching the provisions of this Act and the instruments for its implementation.

(10) The Financial Supervision Commission shall inform EBA of all administrative penalties imposed under Article 290, paragraph 1, item 10, paragraph 2, item 7, paragraph 7, item 2, and paragraph 9, items 7 and 10, including any appeal and the results thereof.

ADDITIONAL PROVISIONS

§ 1. Within the meaning given by this Act:

1. "Transferable securities" means securities classes registered in accounts at the central securities depository, which may be traded in the capital market, with the exception of payment instruments, such as:

a) shares in companies and other securities equivalent to shares in capital companies,

partnerships or other legal persons, as well as depository receipts in respect of shares;

b) bonds and other forms of securitised debt, including depository receipts in respect of such securities;

c) any other securities giving the right to acquire or sell such transferable securities or giving rise to a cash settlement determined by reference to transferable securities, currencies, interest rates or yields, commodities or other indices or indicators.

2. "Central securities depository" is a central depository within the meaning of Article 2, paragraph 1, item 1 of Regulation (EU) No. 909/2014.

3. "Investment advice" means the provision of personal recommendations to a client, either upon its request or at the initiative of the investment firm, in respect of one or more transactions relating to financial instruments.

4. "Personal recommendation" is a recommendation within the meaning of Article 9 of Delegated Regulation (EU) 2017/565.

5. "Execution of orders on behalf of clients" means carrying out actions aimed at concluding contracts for the purchase or sale of one or more financial instruments on behalf and for the account of a client, including the conclusion of contracts for the sale of financial instruments issued by an investment firm or a credit institution at the time of their issuance.

6. "Dealing on own account" means trading against proprietary capital resulting in the conclusion of transactions in one or more financial instruments.

7. "Market maker" means a person who holds himself out on the financial markets on a continuous basis as being willing to deal on own account by buying and selling financial instruments against proprietary capital at prices defined thereby.

8. "Portfolio management" means managing portfolios in accordance with mandates given by clients on a discretionary client-by-client basis where such portfolios include one or more financial instruments.

9. "Client" means any natural or legal person who/which makes use of investment and/or ancillary services provided by the investment firm.

10. "Professional client" means a client possessing the experience, knowledge and skills to take independent investment decisions and adequately assess risks relating to investment, and who meets the criteria laid down in the appendix.

11. "Retail client" means a client who is not designated as a professional client or as an eligible counterparty.

12. "Small and medium-sized enterprises (SMEs)" for the purposes of this Act are companies whose average market capitalisation is less than EUR 200,000,000 or the lev equivalent of the said amount, determined on the basis of the prices for the last day of trading in each of the three previous calendar years.

13. "Limit order" means an order to buy or sell a financial instrument at a specified price limit or better and for a specific size.

14. "C6 energy derivative contracts" are options, futures, swaps, and other derivative contracts under Article 4, paragraph 1, item 6, determined in accordance with Article 6, paragraphs 1 and 2 of Delegated Regulation (EU) 2017/565 relating to coal or liquid fuels traded on OTF and which must be physically settled.

15. "Money-market instruments" means instruments normally traded on the money market such as short-term government securities (treasury bills), certificates of deposit and commercial papers which have the properties under under Article 11 of Delegated Regulation (EU) No. 2017/565, and excluding instruments of payment.

16. "Systematic internaliser" means an investment firm which without operating a

multilateral system in an orderly, regular and systematic manner, in accordance with the criteria under Articles 12 – 17 of Delegated Regulation (EU) 2017/565 carries out a significant amount of trade for its own account in financial instruments, executing client orders outside a regulated market, MTF or OTF when the following criteria are present simultaneously or when the investment firm elects to apply the regime governing the activities of systematic internalisers.

17. "Multilateral system" means a system or facility in which multiple third-party buying and selling trading interests in financial instruments are able to interact in the system.

18. "Trading venue" means a regulated market, MTF or OTF, where:

a) "Multilateral trading facility" or "MTF" means a multilateral system operated by an investment firm or market operator, which brings together multiple third-party buying and selling interests in financial instruments in the system, in accordance with non-discretionary rules, in a way that results in a contract in accordance with Chapters Two – Nine;

b) "Organised trading facility" or "OTF" is a multilateral system, which is not a regulated market or MTF and in which multiple third-party buying and selling interests in bonds, structured finance products, emissions allowances or derivatives are able to interact in the system in a way which results in a contract in accordance with Part Two.

19. "Liquid market" is any market for a financial instrument or a class of financial instruments in which constantly present are buyers and sellers with the intent to trade and which meets the following criteria, taking into account the specific features of the specific financial instrument or the specific class of financial instruments:

a) frequency and volume of transactions under certain market conditions, having regard to the nature and the life cycle of the products within the class of financial instruments;

b) number and type of market participants, including the proportion of participants in the market relative to traded financial instruments for a specific product;

c) average size of spreads, where such information is available.

20. "Credit institution" means a credit institution as defined in Article, paragraph 1, item 1 of Regulation (EU) No. 575/2013.

21. "Management company of collective investment scheme" means a management company within the meaning of the the Collective Investment Schemes and Other Undertakings for Collective Investments Act as well as a management company of a collective investment scheme as defined in Article 2, paragraph 1, letter "b" of Directive 2009/65/EC of the European Parliament and of the Council.

22. "Branch" of an investment firm means a place of business other than the head office, which is part of an investment firm and which has no legal personality and through which the investment firm provides investment services and/or carries on investment activities and ancillary services for which the investment firm has been licensed; All the places of business set up in the same Member State by an investment firm with management of the business in another Member State shall be regarded as a branch.

23. "Qualifying holding" means any direct or indirect holding, which represents 10 per cent or more of the capital or of the voting rights in the general meeting, as set out in Articles 145 and 146 of the Public Offering of Securities Act, taking into account the conditions for their aggregation or which makes it possible to exercise a significant influence over the management of the company.

24. "Parent undertaking" means a parent undertaking within the meaning of § 1, Item 18 of the additional provisions of the Accountancy Act.

25. "Subsidiary" means a subsidiary within the meaning of § 1, Item 4 of the additional provisions of the Accountancy Act.

26. "Group" means a group of enterprises, within the meaning of § 1, Item 2 of the Accountancy Act.

27. "Close links" means a situation in which two or more natural or legal persons are linked by:

a) participation which means the ownership, direct or by way of control, of 20% or more of the voting rights or capital of a company (undertaking);

b) control exercised by a parent undertaking over a subsidiary under the Accountancy Act or a similar relationship between a natural or legal person and a company (undertaking); and any subsidiary of a subsidiary is also considered a subsidiary of its parent undertaking which is at the head of the group of those subsidiaries;

c) a permanent link of the two persons or all of them with one and the same person by a control relationship.

28. "Senior management personnel" are individuals with executive functions within an investment firm, market operator or service provider for data reporting and who are responsible and accountable to the management body for the operational management of the company.

29. "Matched principal tradings" is a transaction whereby the facilitator interposes between the buyer and seller to the transaction in such a way that it is never exposed to market risk throughout the execution of the transaction and both sides are executed simultaneously and the transaction is concluded at a price where the facilitator makes no profit or loss, other than a previously disclosed commission, fee or charge for the transaction.

30. "Algorithmic trading" is trading in financial instruments, whereby the individual parameters of the orders are determined automatically by a computer algorithm, including whether to initiate the order, the time limit, the price or quantity of the order or the mode of management of the order after its filing under limited or without human intervention, as defined in Article 18 of Delegated Regulation (EU) 2017/565. Algorithmic trading does not include systems that are used solely for the purpose of transmitting orders to one or more trading venues or for the processing of orders, without setting any parameters, or to confirm the orders, or for the processing of transactions after their conclusion.

31. "High-frequency method for algorithmic trading" is a technique for algorithmic trading, which is characterised by:

a) infrastructure designed to minimise network and other types of delays, which includes at least one of the following items for submission of algorithmic order: shared use, hosting a short distance or high-speed direct electronic access;

b) determination by the system of the initiation, generation, targeting or performance of an order without human intervention for individual transactions or orders, as well as

c) in a large number of messages throughout the day, which represent orders, quotations or cancel orders, determined in accordance with Article 19 of Delegated Regulation (EU) 2017/565.

32. "Direct electronic access" is an arrangement in which a member or participant, or a client of a trading venue allows a person to use his code for trading, to enable the person to send electronically orders relating to a financial instrument directly to the trading venue, and which covers: agreements, which include the use by a person of the infrastructure of a member or participant or client or any connecting system provided by the member or participant, or client, for submission of orders (direct access to the market), or arrangements that do not involve direct use of this infrastructure (sponsored access) by the person. There is no direct electronic access in the cases under Article 20 of Delegated Regulation (EU) 2017/565.

33. "The practice of cross-selling" is the offering of an investment service together with another service or product as part of a package or as a condition on the same contract or package.

34. "Structured deposit" is a deposit within the meaning of § 1, item 1 of the additional provisions of the Bank Deposits Guarantee Act, payable in full at maturity, subject to the conditions under which the payment of interest or premium depends on:

a) an index or a combination of indices, excluding deposits with variable rates, whose return is directly linked to an interest rate index such as "Euribor" or "Libor";

b) a financial instrument or a combination of financial instruments;

c) a commodity or a combination of commodities or other tangible or intangible non-fungible assets;

d) an exchange rate or a combination of exchange rates, or

e) other similar factors.

35. "Depositary receipts" are transferable securities which certify ownership of securities of a foreign issuer, which may be admitted to trading on a regulated market and be traded independently of the securities of the foreign issuer.

36. "Certificates" means certificates within the meaning of Article 2, paragraph 1, sub-paragraph 27 of Regulation (EU) No 600/2014.

37. "Structured financial products" are structured financial products within the meaning of Article 2, paragraph 1, sub-paragraph 28 of Regulation (EU) No. 600/2014.

38. "Derivatives" means derivatives within the meaning of Article 2, paragraph 1, sub-paragraph 29 of Regulation (EU) No 600/2014.

39. "Commodity derivatives" means commodity derivatives within the meaning of Article 2, paragraph 1, sub-paragraph 30 of Regulation (EU) No 600/2014.

40. "Central counterparty" (CCP) is a central counterparty within the meaning of Article 2, sub-paragraph 1 of Regulation (EU) No 648/2012.

41. "Approved publication arrangement" or "APA" is a person licensed under this Act or in accordance with Directive 2014/65/EU, as the case may be, to provide the service of publishing trade reports on behalf of the investment firm under Articles 20 and 21 of Regulation (EU) No. 600/2014.

42. "Consolidated data provider" or "CDP" is a person licensed under this Act or Directive 2014/65/EU, as the case may be, to perform the service of collection from regulated markets, MTFs, OTFs and APAs trade reports on financial instruments under Articles 6, 7, 10, 12, 13, 20 and 21 of Regulation (EU) No. 600/2014 and consolidate in a continuous updated electronic data flow, providing information on prices and volumes of any financial instrument.

43. "Approved reporting mechanism" or "ARM" is a person licensed under this Act or Directive 2014/65/EU to carry out on behalf of the investment firm the service of providing detailed information about transactions to the competent authorities or before ESMA.

44. "Home Member State" means:

a) for an investment firm:

aa) if the investment firm is a natural person, the Member State in which its head office is situated;

bb) if the investment firm is a legal entity, the Member State in which its seat is situated and, if under its national law it has no registered seat and registered office, the Member State in which its head office is situated;

b) in case of a regulated market, the Member State in which the regulated market is registered and, if under the law of that Member State, it has no registered office, the Member State in which the head office of the regulated market is situated;

c) for APA, CTP or ARM:

aa) if the investment firm is a natural person, the Member State in which its head office is

situated;

bb) if the investment firm is a legal entity, the Member State in which its seat is situated and, if under its national law it has no registered seat and registered office, the Member State in which its head office is situated.

45. "Host Member State" means a Member State, other than the home Member State, in which an investment firm has a branch or performs investment services and/or investment activities or the Member State in which a regulated market carries on business by providing facilitated access to its trading system for its remote members or for participants from that same Member State.

46. "An investment firm from a third country" means a credit institution which provides investment services or investment activities or an investment firm whose head office or seat is located outside the EU.

47. "Wholesale energy products" are wholesale energy products within the meaning of Article 2, item 4 of Regulation (EU) No. 1227/2011.

48. "Agricultural commodities derivatives" are derivative contracts relating to products listed in Article 1 and annex I, part I – XX and XXIV/I of Regulation (EU) No. 1308/2013.

49. "National issuer" means any of the following issuers when issuing debt financial instruments:

a) the European Council;

b) a Member State, including a public authority, agency or special purpose company of the Member State;

c) in case of a federal state – a member of the Federation;

d) a special purpose company created by several Member States;

e) an international financial institution established by two or more Member States, whose purpose is to collect funds and to provide financial assistance for the benefit of its members, which have or are at risk of serious financial problems, or

f) the European Central Bank.

50. "Government debt securities" are debt financial instruments issued by a national issuer.

51. "Durable medium" means any device that satisfies the conditions laid down in Article 3 of Delegated Regulation (EU) No. 2017/565 and which enables the client to store information addressed personally to him in a way accessible for future use and for a period corresponding to the purposes for which information is provided, as well as allowing unaltered reproduction of the information stored.

52. "Financial holding company" means a financial holding company as defined in Article 4, paragraph 1, item 20 of Regulation (EU) No. 575/2013.

53. "Parent financial holding company in a Member State" is a term within the meaning of Article 4, paragraph 1, item 30 of Regulation (EU) No. 575/2013.

54. "EU parent financial holding company" is a term within the meaning of Article 4, paragraph 1, item 31 of Regulation (EU) No. 575/2013.

55. "Mixed financial holding company" is a term within the meaning of Article 4, paragraph 1, item 21 of Regulation (EU) No. 575/2013.

56. "Parent undertaking in a Member State" is term within the meaning of Article 4, paragraph 1, item 28 of Regulation (EU) No. 575/2013.

57. "Institution" is a term within the meaning of Article 4, paragraph 1, item 3 of Regulation (EU) No. 575/2013.

58. "EU parent undertaking" is a term within the meaning of Article 4, paragraph 1, item 29 of Regulation (EU) No. 575/2013.

59. "Consolidating supervisor" is a term within the meaning of Article 4, paragraph 1, item 41 of Regulation (EU) No. 575/2013.

60. "Parent mixed financial holding company in a Member State" is a term within the meaning of Article 4, paragraph 1, item 32 of Regulation (EU) No. 575/2013.

61. "EU parent mixed financial holding company" is an EU parent mixed financial holding company in accordance with the definition set out in Article 4, paragraph 1, item 33 of Regulation (EU) No. 575/2013.

62. "Systematic violation" shall be in effect where three or more administrative violations of the Act, of the EU law or of the instruments for implementation thereof have been committed within a single year.

63. "Repeated violation" shall be any violation which shall be committed within one year after the entry into force of a penalty decree whereby the offender was penalized for a violation of the same kind.

64. "Persons acting in concert" means two or more persons, exercising their share-based voting rights under an express consent between them, as well as persons, of whom it may be reasonably assumed that they exercise or will exercise in the same way any voting rights they hold, due to the nature of their relationships, their market behaviour, or the agreements executed between them.

65. "Systemic risk" is the risk of disturbances in the financial system, which is likely to cause serious adverse consequences for the financial system and the real economy.

66. "On a consolidated basis" is term within the meaning of Article 4, paragraph 1, item 48 of Regulation (EU) No. 575/2013.

67. "ESCB central banks" is a term within the meaning of Article 4, paragraph 1, item 45 of Regulation (EU) No. 575/2013.

68. "Mixed financial holding company" is a term within the meaning of Article 4, paragraph 1, item 22 of Regulation (EU) No. 575/2013.

69. "Own funds" is a term within the meaning of Article 4, paragraph 1, item 118 of Regulation (EU) No. 575/2013.

70. "Ancillary services company" is a term within the meaning of Article 4, paragraph 1, item 18 of Regulation (EU) No. 575/2013.

71. "Trading book" is a term within the meaning of Article 4, paragraph 1, item 86 of Regulation (EU) No. 575/2013.

72. "Financial institution" is a term within the meaning of Article 4, paragraph 1, item 26 of Regulation (EU) No. 575/2013.

73. "Securities financing transaction" is a concept within the meaning of Article 3, item 11 of Regulation (EU) 2015/2365 on transparency of securities financing transactions and of reuse.

74. "Significant investment firm" is an investment firm that meets at least two of the following requirements:

a) the average staff headcount for the year exceeds 50 members of staff;

b) the carrying amount of own assets exceeds BGN 10,000,000;

c) the value of client assets exceeds BGN 500,000,000.

75. "Significant market operator" is a market operator, where for the trading venues operated thereby in the territory of the Republic of Bulgaria at least two of the following requirements are met on an annual basis:

a) members or participants of these trading venues are more than 50 per cent of the investment firms operating on the territory of the Republic of Bulgaria, including bank investment firms;

b) the transactions concluded in these trading venues account for more than 50 per cent of transactions concluded in the trading venues in the Republic of Bulgaria;

c) more than 50 per cent of the financial instruments issued on the Bulgarian market are traded in these trading venues.

76. "Supervisory authority of the investment firm" depending on the legal form is: a supervisory board, members of the management without executive functions, a controller or other persons specifically designated by the general meeting and compliant with the requirements of Article 13. The supervisory authority shall control and monitor decision-making at the management level.

77. "Qualifying money market fund" is a collective investment scheme authorised to conduct business in accordance with Directive 2009/65/EC or any other collective investment undertaking that is subject to supervision by a competent supervisory authority in a Member State, provided that it satisfies the following conditions:

a) its main investment purpose is to maintain a constant net asset value of the fund by the issue of its units (without yield) or equal to the capital attracted by investors plus earnings;

b) invests in order to achieve the main investment purpose exclusively in high-quality money market instruments whose maturity or residual maturity does not exceed 397 days or whose yield is adjusted on a regular basis in accordance with such term to maturity, and the weighted average term to maturity is 60 days; this objective may be achieved through additional investment of cash in deposits with credit institutions;

c) ensures same day liquidity or next day settlement.

78. "High-quality money market instruments" for the purposes of item 77, letter "b" are money market instruments for which the investment firm/management company performs its own documented assessment of the credit quality of the money market instruments, on the basis of which it assumes that a money market instrument is of high quality. When one or more credit rating agencies, registered and controlled by ESMA, have assigned a rating to the instrument, the internal assessment of the investment firm/management company shall take into account the credit ratings assigned.

79. "Depository institution" means:

a) in respect of funds, a person under Article 93;

b) in respect of financial instruments, a person conducting activity of registration of financial instruments and transfer of such instruments by opening and keeping accounts of their issuers and/or holders.

80. "Exchange traded fund" is an exchange traded fund within the meaning of § 1, item 25 of the additional provisions of the Collective Investment Schemes and Other Undertakings for Collective Investments Act.

81. "Non-banking financial sector undertakings" are:

a) regulated markets, market operators, central depositories, investment firms, clearing and settlement systems, national investment funds, multilateral trading facilities, investment companies, alternative investment funds, management companies or persons managing alternative investment funds;

b) an insurer, a captive insurance joint-stock company, a reinsurer or a captive reinsurer or an insurance holding company under Article 233, paragraph 8 of the Insurance Code;

c) the companies carrying on business for the provision of supplementary social insurance;

d) foreign persons which according to the legislation of the State concerned have the status of persons under letters "a" – "d".

§ 2. (1) This Act shall introduce the requirements of:

1. Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU.

2. Commission Delegated Directive (EU) 2017/593 of 7 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to safeguarding of financial instruments and funds belonging to clients, product governance obligations and the rules applicable to the provision or reception of fees, commissions or any monetary or non-monetary benefits.

3. Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

4. Directive 2001/24/EC of the European Parliament and of the Council of 4 April 2001 on the reorganisation and winding up of credit institutions.

(2) This Act provides measures for enforcement of:

1. Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012.

2. Regulation (EU) No. 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No. 648/2012.

3. Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories.

4. Regulation No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs).

5. Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No. 596/2014.

6. Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No. 648/2012.

§ 3. (1) The Financial Supervision Commission shall take a decision on the application in its supervisory practice of guidelines adopted by EBA pursuant to Article 16 of Regulation (EU) No. 1093/2010 and based on warnings made by the European Systemic Risk Board pursuant to Article 16 of Regulation (EU) No. 1093/2010 of the European Parliament and of the Council of 24 November 2010 on European Union macro-prudential oversight of the financial system and establishing a European Systemic Risk Board (OJ, L 331/1 of 15 December 2010).

(2) The supervisory review and evaluations under this Act and the instruments for its implementation, as well as the administrative measures and sanctions shall be applied by the Commission or by the Deputy Chairperson, as the case may be, depending on the level of application of the provisions of Part One, Title Two of Regulation (EU) No. 575/2013. In the cases where the Commission issues an approval for a waiver of the requirement for maintenance of own funds on a consolidated basis under Article 15 of Regulation (EU) No. 575/2013, Article 66 shall apply to investment firms on a stand-alone basis.

§ 4. (1) The provisions of Article 5, paragraph 4, Article 19, paragraph 2, Articles 33 – 41, Article 45, paragraph 5, Article 47, Article 48, paragraph 1, Article 64, paragraph 2, items 1, 7 and 8, Article 65, paragraph1, items 1 – 13 and paragraph 2, Article 69, paragraph 1, Articles 70

– 89, Article 92, paragraphs 1 and 3, Article 95, paragraphs 1, Articles 96 – 100, Articles 102–107, Article 109, Article 110, Article 111, paragraphs 1 – 5, Articles 112 – 115, Article 117, Articles 118 – 127, Article 187, paragraphs 2 – 4, Article 256, Articles 263 – 267 shall also apply to credit institutions when providing one or more investment services and/or performing investment activities.

(2) The provisions of Article 16, Articles 53 – 60, Article 70, paragraph 1, Articles 90, 91, Article 128, paragraph 3, Articles 129 and 130 shall apply accordingly for management companies.

(3) The provisions of Article 5, paragraph 4, Article 64, paragraph 2, Article 65, paragraphs 1, 2 and 5, Article 67, Article 69, paragraphs 2 and 3, Articles 71, 72, 73, Article 76, paragraphs 1 – 5, Articles 78, 81, Article 82, paragraph 2, Article 85, paragraphs 1 and 8, Articles 86, 92, Article 93, paragraphs 1, 3, 4 and 5, and Article 94, paragraphs 1 and 2 and the instruments for their implementation, as well as the provisions referred to in Article 1 of Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive (OJ, L 86/1 of 31 March 2017), hereinafter referred to as "Regulation (EU) No. 2017/565", shall apply accordingly for management companies that provide services under Article 86, paragraph 2 of the Collective Investment Schemes and Other Undertakings for Collective Investments Act.

(4) For violation of the provisions under paragraphs 2 and 3, the Commission or the Deputy Chairperson, as the case may be, may apply the relevant coercive administrative measures provided for in this Act. Articles 279 – 289 shall apply mutatis mutandis.

(5) For violation of the provisions under paragraphs 1 – 3 the Deputy Chairperson shall impose fines and sanctions as laid down in this Act. Articles 295 and 296 herein shall apply mutatis mutandis.

(6) The fines and sanctions for violations of Regulation (EU) No. 600/2014, Regulation (EU) No. 648/2012, Regulation (EU) No. 2015/2365, Regulation (EU)No 2016/1011 shall apply, unless otherwise provided for by law.

§ 5. (1) Investment firms shall carry on their business in compliance with Regulation (EU) No. 575/2013, Regulation (EU) No. 600/2014, Directive 2013/36/EU, Directive 2014/65/EU and the instruments for their implementation.

(2) The Financial Supervision Commission shall determine by an ordinance the procedures for granting authorisations and approvals under Regulation (EU) No. 575/2013, Regulation (EU) No. 600/2014, Regulation (EU) No. 648/2012, the instruments for their implementation, as well as the acts for the implementation of Directive 2013 /36/EU and Directive 2014/65/EU.

(3) The Financial Supervision Commission shall determine by an ordinance a list of the information needed for assessment of the acquisitions and increases of qualifying holdings under Article 57.

TRANSITIONAL AND CONCLUDING PROVISIONS

§ 6. (1) An investment firm which on an organised, frequent and systematic basis, undertakes a substantial amount of trades on own account by executing client orders outside a regulated market, MTF or OTF (executing orders of client executes orders outside a regulated market, an MTF or OTF (systematic internaliser), shall comply with the requirements of Title III of Regulation (EU) No. 600/2014.

(2) For all transactions in financial instruments traded on a regulated market, an MTF, an

OTF or via a systematic internaliser, which are not concluded via an MTF, an OTF or a systematic internaliser, the relevant provisions of Title III of Regulation (EU) No. 600/2014 shall apply.

§ 7. Investment firms, bank investment firms, regulated markets and market operators shall bring their activities in accordance with the requirements of this Act within three months of its entry into force.

§ 8. (1) The persons which until the date of entry into force of this Act organise an OTF shall submit an application for obtaining a licence, an authorisation, respectively, in accordance with this Act within three months of its entry into force.

(2) The persons referred to in paragraph 1 may not operate as OTF until obtaining a license for carrying out the activities under Article 6, paragraph 2, item 9.

(3) Investment firms and bank investment firms which until the entry into force of this Act carry out algorithmic trading, shall bring their activities in line with it and shall provide evidence thereof to the Commission within three months of its entry into force.

§ 9. The Markets in Financial Instruments Act (promulgated, State Gazette No. 52/2007; amended and supplemented, No. 109/2007, No. 69/2008, Nos 24, 93 and 95/2009, No. 43 of 2010, No. 77 of 2011, Nos 21, 38 and 103/2012, Nos 70 and 109/2013, Nos 22 and 53/2014, Nos 14, 34, 62 and 94/2015, and No. 42, 48, 76/2016, Nos 62, 95 and 103/2017 and No. 7/2018) shall be repealed.

§ 10. Until the entry into force of this Act, the incumbent proceedings under Articles 26 – 26e of the repealed Markets in Financial Instruments Act shall be completed in accordance with the hitherto existing procedure.

§ 11. Within three months from the entry into force of this Act, the Financial Supervision Commission shall adopt the implementing ordinances thereof.

§ 12. The adopted regulations on the application of repealed Markets in Financial Instruments Act shall continue to have effect insofar as they do not contravene this Act and European Union law.

§ 13. The Social Insurance Code (promulgated in the State Gazette No. 110 of 1999; Constitutional Court Judgment No. 5/2000, SG No. 55/2000; amended, SG No. 64/2000, Nos. 1, 35 and 41/2001, Nos. 1, 10, 45, 74, 112, 119 and 120/2002, Nos. 8, 42, 67, 95, 112 and 114/2003, Nos. 12, 21, 38, 52, 53, 69, 70, 112 and 115/2004, Nos. 38, 39, 76, 102, 103, 104 and 105/2005, Nos. 17, 30, 34, 56, 57, 59 and 68/2006; corrected, SG No. 76/2006; amended, SG Nos. 80, 82, 95, 102 and 105/2006, Nos. 41, 52, 53, 64, 77, 97, 100, 109 and 113/2007, Nos. 33, 43, 67, 69, 89, 102 and 109/2008, Nos. 23, 25, 35, 41, 42, 93, 95, 99 and 103/2009, Nos. 16, 19, 43, 49, 58, 59, 88, 97, 98 and 100/2010; Constitutional Court Judgment No. 7/2011, SG No. 45/2011; amended, SG Nos. 60, 77 and 100/2011, Nos. 7, 21, 38, 40, 44, 58, 81, 89, 94 and 99/2012, Nos. 15, 20, 70, 98, 104, 106, 109 and 111/2013, Nos. 1, 18, 27, 35, 53 and 107/2014, Nos. 12, 14, 22, 54, 61, 79, 95, 98 and 102/2015, Nos. 62, 95, 98 and 105/2016, Nos. 62, 92, 99 and 103/2017 and No. 7/2018) shall be amended and supplemented as follows:

1. Item 8 in Article 122f, paragraph 2 shall be created:

"8. the company has committed or has allowed the commitment of gross or systematic violations of Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No. 648/2012 (OJ, L 337/1 of 23 December 2015), hereinafter referred to as "Regulation (EU) 2015/2365"."

2. In Article 123c, paragraph 4 the words "Article 12" shall be replaced by "Article 77, paragraph 3".

3. In Article 123d, paragraph 17, the words "Deputy Chairperson of" shall be deleted.

4. In Article 139, paragraph 1, item 1, the words "after acquiring the right to retirement pension for contributory service and age under Part One" shall be replaced by the words "under the terms of Article 167".

5. In Article 229c, paragraph 6 the words "periodically provide to him" shall be replaced by "periodically provide to her".

6. In Article 229d, paragraph 4, the words "Deputy Chairperson of the Commission, respectively" shall be deleted.

7. In Article 344:

a) In paragraph 1:

aa) in the text preceding item 1, after the words "this Code" the words "Regulation (EU) 2015/2365" and the words "its implementation" shall be replaced by "their implementation" shall be added;

bb) items 18 and 19 shall be repealed;

b) Item 20 in paragraph 2 shall be repealed;

c) a second sentence shall be created in paragraph 4: "The measures referred to in paragraph 1, item 1 may furthermore apply to persons carrying on business without a licence or authorisation, which are required under this Code."

8. Article 344a shall be created:

"Coercive administrative measures for violations relating to key information documents for packaged retail investment products

Article 344a. (1) In order to prevent and cease violations of Article 5, paragraph 1, Articles 6 and 7, Article 8, paragraphs 1 – 3, Article 9, Article 10, paragraph 1, Article 13, paragraphs 1, 3 and 4, Articles 14 and 19 of Regulation (EU) No. 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) (OJ, L 352/1 of 9 December 2014), hereinafter referred to as "Regulation (EU) No. 1286/2014", and of the instruments for its implementation, as well as in order to prevent and eliminate the harmful effects arising therefrom, the Commission may apply the following coercive administrative measures:

1. prohibit the conclusion of social insurance contracts;

2. prohibit the conclusion of social insurance contracts for a specific period of time;

3. prohibit the provision of a key information document, which does not comply with the requirements of Articles 6, 7, 8 or 10 of Regulation (EU) No. 1286/2014, and request the issue of a new version of the key information document;

4. issue mandatory prescriptions for taking other specific measures within a time limit set thereby.

(2) The measures referred to in paragraph 1 shall apply to social insurance companies for unemployment and/or vocational training, their employees, individuals who perform managerial functions in companies and persons authorised to conclude social insurance contracts.

(3) Where the Commission has applied the measures referred to in paragraph 1 or the Deputy Chairperson of the Commission has imposed an administrative penalty under Article 351a, the Commission, the Deputy Chairperson of the Commission respectively, may require from the person referred to in paragraph 2 to send a notification to the insured person or the insurer concerned, providing information about the coercive administrative measure applied or the administrative penalty imposed thereon, and shall inform him/it where to lodge a complaint or a claim for damages.

(4) The Commission may publish a warning stating the person committing a violation of

Regulation (EU) No. 1286/2014 or an implementing instrument thereof.

(5) When determining the type of coercive measure, the Commission shall take into account the circumstances under Article 25 of Regulation (EU) No 1286/2014.

(6) When applying coercive administrative measures under paragraph 1, the provisions of the Administrative Procedure Code regarding explanations and objections of the parties concerned shall not apply.

9. In Article 345:

a) in paragraph 1 the words "Article 346a, paragraph 1" shall be deleted;

b) in paragraph 2, after the words "under Article 344, paragraph 2" the words "Article 344a, paragraph 1, and Article 346a, paragraphs 1 and 2" shall be added.

10. Articles 351a – 351c shall be created:

"Responsibility for violations of Regulation (EU) No. 1286/2014 and its implementing instruments

Article 351a. (1) A person who performs management functions in an insurance company for unemployment and/or vocational training, an employee of the company and a person authorised to enter into social insurance contracts, who commits or allows the commitment of violation of:

1. Article 5, paragraph 1, Articles 6 and 7, Article 8, paragraphs 1 – 3, Article 9, Article 10, paragraph 1, Article 13, paragraphs 1, 3 and 4, Article 14 or Article 19 of Regulation (EU) No. 1286/2014, shall be liable to a fine of BGN 2,500 or exceeding this amount but not exceeding BGN 1,400,000;

2. Regulation (EU) No. 1286/2014, except in the cases referred to in item 1, or of its implementing instrument, shall be liable to a fine of BGN 1,500 or exceeding this amount but not exceeding BGN 700,000.

(2) In the event of a repeated violation under paragraph 1, the offender shall be liable to a fine in an amount as follows:

1. for violations under paragraph 1, item 1: from BGN 5,000 or exceeding this amount but not exceeding BGN 2,800,000;

2. for violations under paragraph 1, item 2: from BGN 3,000 or exceeding this amount but not exceeding BGN 1,400,000;

(3) For violations under paragraph 1 by an insurance company for unemployment and/or vocational training it shall be subject to pecuniary sanction as follows:

1. for violations under paragraph 1, item 1: from BGN 20,000 or exceeding this amount but not exceeding BGN 10,000,000 and for a repeated violation, from BGN 40,000 or exceeding this amount but not exceeding BGN 20,000,000;

2. for violations under paragraph 1, item 2: from BGN 10,000 or exceeding this amount but not exceeding BGN 5,000,000 and for a repeated violation, from BGN 20,000 or exceeding this amount but not exceeding BGN 10,000,000.

(4) When determining the type of administrative punishment the Deputy Chairperson of the Commission shall take into account the circumstances referred to in Article 25 of Regulation (EU) No 1286/2014.

(5) The proceeds from the illegally performed activities shall be confiscated in favour of the state to the extent the said proceeds cannot be refunded to the persons aggrieved.

Responsibility for violation of Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (OJ, L 201/1 of 27 July 2012) (Regulation (EU) No. 648/2012) and its implementing instruments

Article 351b. (1) A person holding a management position in a pension insurance company or an employee of the company who commits or allows commitment of violation of Title Two of Regulation (EU) No. 648/2012, shall be punishable by a fine of up to BGN 5,000 but not exceeding BGN 20,000, and for a repeated violation, from BGN 10,000 or exceeding this amount but not exceeding BGN 40,000.

(2) A pension insurance company which commits violation of Title Two of Regulation (EU) No. 648/2012, shall be punishable by a pecuniary sanction of up to BGN 10,000 but not exceeding BGN 40,000, and for a repeated violation, from BGN 20,000 or exceeding this amount but not exceeding BGN 80,000.

Liability for violation of Regulation (EU) 2015/2365

Article 351c. (1) A person holding a management position in a pension insurance company who commits or allows the commitment of a violation of Article 4 or Article 15 of Regulation (EU) 2015/2365, shall be punishable by a fine of up to BGN 5,000 but not exceeding BGN 5,000,000, and for a repeated violation, from BGN 10,000 but not exceeding BGN 10,000,000.

(2) A pension insurance company which commits a violation of Article 4 of Regulation (EU) 2015/2365 shall be punishable by a pecuniary sanction from BGN 10,000 but not exceeding BGN 40,0000, and for a repeated violation, from BGN 20,000 but not exceeding BGN 10,000,000.

(2) A pension insurance company which commits a violation of Article 15 of Regulation (EU) 2015/2365 shall be punishable by a pecuniary sanction from BGN 20,000 but not exceeding BGN 80,0000, and for a repeated violation, from BGN 40,000 but not exceeding BGN 30,000,000."

11. In Article 354, paragraph 1, after the words "this Code" a comma shall be inserted and "of Regulation (EU) No. 1286/2014, Regulation (EU) No. 648/2012, Regulation (EC) 2015/2365 and the implementing instruments thereof" shall be added.

12. In the supplementary provisions:

a) In § 1:

aa) In item 4 the words "Article 5, paragraph 2, item 6" shall be replaced by "Article 6, Paragraph 2, Item 6";

bb) In item 32 the words "Article 73" shall be replaced by "Article 152, paragraphs 1 and 2";

b) In § 1a:

aa) the existing text shall become paragraph 1;

bb) paragraph 2 shall be created:

"(2) This Code provides for measures for the implementation of Regulation (EU) No. 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs), of Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories and of Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No. 648/2012."

13. The transitional and concluding provisions of the Act Amending and Supplementing the Social Insurance Code (SG No. 92/2017) shall be amended and supplemented as follows:

a) (effective 1.01.2018 - corrected, SG No. 16/2018) in § 154, paragraph 6, second sentence, the words "from its closing date" shall be deleted;

b) (effective 21.11.2017 - corrected, SG No. 16/2018) in § 163, paragraph 3, before the words "§ 24 and 25" the words "§ 18, item 1, § 21, item 2, § 22, items 2, 4 and 5" shall be added,

the words "item 2, letter "d" shall be replaced by the conjunction "and" and the words "§ 158" shall be deleted.

§ 14. The Insurance Code (promulgated, SG No. 102/2015; amended, SG Nos. 62, 95 and 103/2016; Nos. 8, 62, 63, 85, 92, 95 and 103/2017 and No. 7/2018) shall be amended and supplemented:

1. Item 11 shall be created in Article 40, paragraph 2:

"11. the insurer or the reinsurer has committed or has allowed the commitment of gross or systematic violations of Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No. 648/2012 (OJ, L 337/1 of 23 December 2015), hereinafter referred to as "Regulation (EU) 2015/2365"."

2. In Article 68, paragraph 6 the words "Article 5, paragraph 2, item 6" shall be replaced by "Article 6, paragraph 2, item 6".

3. In Article 587:

a) in paragraph 3:

aa) in item 6 a comma shall be inserted at the end and added shall be the words "and in the cases under Article 24, paragraph 1 of Regulation (EU) No. 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) (OJ, L 352/1 of 9 December 2014), hereinafter referred to as "Regulation (EU) No. 1286/2014", issue a temporary or permanent ban on the trading of a packaged retail investment product and investment-based insurance product;"

bb) Items 12 and 13 shall be created:

"12. prohibit the provision of a key information document, which does not comply with the requirements of Articles 6, 7, 8 or 10 of Regulation (EU) No. 1286/2014, and request the issue of a new version of the key information document;

13. publish a warning stating the person committing a violation of Regulation (EU) No. 1286/2014 or an implementing instrument thereof.";

b) in paragraph 6 the words "paragraph 3, items 3, 5 and 6" shall be replaced by "paragraph 3, items 3, 5, 6, 12 and 13";

c) in paragraph 7 the words "paragraph 3, items 1 and 8" shall be replaced by "paragraph 3, items 1, 6, 8, 12 and 13", then a comma shall be inserted and added shall be the words "and the coercive administrative measures referred to in paragraph 2, item 1 may apply only to persons carrying out activities without a licence or authorisation which is required by this Code";

d) paragraphs 10 – 12 shall be created:

"(10) When determining the type of coercive measures under paragraph 3, items 6, 12 and 13, the Commission shall take into account the circumstances under Article 25 of Regulation (EU) No 1286/2014.

(11) The measures referred to in paragraph 3, item 6, proposal two, items 12 and 13 shall not apply to shareholders or cooperative members holding directly jointly with or through related parties 10 or more than 10 per cent of the votes in the General Meeting or of the capital of the insurer or reinsurer.

(12) Where the Commission has applied the measures referred to in paragraph 3 or the Deputy Chairperson has imposed an administrative penalty under Article 646a, the Commission, the Deputy Chairperson of the Commission respectively, may require from the person on whom a coercive administrative measure has been imposed, to send a notification directly to the insured person concerned, providing information about the coercive administrative measure applied or the administrative penalty imposed thereon, and shall inform him/it where to lodge a complaint or

a claim for damages."

4. Articles 646a – 646c shall be created:

"Responsibility for violation of Regulation (EU) 1286/2014

Article 646a. (1) For violation of Article 5, paragraph 1, Articles 6 and 7, Article 8, paragraphs 1 – 3, Article 9, Article 10, paragraph 1, Article 13, paragraphs 1, 3 and 4, Article 14 or Article 19 of Regulation (EU) No. 1286/2014 the following penalties shall be imposed:

1. a fine ranging from BGN 2,500 to BGN 1,400,000 on natural persons;

2. a pecuniary sanction ranging from BGN 20,000 to BGN 10,000,000 on legal persons and sole traders.

(2) For violation of Regulation (EU) No. 1286/2014, except for the cases referred to in item 1, or of its implementing instrument, the following penalties shall be imposed:

1. a fine ranging from BGN 1,500 to BGN 700,000 on natural persons;

2. a pecuniary sanction amounting from BGN 10,000 to BGN 5,000,000 on legal persons and sole traders.

(3) In cases of repeated violation under paragraphs 1 and 2 the sanction shall be as follows:

1. for violations under paragraph 1, item 1: from BGN 5,000 or exceeding this amount but not exceeding BGN 2,800,000;

2. for violations under paragraph 1, item 2: from BGN 40,000 or exceeding this amount but not exceeding BGN 20,000,000;

3. for violations under paragraph 2, item 1: from BGN 3,000 or exceeding this amount but not exceeding BGN 1,400,000;

4. for violations under paragraph 2, item 2: from BGN 20,000 or exceeding this amount but not exceeding BGN 10,000,000.

(4) When determining the type of administrative punishment the Deputy Chairperson shall take into account the circumstances referred to in Article 25 of Regulation (EU) No 1286/2014.

Responsibility for violation of Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (OJ, L 201/1 of 27 July 2012) (Regulation (EU) No. 648/2012) and its implementing instruments

Article 646b. (1) A person holding a management position in an insurance company, reinsurance company or an insurance firm, or an employee of an insurance company, reinsurance company or an insurance firm, who commits or allows the commitment of a violation of Title Two of Regulation (EU) No. 648/2012 shall be liable to a fine of BGN 5,000 or exceeding this amount but not exceeding BGN 20,000, and for a repeated violation the fine shall be BGN 10,000 or exceeding this amount but not exceeding BGN 40,000.

(2) An insurance company, a reinsurance company or an insurance firm which commits violation of Title Two of Regulation (EU) No. 648/2012, shall be liable to a pecuniary sanction from BGN 10,000 but not exceeding BGN 40,000, and for a repeated violation, from BGN 20,000 or exceeding this amount but not exceeding BGN 80,000.

Liability for violation of Regulation (EU) 2015/2365

Article 646c. (1) A person holding a management position in an insurance or reinsurance company, who commits or allows the commitment of a violation of Article 4 or Article 15 of Regulation (EU) 2015/2365, shall be liable to a fine of BGN 5,000 but not exceeding BGN 5,000,000, and for a repeated violation, from BGN 10,000 but not exceeding BGN 10,000,000.

(2) An insurance or reinsurance company which violates Article 4 of Regulation (EU) 2015/2365, shall be liable to a pecuniary sanction amounting from BGN 10,000 to BGN 40,000, and for a repeated violation, from BGN 20,000 but not exceeding BGN 10,000,000.

(3) An insurance or reinsurance company which violates Article 15 of Regulation (EU) 2015/2365, shall be liable to a pecuniary sanction amounting from BGN 20,000 to BGN 80,000, and for a repeated violation, from BGN 40,000 but not exceeding BGN 30,000,000."

5. In the additional provisions:

a) in § 1, item 30:

aa) in letter "a" the words "Article 73" shall be replaced by the words "Article 152, paragraphs 1 and 2";

bb) in letters "b", "aa" the words "Directive 2004/39/EC" shall be replaced by "Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (OJ, L 173/349 of 12 June 2014)";

b) in § 7:

aa) the existing text shall become paragraph 1;

bb) paragraph 2 shall be created:

"(2) This Code provides for measures for the implementation of Regulation (EU) No. 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs), of Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories and of Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No. 648/2012."

§ 15. Article 187, paragraph 2 of the Labour Code (promulgated in the State Gazette Nos. 26 and 27/1986; amended in No. 6/1988, Nos. 21, 30 and 94/1990, Nos. 27, 32 and 104/1991, Nos. 23, 26, 88 and 100/1992; Constitutional Court Decision No. 12 of 1995, SG No. 69/1995; amended, SG No. 87/1995, Nos. 2, 12 and 28/1996, No. 124/1997, No. 22/1998; Constitutional Court Decision No. 11 of 1998, SG No. 52/1998; amended, SG Nos. 56, 83, 108 and 133/1998, Nos. 51, 67 and 110/1999, No. 25/2001, Nos. 1, 105 and 120/2002, Nos. 18, 86 and 95/2003, No. 52/2004, Nos. 19, 27, 46, 76, 83 and 105/2005, Nos. 24, 30, 48, 57, 68, 75, 102 and 105/2006, Nos. 40, 46, 59, 64 and 104/2007, Nos. 43, 94, 108 and 109/2008, Nos. 35, 41 and 103/2009, Nos. 15, 46, 58 and 77/2010; Constitutional Court Decision No. 12 of 2010, SG No. 91/2010; amended, SG Nos. 100 and 101/2010, Nos. 18, 33, 61 and 82/2011, Nos. 7, 15, 20 and 38/2012; Constitutional Court Decision No. 7 of 2012, SG No. 49/2012; amended, SG Nos. 77 and 82/2012, Nos. 15 and 104/2013, Nos. 1, 27 and 61/2014, Nos. 54, 61, 79 and 98/2015, Nos. 8, 57, 59, 98 and 105/2016, Nos. 85, 86, 96 and 102/2017, and No. 7/2018) shall be amended as follows:

"(2) The filing of a complaint, a signal or a notification to the Financial Supervision Commission for violation of the Measures against Market Abuse with Financial Instruments Act, the Collective Investment Schemes and Other Undertakings for Collective Investments Act, the Markets in Financial Instruments Act, of the Insurance Code, of the Social Insurance Code, of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC (OJ, L 173/1 of 12 June 2014), of Regulation (EU) No. 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No. 236/2012 (OJ, L 257/1 of 28 August 2014,) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential

requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/201. (OJ, L 176/1 of 27 June 2013), of Regulation (EU) No. 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No. 648/2012 (OJ, L 173/84 of 12 June 2014) or of their implementing instruments, by an employee shall not be a violation under paragraph 1, item 8, except for the cases where the employee intentionally reports false information. The first sentence shall apply accordingly to an employee against whom a notification of violation has been submitted."

§ 16. The Financial Supervision Commission Act (promulgated in the State Gazette No. 8/2003; amended, SG Nos. 31, 67 and 112/2003, SG No. 85/2004, SG Nos. 39, 103 and 105/2005, SG Nos. 30, 56, 59 and 84/2006, SG Nos. 52, 97 and 109/2007, SG No. 6/2008, SG Nos. 24 and 42/2009, SG Nos. 43 and 97/2010, SG No. 77/2011, SG Nos. 21, 38, 60, 102 and 103/2012, SG Nos. 15 and 109/2013, SG Nos. 34, 62 and 102/2015, SG Nos. 42 and 76/2016; Constitutional Court Decision No. 10 of 2017, SG No. 57 of 2017; amended, SG Nos. 62, 92, 95 and 103/2017, and SG No. 7/2018) shall be amended and supplemented as follows:

1. In Article 1, paragraph 2, item 1, after the words "investment firms" the words "tied agents" shall be added.

2. In Article 12(1):

a) in item 7 the words "in the cases provided for in this Act" shall be added;

b) a new item 15 shall be created:

"15. is the competent authority for the application of Regulation (EU) No. 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No. 648/2012 (OJ, L 173/84 of 12 June 2014), hereinafter referred to as "Regulation (EU) No. 600/2014", in respect of the financial instruments;"

c) items 16 – 18 shall be created:

"16. is the competent authority for the application of Regulation (EU) No. 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) (OJ, L 352/1 of 9 December 2014), hereinafter referred to as "Regulation (EU) No. 1286/2014", in respect of packaged retail and insurance-based investment products, created, sold and recommended by Commission regulated persons;

17. is the competent authority for the application of Regulation (EU) 2016/1011of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No. 596/2014 (OJ, L 171/1 of 29 June 2016), hereinafter referred to as "Regulation (EU) 2016/1011", with the exception of the cases subject to the express competence of the Bulgarian National Bank, and shall also be an authority responsible for coordinating the cooperation and exchange of information pursuant to Article 40, paragraph 2 of Regulation (EU) 2016/1011;

18. is the competent authority for the application of Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No. 648/2012 (OJ, L 337/1 of 23 December 2015), hereinafter referred to as "Regulation (EU) 2015/2365", in the cases set out herein;"

d) the present item 15 shall become item 19.

3. New Items 31 – 33 shall be created in Article 13, paragraph 1:

"31. on the proposal of the responsible Deputy Chairperson, shall exercise the powers of the competent authority under Article 5, paragraph 1, Article 11, paragraph 11, Article 12,

paragraph 2, Articles 14 – 20, Article 21, paragraph 4 and Article 22, paragraph 1, first sub-paragraph (in the part for the authorisation of a central counterparty) and second sub-paragraph, Article 24, Articles 30 – 32, Article 41, paragraph 2, Article 48, paragraph 3, Article 49, paragraph 1 and Article 54 of Regulation 648/2012;

32. on the proposal of the responsible Deputy Chairperson, shall exercise the powers referred to in Article 17 of Regulation (EU) No. 1286/2014 and shall apply the coercive administrative measures set out in Rgulation (EU N 1286/2014;

33. on the proposal of the responsible Deputy Chairperson, shall issue, refuse to issue, revoke, recognise, deregister and suspend the validity of the licences, approvals and registrations set out in Regulation (EU) 2016/1011;

4. In Article 15, paragraph 1:

a) in item 1 the words "and 31 – 33" shall be added at the end;

b) in item 4 the words "Part Four, Chapter One" shall be replaced by "Title Three, Chapter Twenty-Four";

c) in items 6 and 7, after the words "Regulation (EU) 2015/760" the words "Regulation (EU) No. 1286/2014, Regulation (EU) No. 600/2014, Regulation (EU) 2016/1011, Regulation (EU) 2015/2365" shall be added;

c) in item 16, after the words "Regulation (EU) 2015/760" the words "Regulation (EU) No. 1286/2014, Regulation (EU) No. 600/2014, Regulation (EU) 2016/1011, Regulation (EU) 2015/2365" shall be added;

d) items 17, 18 and 19 shall be created:

"17. exercise the powers of the competent authority under Article 4, paragraph 2, Article 10, paragraph 1 and paragraph 5, Article 11, paragraphs 6 – 10, Article 21, paragraphs 1 – 3 and paragraph 5, Article 22, first sub-paragraph 1 (in the part about the oversight of a central counterparty), Article 35, Article 38, paragraph 3 of the Regulation 648/2012:

a) on the financial counterparties under Article 2, paragraph 8 of Regulation 648/2012, which are persons under Article 1, paragraph 2, item 1;

b) on non-financial counterparties under Article 2, paragraph 9 of Regulation 648/2012;

18. exercise the powers of the competent authority under Regulation (EU) 2015/2365 on counterparties under Article 3, item 2 of Regulation (EU) 2015/2365, which are persons referred to in item 17, letters "a" and "b";

19. exercise the powers of the competent authority within the meaning of Article 4, paragraph 8 of Regulation (EU) No. 1286/2014 on packaged retail and insurance-based investment products, created, distributed or recommended by investment firms, bank investment firms, management companies, investment companies, alternative investment fund managers, which are not subject to the express competence of the Commission."

5. In Article 16, paragraph 1:

a) in item 1 the words "and 21" shall be replaced by "21, 31 and 32";

b) new items 7 – 9 shall be created:

"7. exercise the powers of the competent authority under Article 4, paragraph 2, Article 10, paragraph 1 and paragraph 5, Article 11, paragraphs 6 – 10 of Regulation 648/2012 on the financial and non-financial counterparties under Article 2, items 8 and 9 of Regulation 648/2012, which are persons under Article 1, paragraph 2, item 2;

8. exercise the powers under Regulation (EU) 2015/2365 on counterparties under Article 3, item 2 of Regulation (EU) 2015/2365, which are persons under Article 1, paragraph 2, item 2;

9. exercise the powers of the competent authority within the meaning of Article 4, paragraph 8 of Regulation (EU) No. 1286/2014 on packaged retail and insurance-based

investment products, created, distributed or recommended by insurance and reinsurance companies, which are not subject to the express competence of the Commission;"

c) in item 18 the words "and of the instruments for its implementation" shall be replaced by "of Regulation 648/2012, Regulation (EU) No. 1286/2014, Regulation (EU) 2015/2365 and of the instruments for their implementation";

d) in item 19 the words "and of the instruments for its implementation" shall be replaced by "of Regulation 648/2012, Regulation (EU) No. 1286/2014, Regulation (EU) 2015/2365 and of the instruments for their implementation".

6. In Paragraph 1 of Article 17:

a) in item 1 the words "and 21" shall be replaced by "21, 31 and 32";

b) new items 7 – 9 shall be created:

"7. exercise the powers of the competent authority under Article 4, paragraph 2, Article 10, paragraph 1 and paragraph 5, Article 11, paragraphs 6 – 10 of Regulation 648/2012 on the financial and non-financial counterparties under Article 2, items 8 and 9 of Regulation 648/2012, which are persons under Article 1, paragraph 2, item 3;

8. exercise the powers of the competent authority under Regulation (EU) 2015/2365 on the counterparties under Article 3, item 2 of Regulation (EU) 2015/2365, which are persons under Article 1, paragraph 2, item 3;

9. exercise the powers of the competent authority within the meaning of Article 4, paragraph 8 of Regulation (EU) No. 1286/2014 on packaged retail and insurance-based investment products, created, distributed or recommended by insurance companies for unemployment and/or vocational training, which are not subject to the express competence of the Commission;"

c) the words "of Regulation 648/2012, Regulation (EC) No. 1286/2014, Regulation (EU) 2015/2365 and of the instruments acts for their implementation" shall be added at the end of item 11;

d) a new item 14 shall be created:

"14. issue penal decrees for the imposition of fines and pecuniary sanctions for violations of Regulation 648/2012, Regulation (EU) No. 1286/2014, Regulation (EU) 2015/2365 and of the instruments for their implementation;".

7. In Article 17a:

a) in paragraph 3:

aa) the words "including communication channels for acceptance of complaints and signals" shall be added at the end of item 1;

bb) Item 2 shall be repealed;

cc) in paragraph 3 the words "a signal shall besubmitted" shall be replaced by "the complaint or the signal shall be submitted";

b) paragraphs 6 – 9 shall be created:

"(6) The submission of a complaint or a signal under paragraph 3 may not serve as grounds for seeking liability from the person having submitted the complaint or the signal for disclosing confidential information or other information protected by law or contract.

(7) The submission of a complaint or a signal may not serve as grounds for adverse or unfair treatment of the employees of the relevant regulated person, when they have filed complaints or signals of violations by the regulated person.

(8) The persons working under employment contract at entities regulated by the Commission and who have submitted a complaint or a signal under paragraph 3, shall be entitled to protection against disciplinary dismissal under Article 187, paragraph 2 of the Labour Code.

(9) The procedures for exchange of information and cooperation between government bodies involved in the protection of the persons under Paragraph 8, who have submitted complaints or signals, shall be set out in an ordinance adopted by the Council of Ministers."

8. In Article 18:

a) in paragraph 1, items 1 and 6, after the words "Regulation (EU) 2015/760" the words "Regulation (EU) No. 575/2013, Regulation (EU) 600/2014, Regulation (EU) No. 1286/2014, Regulation (EU) 2016/1011, Regulation (EU) 2015/2365" shall be added";

b) in paragraph 3, after the words "Regulation (EU) 2015/760" the words "Regulation (EU) No. 575/2013, Regulation (EU) 600/2014, Regulation (EU) No. 1286/2014, Regulation (EU) 2016/1011, Regulation (EU) 2015/2365" shall be added".

9. In Article 19, paragraph 1, item 1 the words "Regulation (EU) 575/2013" shall be replaced by the words "Regulation (EU) No. 575/2013, Regulation (EU) 600/2014, Regulation (EU) No. 1286/2014, Regulation (EU) 2016/1011, Regulation (EU) 2015/2365".

10. In Article 25, paragraph 10 the words "Article 72e" shall be replaced by "Article 238".

11. In Article 30, paragraph 1:

a) the words "multilateral trading facilities, organised trading facilities and growth markets" shall be added at the end of item 1;

b) new Items 17 – 20 shall be created:

"17. tied agents;

18. data reporting service providers;

19. benchmark administrators, licensed or registered by the Commission in accordance with Regulation (EU) No. 2016/1011;

20. the persons having the recognised competency of responsible actuary."

12. In the Appendix to Article 27, paragraph 1:

a) in section I:

aa) in item II:

aaa) in the text before the table, after the words "Regulation (EU) 2016/2011", the words "Regulation (EU) No. 600/2014" shall be added;

bbb) in lines 2, 3 and 4 of the table, the words "Article 8" shall be replaced by "Article 10" and the words "Article 5, paragraph 2, item 8" shall be replaced by "under article 6, paragraph 2, items 8 and 9";

ccc) in line 5 of the table, after the words "investment firm" the words "for authorisation of" shall be added, after the words "multilateral trading facility" the words "or organised trading facility" shall be added, and the words "this activity" shall be replaced by "these activities";

ddd) in lines 6 and 7 of the table, the words "Article 5, paragraph 2, item 8" shall be replaced by "Article 15";

eee) in line 8 of the table, the words "Article 11, paragraphs 2 and 5" shall be replaced by "Article 13, paragraphs 1 and 7";

fff) in line 12 of the table, after the words "multilateral trading facility" the words "or organised trading facility" shall be added;

ggg) in line 16 of the table, the words "for authorisation under Article 53, paragraph 3 of the MFIA" shall be replaced by "for exemption under Article 4 (1) of Regulation (EU) No. 600/2014";

hhh) in line 17 of the table, the words "Article 7, paragraph 3" shall be replaced by "Article 2, paragraph 2";

iii) in line 18 of the table, the words "Article 24e, paragraph 1" shall be replaced by "Article 11, paragraph 3, items 1 and2 and Article 14, paragraph 5";

jjj) in line 19 of the table, the words "Article 24e, paragraph 2" shall be replaced by "Article 11, paragraph 4";

kkk) in line 20 of the table, the words "for authorisation under Article 98, paragraph 3 of the MFIA" shall be replaced by the words "for authorisation under Article 9, paragraph 1 of Regulation (EU) No. 600/2014";

lll) in line 21 of the table, the words "for authorisation under Article 99, paragraph 3 of the MFIA" shall be replaced by the words "for authorisation under Article 11, paragraph 1 of Regulation (EU) No. 600/2014";

mmm) in line 22 of the table, the words "for approval of the rules under Article 53, paragraph 4 of the MFIA" shall be replaced by the words "for approval under Article 7, paragraph 1 of Regulation (EU) No. 600/2014";

nnn) in line 23 of the table, the words "Article 57, paragraph 1" shall be replaced by the words"Article 112, paragraph 4";

ooo) in line 24 the words "Article 101, paragraph 2" shall be replaced by "Article 188, paragraph 2";

bb) in item V of line 28 of the table, the words "of a national investment fund" shall be added at the end;

b) in section II:

aa) in item I:

aaa) in line 4 of the table, the words "Article 8" shall be replaced by "Article 10", and the words "Article 5, paragraph 2, item 8" shall be replaced by "Article 6, paragraph 2, items 8 and 9";

bbb) in lines 5 and 6 of the table the words "Article 8" shall be replaced by "Article 10", and the words with the exception of the activity under Article 5, paragraph 2, item 8 of the MFIA" shall be deleted;

ccc) in line 7 of the table, the words "Article 8" shall be replaced by "Article 10", and the words "Article 5, paragraph 2, item 8" shall be replaced by "Article 6, paragraph 2, items 8 and 9";

ddd) in line 8 of the table the words "Article 8" shall be replaced by "Article 10" and the words "with the exception of the activity under Article 5, paragraph 2, item 8 of the MFIA" shall be deleted;

eee) in line 9 of the table the words "Article 8, paragraph 3" shall be replaced by "Article 10, paragraphs 3 and 5", and the words "with the exception of the activity under Article 5, paragraph 2, item 8" shall be deleted;

fff) in line 10 of the table, the words "Article 7, paragraph 3" shall be replaced by the words "Article 9, paragraph 2";

ggg) in line 11 of the table, after the words "multilateral trading facility" the words "or organised trading facility" shall be added;

hhh) in line 28 of the table, the words" by a bank or an investment firm, included in the list of depositories" shall be replaced by "by a bank depositary or an investment firm";

bb) In item III the words "Article 5" shall be replaced by "Article 6";

c) in section IV item XI shall be created:

"XI. The amount of the fee for the exercise of common financial supervision of a person which is deregistered from the relevant public register under Article 30 shall be recalculated pro rata for the time during the year in which the person has the quality of a regulated person and the days of the year shall be counted as 360. In the cases referred to in the first sentence, where a fee is paid for the exercise of common financial supervision, part of it may be refunded upon a

request made by the person concerned to the Commission."

§ 17. The Collective Investment Schemes and Other Undertakings for Collective Investments Act (promulgated, SG No. 77/2011; amended, SG No. 21/2012, No. 109/2013, No. 27/2014, Nos. 22 and 34/2015, Nos. 42, 76 and 95/2016 and Nos. 62, 95 and 103/2017) shall be amended and supplemented as follows:

1. In Article 6, paragraph 5 the words "Article 73" shall be replaced by"Article 152, paragraphs 1 and 2" and the words "under § 1, item 19" shall be replaced by "under § 1, item 17".

2. In Article 19, paragraph 1, item 6 shall be amended as follows:

"6. grossly or systematically violates the provisions of this Act, the instruments for its implementation and Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No. 648/2012 (OJ, L 337/1 of 23 December 2015), hereinafter referred to as "Regulation (EU) 2015/2365"."

3. In Article 24a, paragraph 1 in the text before item 1, the words "Article 73" shall be replaced by "Article 152, paragraphs 1 and 2" and the words "§ 1, item 19" shall be replaced by "§ 1, item 17".

4. In Article 34 the words "§ 1, item 26 (b)" shall be replaced by the words "§ 1, item 79 (b)" and the words "Article 34, paragraphs 2 – 4" shall be replaced by "Articles 92 and 93".

5. In Article 35, paragraph 2:

a) in item 1, the words "Article 5, paragraph 3, item 1" shall be replaced by "Article 6, paragraph 3, item 1";

b) In item 4, the words "Article 11" shall be replaced by the words "Article 12".

6. In Article 38, paragraph 1, item 1 and 2 the words "Article 73" shall be replaced by "Article 152, paragraphs 1 and 2".

7. In Article 53a the words "Article 73" shall be replaced by "Article 152, paragraphs 1 and 2" and the words "§ 1, item 19" shall be replaced by "§ 1, item 17".

8. In Article 56, paragraph 1 the words "shall be submitted to the Commission" shall be replaced by "within the same time limit shall be submitted to the Commission".

9. In Article 58:

a) in paragraph 1, after the word "provide" the word "immediately" shall be added;

b) in paragraph 2 the words "and shall be available until the next update" shall be added at the end.

10. In Article 64, paragraph 1 the words "announce to the Commission and" shall be deleted.

11. In Article 86, paragraph 3 shall be amended to read as follows:

"(3) For the management company which provides services under paragraph 2, § 4, paragraph 3 of the additional provisions of the Markets in Financial Instruments Act shall apply."

12. In Article 90, paragraph 2 sentence three shall be created: "The management company shall comply with the relevant requirements of Regulation (EU) No. 575/2013 in determining the amount of its equity."

13. In Article 100, paragraph 1, item 6 the words "Article 35, paragraph 1" shall be replaced by "Article 90, paragraph 1", and after the words "the Measures against Market Abuse with Financial Instruments Act" shall be supplemented by the words "of Regulation (EU) 2015/2365".

14. In Article 101 (1), the words "Article 23" shall be replaced by "Article 32".

15. Article 107 shall be amended to read as follows:

"Article 107. § 4, paragraph 2 of the Markets in Financial Instruments Act shall apply to the

management company."

16. In Article 108:

a) the words "in the event their professional activities have a significant impact on the risk profile of the collective investment schemes managed by the management company" shall be added at the end of paragraph 1;

b) a new Paragraph (2) shall be created:

"(2) The remunerations under paragraph 1 shall not include extra payments or benefits, which are part of a common non-discretionary policy applicable to the entire management company and which do not encourage risk-taking.";

c) the existing paragraphs 2, 3 and 4 shall become paragraphs 3, 4 and 5;

d) a new paragraph 6 shall be created:

"(6) The management company may waive the requirements of paragraph 3, items 11 – 13 for the persons under paragraph 1 if the total amount of the annual variable remuneration of the person concerned does not exceed 30 per cent of his/her total fixed remuneration and does not exceed BGN 30,000";

e) the existing paragraphs 5 and 6 shall become paragraphs 7 and 8;

f) paragraph 9 shall be created:

"(9) For the purposes of this Article, fixed remunerations shall be all payments or other benefits, which are defined in advance and do not depend on the result achieved. For the purposes of this Article, variable remunerations shall be all extra payments or other benefits which are determined and paid, depending on the result achieved or other contractually negotiated conditions.";

g) the existing paragraphs 7 and 8 shall become paragraphs 10 and 11;

17. In Article 108a, paragraph 5 the words "paragraph 7" shall be replaced by "paragraph 10".

18. In Article 172, paragraph 3 the words "Article 12" shall be replaced by "Article 77, paragraph 2".

19. In Article 177, paragraph 1, item 4, the words "Article 12" shall be replaced by "Article 77, paragraph 2".

20. In Article 178, paragraph 1, item 3 the words "Article 12" shall be replaced by "Article 77, paragraph 2".

21. In Article 181, paragraph 2, the words "Article 23" shall be replaced by "Article 32".

22. In Article 182, paragraph 3, third sentence shall be amended as follows: "Articles 56, 57, 58 and 63 herein shall apply mutatis mutandis."

23. In Article 204, paragraph 1, item 6, the words "Article 35, paragraph 1" shall be replaced by "Article 90, paragraph 1" and after the words "Regulation (EU) No. "596/2014" the words "Regulation (EU) 2015/2365" shall be added.

24. In Article 205, paragraph 1, the words "Article 23" shall be replaced by "Article 32".

25. In Article 212, paragraph 1, item 6, the words "Article 35, paragraph 1" shall be replaced by "Article 90, paragraph 1" and after the words "Regulation (EU) No. "596/2014" the words "Regulation (EU) 2015/2365" shall be added.

26. In Article 222, paragraph 4, first sentence, the words "Deputy Chairman" shall be replaced by "the Commission".

27. In Article 224, paragraph 2, the words "Articles 26 – 26e" shall be replaced by "Article 53 – 57 and Article 59", the words "Article 26b, paragraph 4" shall be replaced by "Article 56, paragraph 1", and the words "Article 26c" shall be replaced by "Article 56, paragraphs 2 – 5".

28. In Article 228, paragraph 2, the words "Article 4, paragraph 2, Article 24, paragraphs 1

– 3, 7 and 8, Article 27, paragraphs 4 – 7, Articles 28, 29, Article 32, paragraph 6, and Articles 33 and 34" shall be replaced by "Article 5, paragraph 4, Article 65, paragraphs 1, 2, 4 and 5, Article 71, 72, 73, 76, 78, 79, 81, Article 82, paragraph 2, Article 86, 90, Article 91, paragraph 1, Article 92, Article 93, paragraphs 1, 3, 4 and 5 and Article 94."

29. In Article 233, paragraph 1, item 2 everywhere the words "Article 34, paragraph 3, items 1 – 3" shall be replaced by "Article 93, paragraph 1, items 1 – 3".

30. In Article 234 everywhere the words "Article 73" shall be replaced by the words "Article 152, paragraphs 1 and 2".

31. In Article 235, paragraph 1, item 5 the words "Article 73" shall be replaced by "Article 152, paragraphs 1 and 2".

32. In Article 242:

a) in paragraph 1, the words "§ 1, Item 9" shall be replaced by the words "§ 1, Item 10";

b) in paragraph 2, the words "§ 1, Item 10" shall be replaced by the words "§ 1, Item 11".

33. In Article 247 the words "§ 1, item 9" shall be replaced by the words "§ 1, item 10", and the words "§ 1, item 10" shall be replaced by the words "§ 1, item 11".

34. In Article 246 the words "Article 73" shall be replaced by "Article 152, paragraphs 1 and 2".

35. In Article 250:

a) in paragraph 1, the words "§ 1, Item 9" shall be replaced by the words "§ 1, Item 10";

b) in paragraph 2, the words "§ 1, Item 10" shall be replaced by the words "§ 1, Item 11".

36. In Article 264:

a) in paragraph 3, the words "Article 118, paragraph 1" shall be replaced by "Article 276, paragraph 1";

b) a new paragraph 5 shall be created:

"(5) The coercive administrative measures referred to in paragraph 1, items 1 and 3 may furthermore apply to persons carrying on business without a licence or authorisation, which are required under this Act.";

c) the existing paragraphs 5 and 6 shall become paragraphs 6 and 7;

d) a new paragraph 8 shall be created:

"(8) Should it establish that regulated entities, their employees, persons performing managerial functions under a contract have carried on or are carrying on business in breach of Regulation (EU) 2015/2365 or of its implementing instruments, the Commission, acting on a proposal from the Deputy Chairperson, may apply the measures referred to in Article 22, paragraph 4, letters "a", "b" and "d" of Regulation (EU) 2015/2365."

37. (Effective 1.01.2020 - SG No. 15/2018) Article 264a shall be created:

"Article 264a. (1) Should it establish that regulated entities, their employees, persons performing managerial functions under a contract have carried on or are carrying on business in breach of Regulation (EU) 1286/2014 of the European Parliament and of the Commission of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) (OJ, L 52/1 of 9 December 2014) (Regulation (EU) No. 1286/2014) or of its implementing instruments, the Commission, acting on a proposal from the Deputy Chairperson, may apply the measures referred to in Article 24, paragraph 2, letters "a" – "d" of Regulation (EU) 1286/2014."

(2) When determining the type of coercive measure under paragraph 1, the Commission shall take into account the circumstances under Article 25 of Regulation (EU) No 1286/2014.

(3) Where the Commission has applied the measures referred to in paragraph 1 or the Deputy Chairperson has imposed an administrative penalty under Article 273b, the Commission,

the Deputy Chairperson of the Commission respectively, may require from the person on whom a coercive administrative measure has been imposed, to send a notification to the investor, providing therewith information about the coercive administrative measure or the administrative penalty imposed thereon, and shall inform him/it where to lodge a complaint or a claim for damages.

(4) Articles 265 – 267 shall apply mutatis mutandis."

38. In Article 273, paragraph 1, item 10, after the words "Article 102, paragraphs 1 and 2" the words "and of Articles 13 and 14 of Regulation (EU) 2015/2365" shall be added.

39. (Effective 1.01.2020 - SG No. 15/2018) Article 273b shall be created:

"Article 273b. (1) A person holding a managerial position in an investment company, management company or a person managing an alternative investment fund, which commits or allows the commitment of a violation of Article 5, paragraph 1, Article 6, Article 7, Article 8, paragraphs 1 – 3, Article 9, Article 10, paragraph 1, Article 13, paragraphs 1, 3 and 4, Articles 14 and 19 of Regulation (EU) No. 1286/2014, shall be liable to a fine from BGN 2,500 to BGN 1,400,000, and for a repeated violation, from BGN 5,000 to BGN 2,800,000.

(1) A person holding a managerial position in an investment company, management company or a person managing an alternative investment fund, which commits or allows the commitment of a violation of Regulation (EU) No. 1286/2014, except for the cases under paragraph 1 or an implementing instrument thereof, shall be liable to a fine from BGN 1,500 to BGN 700,000, and for a repeated violation, from BGN 3,000 to BGN 1,400,000.

(3) An investment company, management company or a person managing an alternative investment fund, which commits or allows the commitment of a violation of Article 5, paragraph 1, Article 6, Article 7, Article 8, paragraphs 1 – 3, Article 9, Article 10, paragraph 1, Article 13, paragraphs 1, 3 and 4, Articles 14 and 19 of Regulation (EU) No. 1286/2014, shall be liable to a fine from BGN 20,000 to BGN 10,000,000, and for a repeated violation, from BGN 40,000 to BGN 20,000,000.

(3) An investment company, management company or a person managing an alternative investment fund, which commits or allows the commitment of a violation of Regulation (EU) No. 1286/2014, except for the cases under paragraph 3, or an implementing instrument thereof, shall be liable to a pecuniary sanction from BGN 10,000 to BGN 5,000,000, and for a repeated violation, from BGN 20,000 to BGN 10,000,000.

(5) When determining the type of administrative punishment the Deputy Chairperson shall take into account the circumstances referred to in Article 25 of Regulation (EU) No 1286/2014."

40. In Article 274, paragraph 1, after the words "Article 273" the words "and Article 273b" shall be added.

41. In Article 275:

a) paragraph 1 shall be amended as follows:

"(1) The Commission and the Deputy Chairperson shall disclose on the Commission’s website each enforced measure and each penalty imposed for violation of the provisions of this Act and its implementing instruments after notification of the entity concerned thereof. The information which is subject to disclosure shall include at the least details about the violation, the infringing person, the measure enforced or the penalty imposed, whether is was appealed, the instance before which it was appealed and the result of the appeal.";

b) Paragraph 2 shall be repealed.

42. In § 1 of the Supplementary Provisions:

a) in item 20, the words "§ 1, item 25" shall be replaced by the words "§ 1, item 27";

b) in item 24, the words "Article 3" shall be replaced by "Article 4";

c) In item 25, the words "Article 73" shall be replaced by "Article 152, paragraphs 1 and 2", and the words "§ 2, item 19" shall be replaced by "§ 1, item 17";

d) in item 35, letter "a", the words "Article 73" shall be replaced by the words "Article 152, paragraphs 1 and 2";

d) in item 38, the words "§ 1, Item 6" shall be replaced by the words "§ 1, Item 7".

§ 18. § 1 of the additional provisions of the Supplementary Supervision of Financial Conglomerates Act (promulgated, SG No. 59/2006; amended, No. 52/2007, Nos. 77 and 105/2011, No. 70/2013, No. 27/2014, No. 102/2015, No. 95/2016, Nos. 95 and 103/2017) shall be amended as follows:

1. In item 3, the words "Article 5, paragraphs 2 and 3" shall be replaced by "Article 6, paragraphs 2 and 3".

2. In item 19, letter "b", the words "Article 8, paragraph 6" shall be replaced by the words "Article 10, paragraph 7".

§ 19. The Special Purpose Investment Companies Act (promulgated, SG No. 46/2003, amended, No. 109/2003, No. 107/2004, Nos. 34, 80, 105/2006, Nos. 52 and 53/2007, No. 77/2011, Nos. 34 and 95/2015 and Nos. 62 and 103/2017) shall be amended and supplemented as follows:

1. In Article 13, paragraph 3, the words "Article 8, paragraph 2" shall be replaced by "Article 10, paragraph 2".

2. In Article 28, the words "Articles 21 and 23" shall be replaced by "Articles 28 and 32".

§ 20. The Public Offering of Securities Act (promulgated, SG No. 114/1999; amended, Nos. 63 and 92/2000, Nos. 28, 61, 93 and 101/2002, Nos. 8, 31, 67 and 71/2003, No. 37/2004, Nos. 19, 31, 39, 103 and 105/2005, Nos. 30, 33, 34, 59, 63, 80, 84, 86 and 105/2006, Nos. 25, 52, 53 and 109/2007, Nos. 67 and 69/2008, Nos. 23, 24, 42 and 93/2009, No. 43 and 101/2010, Nos. 57 and 77/2011, Nos. 21 and 94/2012, Nos. 103 and 109/2013, Nos. 34, 61, 62, 95 and 102/2015, Nos. 33, 42, 62 and 76/2016, Nos. 62, 91 and 95/2017 and No. 7/2018) shall be amended and supplemented as follows:

1. In Article 77b, paragraph 1, item 2, and paragraph 2, the words "Article 20, paragraph 2, item 3" shall be replaced by "Article 27, paragraph 1, item 6".

2. In Article 77c, paragraph 2, the words "Article 5, paragraphs 2 and 3" shall be replaced by "Article 6, paragraphs 2 and 3".

3. In Article 77d, paragraph 2, item 14, the words "Article § 1, item 9" shall be replaced by the words "§ 1, item 10".

4. In Article 77f, paragraph 3, item 1 and 2 the words "Article 5, paragraphs 2 and 3" shall be replaced by "Article 6, paragraphs 2 and 3".

5. In Article 77m, paragraph 1, the words "Article 5, paragraphs 2 and 3" shall be replaced by "Article 6, paragraphs 2 and 3".

6. In Article 77n, paragraph 1, the words "Article 118, paragraph 1" shall be replaced by the words "Article 276, paragraph 1".

7. In Article 77x, item 1 the words "Article 36, paragraph 1 of" shall be replaced by the words "§ 1, item 10 of the additional provisions of", the words "§ 1, item 29 of the additional provisions of" shall be replaced by "Article 89, paragraph 2 of" and the words "in accordance with § 4 of the transitional and concluding provisions of the Markets in Financial Instruments Act" shall be deleted.

8. Article 100z, paragraph 4 shall be amended as follows:

"(4) The Commission in accordance with the procedure of Article 212a, paragraph 6 shall disclose on its website, as soon as possible, any administrative measure applied and any penal

decree issued for violating the provisions of this chapter and of the acts for its implementation."

9. In Chapter Seven in the title of section IV, the words "Article 3" shall be replaced by "Article 4".

10. In Article 109a, paragraph 1, the words "Article 3" shall be replaced by "Article 4".

11. In Article 110, everywhere the words "Article 30, paragraph 1, item 3" shall be replaced by "Article 30, paragraph 1, item 5".

12. In Article 112b, paragraph 1, the words "Article 8, paragraph 2" shall be replaced by "Article 10, paragraph 2".

13. In Article 119, everywhere the words "Article 30, paragraph 1, item 3" shall be replaced by "Article 30, paragraph 1, item 5".

14. In Article 122, paragraph 3, item 1, the words "Article 30, paragraph 1, item 3" shall be replaced by "Article 1, paragraph 1, item 5".

15. In Article 126e, paragraph 2, the words "Article 30, paragraph 1, item 3" shall be replaced by the words "Article 30, paragraph 1, item 5".

16. In Article 130, paragraph 2, the words "Article 85, paragraphs 3 and 4" shall be replaced by the words "Article 167, paragraphs 4 and 5".

17. In Article 133, paragraph 5, item 2, the words "Article 35, paragraphs 6 and 7" shall be replaced by "Article 91, paragraphs 2 and 3".

18. In Article 135, paragraph 1, the words "Article 30, paragraph 1, item 1" shall be replaced by "Article 30, paragraph 1, item 5".

19. In Article 136:

a) in paragraph 1, the words "Article 41, paragraph 1" shall be replaced by "Article 133, paragraph 1";

b) in paragraphs 3 and 5, the words "Article 5, paragraph 3, item 1" shall be replaced by "Article 6, paragraph 3, item 1".

20. In Article 145, paragraph 5, item 1, the words "Article 8, paragraph 1" shall be replaced by "Article 10, paragraph 1".

21. In Article 146, paragraph 3:

a) the words preceding item 1 "§ 1, item 7" shall be replaced by "§ 1, item 8";

b) in item 1, the words "Article 5, paragraph 2, item 4" shall be replaced by the words "Article 6, paragraph 2, item 4".

22. In Article 149, paragraph 12, the words "Article 8, paragraph 2" shall be replaced by "Article 10, paragraph 2".

23. In Article 212a:

a) paragraph 6 shall be amended as follows:

"(6) The Commission shall disclose on its website, as soon as possible, any coercive administrative measure imposed and any penal decree issued for violating the provisions of this Act and its implementing instruments, and shall specify at least information about the type and nature of the violation, the identity of the natural person or details about the legal entity on which the measure or the penalty is imposed. Disclosure under the first sentence shall be made after consideration of its proportionality.";

b) paragraphs 7 and 8 shall be created:

"(7) In case of appeal of the decision on the imposition of the measure or the penal decree, included in the disclosure under paragraph 6 shall also be information on the appeal, and where the complaint is filed after the initial disclosure, the information disclosed shall be updated.

(8) Disclosure under paragraph 6 may be postponed or made without stating any details about the person on whom the measure is imposed or the penalty is enforced, where:

1. the disclosure of personal data about the natural person on whom a penal decree is enforced is not proportionate;

2. the disclosure would seriously jeopardise the stability of financial markets or would cause disproportionate damage to the parties that this information pertains to, or would hinder the institution of criminal proceedings."

24. In item 2 of § 1 of the additional provisions, the words "Article 3" shall be replaced by "Article 4".

§ 21. In the Accounting Act (promulgated, SG No. 95/2015; amended, SG Nos. 74, 95 and 97/2016, Nos. 85, 91 and 97/2017) in § 1, item 23 of the additional provisions, the words "Article 73" shall be replaced by "Article 152, paragraph 1".

§ 22. The Recovery and Resolution of Credit Institutions and Investment Firms Act (promulgated, SG No. 62/2015; amended, SG No. 59/2016, Nos. 85, 91 and 97/2017) shall be amended and supplemented as follows:

1. In Article 1:

a) in paragraph 1, item 2, the words "Article 5, paragraph 2, items 3 and 6 and under Article 5, paragraph 3, item 1" shall be replaced by "Article 6, paragraph 2, items 3 and 6 and under Article 6, paragraph 3, item 1";

b) in paragraph 2, the words "Article 5, paragraph 2" shall be replaced by "Article 6, paragraph 2".

2. In Article 6, paragraph 1, the words "Article 24" shall be replaced by "Article 65".

3. In Article 7, paragraph 8, the words "Article 118, paragraphs 1 and 2" shall be replaced by "Article 276, paragraphs 1 and 2".

4. In Article 10, paragraphs 6 and 9, the words "Article 118, paragraph 1, items 11 and 17" shall be replaced by "Article 276, paragraph 1, items 11 and 17".

5. In item 1 of Article 25, paragraph 1, the words "Article 5" shall be replaced by "Article 6".

6. In Article 44, paragraph 3:

a) in item 3, the words "Article 118, paragraph 1, item 2" shall be replaced by "Article 276, paragraph 1, item 2";

b) in item 4, the words "Article 11" shall be replaced by the words "Articles 12 and 13".

7. In Article 46:

a) in paragraph 2, the words "Article 11, paragraphs 2 and 3" shall be replaced by "Article 13, paragraphs 1, 2, 3, 4";

b) in paragraph 5, the words "Article 11, paragraph 7" shall be replaced by "Article 15".

8. In Article 54:

a) in paragraph 2, the words "Article 11, paragraph 2, items 1 – 4 and items 6 – 10, paragraph 3 and Article 123, paragraph 2" shall be replaced by "Article 13, paragraphs 1 – 4 and Article 286, paragraph 2";

b) in paragraph 3, the words "Article 11, paragraph 7" shall be replaced by "Article 15".

9. In Article 58, everywhere the words "Articles 26b and 26c" shall be replaced by "Article 53, paragraph 3 and Articles 55 – 57", and the words "Article 118, paragraph 1 and Article 127" and "Article 118, paragraph 1 and under Article 127" shall be replaced by "Article 276, paragraph 1 and Article 290".

10. In Article 66, paragraph 3, the words "Article 24, paragraph 9" shall be replaced by "Article 65, paragraph 1, item 14".

11. In Article 74, paragraph 5, the words "Article 26 – 26e" shall be replaced by "Articles 53 – 59".

12. In Article 93, paragraph 6, the words "Article 118, paragraph 1" shall be replaced by "Article 276, paragraph 1".

13. In Article 94, paragraph 2, item 13, the words "Article 26b, paragraph 4" shall be replaced by "Article 56, paragraph 1".

14. In Article 122, paragraph 2, the words "Article 70" shall be replaced by "Article 231".

15. In the additional provisions:

a) in § 1, item 12, the words "under Article 68a" shall be replaced by "Article 228";

b) in § 2, paragraph 2, the words "Chapter Two, Section IIa" shall be replaced by "Chapter Ten, Sections II – V".

§ 23. The Implementation of the Measures against Market Abuse with Financial Instruments Act (promulgated, SG No. 76/2016; amended, No. 105/2016 and No. 95/2017) shall be amended and supplemented as follows:

1. In Article 3:

a) the existing text shall become paragraph 1;

b) paragraph 2 shall be created:

"(2) The Financial Supervision Commission shall adopt an ordinance for the factors to be considered by the persons entitled to do market research when they disclose information within a market study to assess whether the information constitutes inside information, on the measures these persons should consider if inside information is disclosed thereto in order to comply with Articles 8 and 10 of Regulation (EU) No. 596/2014, and on the records such persons shall keep in connection with the compliance with Articles 8 and 10 of Regulation (EU) No. 596/2014."

2. In Article 4, paragraph 2, the words "and Article 33" shall be replaced by "Articles 33 and 34".

3. In Article 17, paragraph 1, after the words "having submitted a notification of violation" the words "or against whom a notification of violation has been submitted" shall be added;

4. In Article 23:

a) In paragraph 1:

aa) in paragraph 1, the words "Articles 18, 19 or 20 of Regulation (EU) No. 596/2014" shall be replaced by "Article 4, paragraph 1, Article 11, Article 18, Article 19 or Article 20 of Regulation (EU) No. 596/2014 or of the instruments for the implementation of Article 4, Article 11, Article 18, Article 19 or Article 20 of Regulation (EU) No. 596/2014";

bb) in item 2, after the words "Article 16 of Regulation (EU) No. 596/2014" the words "or of the instruments for the implementation of Article 16 or 17 of Regulation (EU) No. 596/2014" shall be added;

cc) item 4 shall be created:

"4. the ordinance under Article 3, paragraph 2, shall be liable to a fine from BGN 500 to BGN 250,000, and in the event of a repeated infringement, from BGN 1,000 to BGN 500,000, if the act does not constitute a crime;"

b) in paragraph 2:

aa) in item 2, the words "up to BGN 5,000,000" shall be replaced by "the higher amount between BGN 5,000,000 and 2 per cent of the annual turnover of the person according to his latest report, approved by the management body";

bb) in item 3, the words "up to BGN 30,000,000" shall be replaced by "the higher amount between BGN 30,000,000 and 15 per cent of the annual turnover of the person according to his latest report, approved by the management body";

cc) item 4 shall be created:

"4. for violations under paragraph 1, item 4: from BGN 500 or exceeding this amount but

not exceeding BGN 1,000,000 and for a repeated violation, from BGN 2,000 or exceeding this amount but not exceeding BGN 1,000,000";

c) a new paragraph 9 shall be created:

"(9) Where the person is a parent company or a subsidiary, the relevant annual turnover under paragraph 2, items 2 and 3 shall be the total annual turnover in the consolidated statements of the ultimate parent company for the previous year."

§ 24. In the Act Restricting Administrative Regulation and Administrative Control over Economic Activity (promulgated in the State Gazette No. 55/2003; corrected, No. 59/2003; amended, No. 107/2003, Nos. 39 and 52/2004, Nos. 31 and 87/2005, Nos. 24, 38 and 59/2006, Nos. 11 and 41/2007, No. 16/2008, Nos. 23, 36, 44 and 87/2009, Nos. 25, 59, 73 and 77/2010, Nos. 39 and 92/2011, Nos. 26,53 and 82/2012, No. 109/2013, Nos. 47 and 57/2015 and No. 103/2017) in item 3 of the Appendix, after the words "investment firm" the words "data reporting services provider" shall be added.

§ 25. The Public Procurement Act (promulgated in the State Gazette No. 13/2016; amended, No. 34/2016, Nos. 63, 85, 96 and 102/2017 and No. 7/2018) shall be amended and supplemented as follows:

1. In Article 13, paragraph 1, item 8a:

a) the text before "a" shall be amended as follows: "For services provided to:";

b) in letter "a" in the beginning the words "the Bulgarian National Bank, relating to" shall be added;

c) in letter "b" in the beginning the words "the Bulgarian National Bank and the Financial Supervision Commission, relating to" shall be added;

d) in letter "c" in the beginning the words "the Bulgarian National Bank, relating to" shall be added.

2. In Article 31, paragraph 1, item 5 the words "unless the contract is entered into under general terms or a normative act defines its compulsory content" shall be added at the end.

3. In Article 54, paragraph 1, item 6, the words "a coercive administrative measure under Article 404 of the Labour Code" shall be deleted.

§ 26. (1) For the award of public procurement contracts, the conclusion of framework agreements and conducting competitions for projects for which after the entry into force of this Act a decision of opening a procedure has been made, a notice under Article 187, paragraph 1 of the Public Procurement Act has been published or a call under Article 82, paragraph 4, paragraph 1 and Article 191 of the Public Procurement Act has been sent, the removal under Article 54, paragraph 1, item 6 of the Public Procurement Act for violations under Article 61, paragraph 1, Article 62, paragraph 1 or 3, Article 63, paragraph 1 or 2 and Article 228, paragraph 3 of the Labour Code shall apply, provided the violations are committed after its entry into force.

(2) For the award of public procurement contracts, the conclusion of framework agreements and conducting competitions for projects for which until the entry into force of this Act a decision of opening a procedure has been made, a notice under Article 187, paragraph 1 of the Public Procurement Act has been published or a call under Article 82, paragraph 4, paragraph 1 and Article 191 of the Public Procurement Act has been sent, the removal under Article 54, paragraph 1, item 6 of the Public Procurement Act for violations under Article 61, paragraph 1, Article 62, paragraph 1 or 3, Article 63, paragraph 1 or 2 and Article 228, paragraph 3 of the Labour Code shall not apply to violations committed until its entry into force, unless the act of the contracting authority on removal of the person has entered into force.

§ 27. The award of public procurement contracts, the conclusion of framework agreements and conducting competitions for projects for which before the entry into force of this Act a

decision on opening a procedure has been made, a notice has been published under Article 187, paragraph 1 of the Public Procurement Act or a call has been sent under Article 191 of the Public Procurement Act, except for the cases under § 26, shall be completed according to the hitherto effective procedure.

§ 28. In Article 143, paragraph 4 and Article 143f, paragraph 6 of the Tax and Social-Insurance Procedure Code (promulgated in the State Gazette No. 105/2005; amended, Nos. 30, 33, 34, 59, 63, 73, 80, 82, 86, 95 and 105/2006, Nos. 46, 52, 53, 57, 59, 108 and 109/2007, No. 36, 69 and 98/2008, Nos. 12, 32, 41 and 93/2009, Nos. 15, 94, 98, 100 and 101/2010, No. 14, 31, 77 and 99/2011, Nos. 26, 38, 40, 82, 94 and 99/2012, Nos. 52, 98, 106 and 109/2013, No. 1/2014; Decision No. 2 of the Constitutional Court of the Republic of Bulgaria of 2014, SG No. 14/2014; amended and supplemented, Nos. 18, 40, 53 and 105/2014, Nos. 12, 14, 60, 61 and 94/2015, Nos. 13, 42, 58, 62, 97 and 105/2016, Nos. 58, 63, 85, 92 and 103/2017 and No. 7/2018), the words "Article 35, paragraph 2" shall be replaced by "Article 90, paragraph 2".

§ 29. The Credit Institutions Act (promulgated in the State Gazette No. 59/2006; amended, No. 105/2006, Nos. 52, 59 and 109/2007, No. 69/2008, Nos. 23, 24, 44, 93 and 95/2009, Nos. 94 and 10/2010, Nos. 77 and 105/2011, Nos. 38 and 44/2012, Nos. 52, 70 and 109/2013, Nos. 22, 27, 35 and 53/2014, Nos. 14, 22, 50, 62 and 94/2015, Nos. 33, 59, 62, 81, 95 and 98/2016 and Nos. 63, 97 and 103/2017) shall be amended and supplemented as follows:

1. Article 1, paragraph 2 shall be amended as follows:

"(2) The Bulgarian National Bank shall be the competent authority in the Republic of Bulgaria for the exercise of:

1. supervision of banks within the meaning of Article 4, paragraph 1, item 40 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (OJ, L 176/1 of 27 June 2013), hereinafter referred to as "Regulation (EU) No. 575/2013";

2. the powers under Article 4, paragraph 2 and Article 11, paragraphs 6, 8 and 10 of Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories, hereinafter referred to as "Regulation (EU) No. 648/2012", in respect of financial counterparties under Article 2, item 8 of Regulation (EU) No. 648/2012, which are banks."

2. In Article 2, paragraph 2, item 9, the words "Article 5, paragraphs 2 and 3" shall be replaced by "Article 6, paragraphs 2 and 3".

3. In Article 14, paragraph 2, the words "Article 5, paragraphs 2 and 3" shall be replaced by "Article 6, paragraphs 2 and 3".

4. In Article 16, paragraph 2, the words "Article 5, paragraphs 2 and 3" shall be replaced by "Article 6, paragraphs 2 and 3".

5. Article 21a shall be created:

"Article 21a. (1) A bank, licensed in a Member State, may carry out the activities under Article 2, paragraph 2, item 9 under the conditions of Article 20, paragraph 1 and through a tied agent based in the Republic of Bulgaria.

(2) The bank may begin to carry out the activities through a tied agent following receipt of a notification by the BNB or if it fails to receive such notification, within two months of receipt of the notification by the competent authority of the sending State.

(3) Where the bank operates through a branch and through a tied agent established on the territory of the Republic of Bulgaria, the tied agent shall be considered part of the branch. In the course of business only through a tied agent based in the Republic of Bulgaria, the requirements

for a branch shall apply to the tied agent."

6. In Article 22:

a) the existing text shall become paragraph 1;

(b) there shall be added the following new Paragraphs (2) and (3):

"(2) In the cases where the bank under paragraph 1 will operate under Article 2, paragraph 2, item 9 through tied agents, which are based in the sending State, the BNB shall publish the details received from the competent authority of the host State for such tied agents.

(3) The bank under paragraph 1 may provide remote access to a multilateral trading facility organised thereby or to an organised trading facility to members or participants based in Republic of Bulgaria. In this case, the BNB may request from the competent authority of the sending State information about the members or participants in the multilateral trading facility which is based in the Republic of Bulgaria."

7. In Article 23:

a) new paragraphs 10 and 11 shall be created:

"(10) A bank, licensed in the Republic of Bulgaria, may also carry out the activities under Article 2, paragraph 2, item 9 under the conditions of paragraph 1 through a tied agent based in another Member State. The bank shall notify BNB in writing of its intention to use a tied agent in another Member State. The notification shall contain information about:

1. the Member State in which it intends to carry on business through tied agents based in that State;

2. the action plan, including a description of the services and/or activities under Article 6, paragraphs 2 and 3 of the Markets in Financial Instruments Act, which it intends to carry out;

3. details about the tied agents, where a branch is created, which will operate through tied agents;

4. when the bank will carry on business through tied agents in a State in which there is no opened branch, it shall submit a description of the activity to be performed by the tied agents and the organisational structure, including the responsibilities of tied agents to report and their place within the corporate structure of the bank;

5. address for correspondence in the host country;

6. the persons entrusted with the management of the tied agents.

(11) Should the BNB deem that the contemplated activity within the territory of another Member State does not comply with the organisational structure and financial position of the bank, within three months of receipt of the notification and all the documents referred to in paragraph 10, the BNB shall communicate the received information to the competent authorities of the host Member State, and shall notify the applicant bank thereof. Paragraphs 3 and 5 – 9 shall apply mutatis mutandis.";

b) the present paragraph 10 shall become paragraph 12;

c) the existing paragraph 11 shall become paragraph 13 and the words "under paragraph 10" shall be replaced by the words "under paragraph 12";

d) paragraphs 14 and 15 shall be created:

"(14) Where the bank under paragraph 12 intends to carry out the activities under Article 2, paragraph 2, item 9 through tied agents, the notification shall also specify details about the tied agents. In the cases where the tied agents through which the bank will carry out activities are based in the Republic of Bulgaria, within one month of receipt of the notification, the BNB shall send to the competent authorities of the host State particulars of the tied agents. Paragraph 9 shall apply mutatis mutandis.

(15) Where the bank under paragraph 12 intends to provide remote access to a multilateral

trading facility organised thereby or an organised trading facility to members or participants based on the territory of another Member State, it shall notify the BNB in advance of the Member State wherein it intends to conduct such activity. The BNB shall provide the information under sentence one to the relevant competent authority of the host State within one month from receipt thereof and shall furthermore provide on request information about the members or participants in the multilateral trading facility organised, which is based in the host Member State."

8. In Article 79c, paragraph 1 in the text before item 1, after the words "Regulation (EU) No. 575/2013" a comma shall be inserted and the words "Regulation (EU) No. 648/2012" shall be added.

9. In Article 103:

a) in paragraph 8, the words "Article 5, paragraphs 2 and 3" shall be replaced by "Article 6, paragraphs 2 and 3";

b) the text "and of Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No. 648/2012 (OJ, L 337/1 of 23 December 2015), hereinafter referred to as "Regulation (EU) 2015/2365" shall be added at the end of paragraph 12.

10. In Article 152, paragraph 1, after the words "Regulation (EU) No. 575/2013" the words "of Regulation (EU) No. 648/2012, of Regulation (EU) 2015/2365" shall be added.

11. In § 1, Paragraph 1 of the Supplementary Provisions:

a) in item 6b, letter "c" the words "Article 5, paragraph 2, item 6" shall be replaced by "Article 6, paragraph 2, Item 6";

b) in item 6d:

aa) in the text preceding letter "a", the words "§ 1, item 7" shall be replaced by "§ 1, item 8";

bb) in letter "a", the words "Article 5, paragraph 2, Item 4" shall be replaced by the words "Article 6, paragraph 2, item 4".

§ 30. In the Bank Deposit Guarantee Act (promulgated in the State Gazette No. 62/2015; amended, Nos. 96 and 102/2015, No. 103/2017, No. 7/2018) in § 1, item 1, "a" of the additional provisions, the words "Article 3" shall be replaced by "Article 4".

§ 31. In the Independent Financial Audit Act (promulgated in the State Gazette No. 95/2016), in § 1, item 44 of the additional provisions, the words "Article 3" shall be replaced by "Article 4".

§ 32. The Income Taxes on Natural Persons Act (promulgated in the State Gazette No. 95/2006; amended, Nos. 52, 64 and 113/2007, Nos. 28, 43 and 106/2008, Nos. 25, 32, 35, 41, 82, 95 and 99/2009, Nos. 16, 49, 94 and 100/2010, Nos. 19, 31, 35, 51 and 99/2011, Nos. 40, 81 and 94/2012, Nos. 23, 66, 100 and 109/2013, Nos. 1, 53, 98, 105 and 107/2014, and Nos. 12, 22, 61, 79 and 95/2015, Nos 32, 74, 75, 97 and 98/2016, Nos. 58, 63 and 97/2017) in § 1, item 11, letter "a", the words "Article 73" shall be replaced by "Article 152, paragraphs 1 and 2".

§ 33. In the Corporate Income Tax Act (promulgated in the State Gazette No. 105/2006; amended, Nos. 52, 108 and 110/2007, Nos. 69 and 106/2008, Nos. 32, 35 and 95/2009, No. 94/2010, Nos. 19, 31, 35, 51, 77 and 99/2011, Nos. 40 and 94/2012, Nos. 15, 16, 23, 68, 91, 100 and 109/2013, Nos. 1, 105 and 107/2014, and Nos. 12, 22, 35, 79 and 95/2015, Nos. 32, 74, 75 and 97/2016, Nos. 58, 85, 92, 97and 103/2017) in § 1 of the additional provisions, in item 21, letter "a" and in item 70, the words "Article 73" shall be replaced by "Article 152, paragraphs 1 and 2".

§ 34. In the Economic and Financial Relations with Companies Registered in Preferential Tax Treatment Jurisdictions, the Persons Controlled Thereby and Their Beneficial Owners Act

(promulgated in the State Gazette No. 1/2014; amended, Nos. 22 and 102/2015, No. 48/2016 and No. 96/2017) § 1 shall be amended as follows:

1. In item 8, the words "of Article 73" shall be replaced by "of Article 152".

2. In item 9, the words "of § 1, item 19" shall be replaced by "of § 1, item 18, letter "a".

§ 35. In the Judiciary System Act (promulgated in the State Gazette No. 64/2007; amended, Nos. 69 and 109/2008, Nos. 25, 33, 42, 102 and 103/2009; No. 59/2010, Nos. 1, 23, 32, 45, 81 and 82/2011; Constitutional Court Decision No. 10 of 2011, SG No. 93/2011; amended, Nos. 20, 50 and 81/2012, Nos. 15, 17, 30, 52, 66, 70 and 71/2013, Nos. 19, 21, 53, 98 and 107/2014, No. 14/2015, Nos. 28, 39, 50, 62 and 76/2016, No. 13/2017; Constitutional Court Decision No. 1 of 2017, SG No. 14/2017; amended, Nos. 63, 65, 85, 90 and 103/2017 and No. 7/2018) in Article 175b, paragraph 1, item 5, the words "Article 3" shall be replaced by "Article 4".

§ 36. In the Climate Change Mitigation Act (promulgated in the State Gazette No. 22/2014; amended, Nos. 14, 17, 41 and 56/2015, No. 47/2016 and Nos. 12, 58 and 85/2017, No. 7/2018) in Article 53, paragraph 1, item 2, the words "Article 13, paragraphs 1 and 4" shall be replaced by "Article 17, paragraph 1 and Article 24, paragraph 1."

§ 37. The Commerce Act (promulgated in the State Gazette No. 48/1991; amended, No. 25/1992, Nos. 61 and 103/1993, Nos. 63/1994, No. 63/1995, Nos. 42, 59, 83, 86 and 104/1996, Nos. 58, 100 and 124/1997, Nos. 21, 39, 52 and 70/1998, Nos. 33, 42, 64, 81, 90, 103 and 114/1999, No. 84/2000, Nos. 28, 61 and 96/2002, Nos. 19, 31 and 58/2003, Nos. 31, 39, 42, 43, 66, 103 and 105/2005, Nos. 38, 59, 80 and 105/2006, Nos. 59, 92 and 104/2007, SG Nos. 50, 67, 70, 100 and 108/2008, Nos. 12, 23, 32, 47 and 82/2009, Nos. 41 and 101/2010, Nos. 14, 18 and 34/2011, Nos. 53 and 60/2012, Nos. 15 and 20/2013, No. 27/2014, Nos. 22 and 95/2015, Nos. 13 and 105/2016 and Nos. 62 and 102/2017) shall be amended and supplemented as follows:

1. In Article 16:

a) new paragraphs 2, 3 and 4 shall be created:

"(2) The registration shall be made upon presentation by the the transferor of a declaration according to standard form that there are no due and payable and unpaid obligations under Article 5, paragraph 4. The Registry Agency shall immediately inform the Executive Agency "General Labour Inspectorate" of the declaration submitted. The notification procedure shall be determined jointly by the Executive Director of the Executive Agency "General Labour Inspectorate" and the Executive Director of the Registry Agency.

(3) The Executive Agency "General Labour Inspectorate", on alert or on its own initiative, shall check the accuracy of the facts declared according to a procedure determined by the Executive Director. Upon established discrepancy between the declared and established facts, the Executive Agency "General Labour Inspectorate" shall send the results of the examination to the bodies of the Prosecutor's Office.

(4) The model of the declaration under paragraph 2 shall be approved by the Minister of Justice and the Minister of Labour and Social Policy.";

b) the present paragraph 4 shall become paragraph 5.

2. Added at the end of Article 129, paragraph 2 shall be the text "upon submission by the managing director of the company and of the predecessor according to standard form a declaration of absence of due and payable and unpaid obligations under paragraph 1" and a second sentence shall be created: "Article 16, paragraphs 2 – 4 shall apply mutatis mutandis."

3. In Article 687, paragraph 1, the words "within 6 months before the registration of the judgment on opening of insolvency proceedings in the commercial register" shall be deleted.

4. In Article 789, paragraph 1, item 2, the words "occurred within 6 months" shall be replaced by "occurred".

§ 38. The Fiscal Council and Automatic Corrective Mechanisms Act (promulgated in the State Gazette No. 29/2015; amended, No. 43/2016 and No. 103/2017) shall be amended as follows:

1. In Article 15, paragraph 1, the word "three" shall be replaced by "give".

2. Article 16 shall be amended to read as follows:

"Article 16. (1) The chairman and the members of the Council shall receive a monthly remuneration not exceeding three monthly average wages of the persons employed under employment and official legal relation in the public sector, based on data from the National Statistical Institute.

(2) The monthly salaries under paragraph 1 shall be calculated and paid from the budget of the National Assembly. The calculation of the remunerations shall be also based on their participation in the meetings of the Council, and no more than three minimum wages shall be paid per meeting."

§ 39. In the Concessions Act (promulgated in the State Gazette No. 96/2017; amended, No. 103/2017 and No. 7/2018) in Annex No. 4 to Article 26, section I, item 5, letter "e", the words "Article 3" shall be replaced by "Article 4".

§ 40. In the Payment Services and Payment Systems Act (promulgated in the State Gazette No. 23/2009; amended, Nos. 24 and 87/2009, No. 101/2010, No. 105/2011, No. 103/2012, Nos. 57 and 102/2015, Nos. 59 and 95/2016, No. 97/2017), in § 1 of the additional provisions, the following amendments shall be made:

1. In item 8, letter "b", the words "Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments" shall be replaced by "Directive 2004/39/EC of the European Parliament and of the Council of 5 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU."

2. In item 34, the words "Article 3" shall be replaced by the words "Article 4".

§ 41. (1) Employees who have been in an employment relationship with an employer under Article 2 of the Act on Factory and Office Workers' Claims Guaranteed in the Event of Their Employer's Bankruptcy and their relationship was discontinued within a period longer than three months before the date of entry in the commercial register of the decision under Article 6 of the same Act, shall be guaranteed under the conditions and in the amounts referred to in Article 22 of the same Act only the claims which have been accrued but unpaid for periods beyond 31 January 2015.

(2) The guaranteed claims shall be granted on the basis of a model application-statement filed by the employee to the territorial division of the National Social Security Institute by the seat of the employer within three months from the entry into force of the this Act.

(3) Guaranteed claims under paragraph 1 shall also be granted if the application-statement is submitted in the period from 22 December 2017 until the entry into force of this Act.

§ 42. This Act shall enter into force from the date of its promulgation in the State Gazette, with the exception of:

1. Article 222, paragraphs 1 – 3, which shall enter into force on 3 September 2019;

2. (Corrected, SG No. 16/2018) § 13, item 13, letter "a", which shall enter into force on 1 January 2018;

3. (Corrected, SG No. 16/2018) § 13, item 13, letter "b", which shall enter into force on 21 November 2017;

4. § 17, item 37 regarding Article 264a and item 39 concerning Article 273b, which shall enter into force on 1 January 2020.

This Act was passed by the 44th National Assembly on 1 February 2018, and the Official

Seal of the National Assembly has been affixed thereto.

Annex
to § 1, item 10
(New, SG No. 24/2018,
effective 16.02.2018)

PROFESSIONAL CLIENTS

Section I
Clients considered professional clients in respect of all investment services, investment activities and financial instruments

1. Persons for which granting of licence is required for conduct of business on the financial markets or whose activity is regulated otherwise by the national law of a Member State, whether or not in conformity with a Union directive, as well as persons which are granted authorisation for conduct of such activities or regulated otherwise by the national law of a third country shall be as follows:

a) credit institutions;

b) investment firms;

c) other financial institutions subject to licensing or regulated otherwise;

d) insurance companies;

e) collective investment undertakings and their management companies;

f) pension funds and pension insurance companies;

g) persons trading in commodities or commodity derivatives as a regular occupation or a business on their own account;

h) local companies;

i) other institutional investors.

2. Large companies which meet at least two of the following conditions:

a) total assets - the lev equivalent of EUR 20,000,000 at a minimum;

b) net turnover - the lev equivalent of EUR 40,000,000 at a minimum;

c) own funds - the lev equivalent of EUR 2,000,000 at a minimum.

3. National and regional government bodies, public bodies charged with or intervening in the management of the public debt, central banks, international and supranational institutions such as the World Bank, the International Monetary Fund, the European Central Bank, the European Investment Bank and other similar international organizations.

4. Other institutional investors whose primary business is investment in financial instruments, including persons dealing in securitisation of assets or other financing transactions.

Section II
Clients considered professional clients at their request

1. Identification criteria:

The clients shall meet at least two of the following criteria:

a) in the preceding 4 quarters the person has concluded on average 10 large-scale transactions per quarter on a relevant market;

b) the value of the investment portfolio of the person, which consists of financial instruments and cash deposits, exceeds the lev equivalent of EUR 500 000;

c) the person works or has worked in the financial sector for at least one year on a position which requires knowledge of relevant transactions or services.

2. Procedure:

Clients other than those under Section I of the annex, including organisations from the public sector, local government authorities, municipalities and private individual investors, may require from the investment firm not to apply some of the requirements applicable to retail investors. The investment firm may treat such clients as retail clients, if they meet the requirements listed below and subject to compliance with the procedure described. To be treated as professional clients, the persons may request to be treated as professional clients subject to compliance with the following:

The investment firm may not assume that the persons referred to in Paragraph 1 possess market knowledge and experience comparable to those of the persons referred to in Section I, without performing the necessary evaluation. The investment firm shall perform evaluation of the client's knowledge and experience on whether the client can make investment decisions and take risks associated with particular transactions and services. The evaluation shall be carried out in respect of the persons who manage and represent the client or who are authorised to carry out the relevant transactions in his name and for his account.

a) the clients shall request in writing from the investment firm to be treated as professional clients for all or for specific investment services or transactions or specific types of transactions or investment product;

b) the investment firm shall warn the client in writing that it will not be afforded the relevant degree of protection in providing the services and performing the activities by the investment firm and shall not enjoy the right of compensation from the Fund for Compensation of Investors in Financial Instruments;

c) the client must declare in a document other than the contract that he is notified of the consequences under "b";

d) before making a decision on treating the client as professional client, the investment firm shall take the necessary steps to assure itself that the client meets the requirements referred to in item 1.

The investment firm shall apply appropriate written internal policies and procedures for classification of clients. Professional clients shall inform the investment firm of any change that could lead to a change in their categorisation. In the event that the investment firm has established that a client no longer meets the conditions under which it is classified as a professional client, it shall take the necessary measures to reflect the change.